

Minco Gold Corporation

(An exploration stage enterprise)

Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2016 and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)



MINCO 明科金矿公司

GOLD CORPORATION

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of condensed consolidated interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of Minco Gold Corporation have been prepared by, and are the responsibility of, the Company's management. The accompanying unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

Minco Gold Corporation's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of condensed consolidated interim financial statements by an entity's auditor.

Dr. Ken Cai
President and CEO

Larry Tsang, CPA, CA
Interim Chief Financial Officer

Vancouver, Canada
May 12, 2016

Index

	Page
Condensed Consolidated Interim Financial Statements	4 - 8

Condensed Consolidated Interim Statements of Financial Position	4
Condensed Consolidated Interim Statements of Loss	5
Condensed Consolidated Interim Statements of Comprehensive Loss	6
Condensed Consolidated Interim Statements of Changes in Equity	7
Condensed Consolidated Interim Statements of Cash Flow	8

Notes to Condensed Consolidated Interim Financial Statements	9 - 18
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1	General information and liquidity risk	9
2	Basis of preparation	9
3	Critical accounting estimates and judgments	10
4	Cash and cash equivalents	11
5	Short-term investment	11
6	Mineral interests	11
7	Equity investment in Minco Silver Corporation	13
8	Receivable from legal settlement	14
9	Non-controlling interest	15
10	Share capital	16
11	Related party transactions	17
12	Fair value measurements	18

Minco Gold Corporation

(An exploration stage enterprise)

Condensed Consolidated Interim Statements of Financial Position

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

	March 31, 2016	December 31, 2015
	\$	\$
Assets		
Current assets		
Cash and cash equivalents (note 4)	4,867,322	5,593,669
Short-term investment (note 5)	3,898,341	4,048,341
Receivables	40,471	11,122
Due from related parties (note 11)	18,993	12,387
Prepaid expenses and deposits	163,009	162,970
	<u>8,988,136</u>	<u>9,828,489</u>
Long-term deposit	51,277	51,277
Property, plant and equipment	9,415	10,428
Equity investment in Minco Silver (note 7)	5,308,917	6,631,094
	<u>14,357,745</u>	<u>16,521,288</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	147,307	389,522
Due to related party (note 11)	214,638	177,330
	<u>361,945</u>	<u>566,852</u>
Equity		
Equity attributable to owners of the parent		
Share capital (note 10(a))	41,916,194	41,911,823
Contributed surplus	9,288,775	9,247,685
Accumulated other comprehensive income	1,840,564	2,763,940
Deficits	(39,049,733)	(37,969,012)
	<u>13,995,800</u>	<u>15,954,436</u>
Total equity	<u>14,357,745</u>	<u>16,521,288</u>

Approved by the Board of Directors

(signed) Malcolm Clay Director

(signed) Robert Callander Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Minco Gold Corporation

(An exploration stage enterprise)

Condensed Consolidated Interim Statements of Loss

For the three months ended March 31, 2016, and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

	Three months ended March 31,	
	2016	2015
	\$	\$
Exploration costs (note 6)	90,998	264,934
Administrative expenses		
Accounting and audit	19,572	24,145
Amortization	1,013	16,771
Consulting	4,537	8,418
Directors' fees	14,500	19,000
Investor relations	10,427	5,783
Legal and regulatory	43,416	41,164
Office and miscellaneous	60,045	121,524
Property investigation	31,450	25,665
Salaries and benefits	34,312	126,872
Share-based compensation (note 10(b))	42,861	13,348
Travel and transportation	3,661	23,283
	<u>265,794</u>	<u>425,973</u>
Operating loss	(356,792)	(690,907)
Finance income	16,561	8,159
Foreign exchange loss	(341,689)	(22,443)
Gain on legal settlement (note 8)	-	51,745
Impairment of equity investment in Minco Silver (note 7)	-	(3,466,674)
Share of gain (loss) from equity investment in Minco Silver (note 7)	(389,616)	283,699
Dilution loss (note 7)	(9,185)	-
	<u>(1,080,721)</u>	<u>(3,836,421)</u>
Net loss for the period		
Net loss attributable to:		
Shareholders of the Company	(1,080,721)	(3,810,723)
Non-controlling interest	-	(25,698)
	<u>(1,080,721)</u>	<u>(3,836,421)</u>
Loss per share		
Basic and diluted	(0.02)	(0.08)
Weighted average number of common shares outstanding		
Basic and diluted	50,583,029	50,536,264

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Minco Gold Corporation

(An exploration stage enterprise)

Condensed Consolidated Interim Statements of Comprehensive Loss

For the three months ended March 31, 2016, and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

	2016	2015
	\$	\$
Net loss for the period	(1,080,721)	(3,836,421)
Other comprehensive income (loss)		
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive income of investments accounted for using the equity method	(923,376)	1,752,975
Exchange differences on translation from functional to presentation currency	-	135,998
	<hr/>	<hr/>
Total comprehensive loss for the period	(2,004,097)	(1,947,448)
	<hr/>	<hr/>
Comprehensive income (loss) attributable to:		
Shareholders of the Company	(2,004,097)	(1,955,043)
Non-controlling interest	-	7,595
	<hr/>	<hr/>
	(2,004,097)	(1,947,448)
	<hr/>	<hr/>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Minco Gold Corporation

(An exploration stage enterprise)

Condensed Consolidated Interim Statements of Changes in Equity

For the three months ended March 31, 2016, and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

	Attributable to equity owner of the Company							Non-controlling interest	Total equity
	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficits	Subtotal			
		\$	\$	\$	\$	\$	\$	\$	
Balance - January 1, 2015	50,514,881	41,882,757	9,179,213	1,183,086	(52,330,354)	(85,298)	4,988,512	4,903,214	
Net loss for the period	-	-	-	-	(3,810,723)	(3,810,723)	(25,698)	(3,836,421)	
Other comprehensive income	-	-	-	1,855,680	-	1,855,680	33,293	1,888,973	
Proceeds on issuance of shares from exercise of options	46,500	20,325	(8,235)	-	-	12,090	-	12,090	
Share-based compensation	-	-	13,348	-	-	13,348	-	13,348	
Balance - March 31, 2015	50,561,381	41,903,082	9,184,326	3,038,766	(56,141,077)	(2,014,903)	4,996,107	2,981,204	
Balance - January 1, 2016	50,581,381	41,911,823	9,247,685	2,763,940	(37,969,012)	15,954,436	-	15,954,436	
Net loss for the period	-	-	-	-	(1,080,721)	(1,080,721)	-	(1,080,721)	
Other comprehensive loss	-	-	-	(923,376)	-	(923,376)	-	(923,376)	
Proceeds on issuance of shares from exercise of options	10,000	4,371	(1,771)	-	-	2,600	-	2,600	
Share-based compensation	-	-	42,861	-	-	42,861	-	42,861	
Balance - March 31, 2016	50,591,381	41,916,194	9,288,775	1,840,564	(39,049,733)	13,995,800	-	13,995,800	

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Minco Gold Corporation

(An exploration stage enterprise)

Condensed Consolidated Interim Statements of Cash Flow For the three months ended March 31, 2016, and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

	Three months ended March 31,	
	2016	2015
	\$	\$
Cash flow provided by (used in)		
Operating activities		
Net loss for the period	(1,080,721)	(3,836,421)
Adjustments for:		
Amortization	1,013	16,771
Equity loss on investment in Minco Silver	389,616	(283,699)
Impairment of equity investment in Minco Silver	-	3,466,674
Dilution loss	9,185	-
Foreign exchange loss	341,689	22,635
Gain on legal settlement (note 7)	-	(51,745)
Share-based compensation (note 9 (b))	42,861	13,348
Changes in items of working capital:		
Receivables	(29,349)	(40,299)
Due to/from related parties	30,702	37,929
Prepaid expenses and deposits	(39)	(134,248)
Accounts payable and accrued liabilities	(242,216)	(147,174)
Net cash used in operating activities	<u>(537,259)</u>	<u>(936,229)</u>
Investing activities		
Redemption of short-term investments	150,000	-
Net cash generated from investing activities	<u>150,000</u>	<u>-</u>
Financing activities		
Proceeds from stock option exercises	2,600	12,090
Net cash generated from financing activities	<u>2,600</u>	<u>12,090</u>
Effect of exchange rate changes on cash	<u>(341,688)</u>	<u>152,216</u>
Decrease in cash and cash equivalents	(726,347)	(771,923)
Cash and cash equivalents- Beginning of period	<u>5,593,669</u>	<u>2,117,038</u>
Cash and cash equivalents- End of period	<u>4,867,322</u>	<u>1,345,115</u>
Cash paid for income tax	-	-

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

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(An exploration stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2016, and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

1. General information and disposition of assets

Minco Gold Corporation (“Minco Gold” or the “Company”) was incorporated in 1982 under the laws of British Columbia, Canada as Cap Rock Energy Ltd. The Company changed its name to Minco Gold in 2007. The registered office of the Company is 2772 – 1055 West Georgia Street, British Columbia, Canada. The Company has listed its common shares on the Toronto Stock Exchange (“TSX”) under the symbol “MMM”, and the NYSE MKT under the symbol “MGH”.

As at March 31, 2016, Minco Gold owned an 18.43% (December 31, 2015 – 18.45%) equity interest in Minco Silver Corporation (“Minco Silver”), a TSX listed company.

On May 22, 2015, the Company entered into the share purchase agreement (“SPA”) with Minco Silver and Minco Silver’s wholly-owned subsidiary, Minco Investment Holding HK Ltd. (“Minco Investment”). Pursuant to the SPA, the Company disposed most of its mineral interests through the sale of all of the issued and outstanding shares of its wholly-owned subsidiary, Minco Resources Limited (“Minco Resources”), which held interests in Minco Mining (China) Corporation (“Minco China”) to Minco Investment. Minco China consolidated certain subsidiaries including Yuanling Minco Mining Ltd. (“Yuanling Minco”), Tibet Minco Mining Co. Ltd. (“Tibet Minco”), Huaihua Tiancheng Mining Ltd. (“Huanihua Tiancheng”), a legal ownership of Foshan Minco Mining Co. Ltd. (“Foshan Minco”) and a 51% interest in Guangdong Mingzhong Mining Co. Ltd. (“Mingzhong”), which owned the Changkeng Gold Project (Note 11).

Three assets have been retained by the Company including the contingent receivable from a legal settlement with 208 Team (Note 8) and the Gold Bull Mountain and Longnan exploration permits (Note 6)

As the Company ceased to have operating subsidiaries in China after the completion of the SPA, the Company has entered into a trust agreement with Minco Silver and Minco China where Minco China holds the above retained assets in trust for Minco Gold.

The Company is an exploration stage enterprise engaged in exploration and evaluation of gold-dominant mineral properties and projects and is currently review new mineral properties of merit.

2. Basis of preparation

These condensed consolidated interim financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements including IAS 34, *Interim Financial Reporting*. The condensed consolidated interim financial statements should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2015, which have been prepared in accordance with IFRS as issued by the IASB.

The accounting policies applied in these condensed consolidated interim financial statements are consistent with those applied in the preparation of the consolidated annual financial statements for the year ended December 31, 2015.

These financial statements were approved by the board of directors for issue on May 11, 2016.

Minco Gold Corporation

(An exploration stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2016, and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

3. Critical accounting estimates and judgments

Basic of measurement

These condensed consolidated interim financial statements have been prepared under the historical cost convention.

Basic of consolidation

The Company did not have subsidiaries during three months ended March 31, 2016 for consolidation. The comparative figures presented in these condensed consolidated financial statements to account for the three months ended March 31, 2015 include the accounts the following former subsidiaries (Note 1):

Name	Principal activities (ownership interest)	Country of Incorporation
Minco China	Exploring and evaluating mineral properties (100%)	China
Yuanling Minco	Exploring and evaluating mineral properties (100%)	China
Tibet Minco	Exploring and evaluating mineral properties (100%)	China
Huaihua Tiancheng	Exploring and evaluating mineral properties (100%)	China
Minco Resources	Holding company (100%)	Hong Kong
Mingzhong	Exploring and evaluating mineral properties (51%)	China

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Critical accounting estimates and judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable in the circumstances. The following discusses the most significant accounting judgments and estimates that the Company has made in the preparation of the financial statements:

Significant Influence of Minco Silver

Management has assessed the level of influence that the Company has on Minco Silver and determined that it has significant influence even though its shareholding, beginning on April 22, 2014 is below 20%. This is because of the representation on Minco Silver's board, common CEO and other shared management.

Minco Gold Corporation

(An exploration stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2016, and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

3. Critical accounting estimates and judgments (continued)

Impairment – investment in associate

At each reporting date, management conducts a review to determine whether there is any objective evidence that the investment in associate is impaired. This determination requires significant judgment. In making this judgment, management evaluates among other factors, the movements in the trading share price of Minco Silver and other commercial activities impacting Minco Silver. If objective evidence of impairment exists, then the Company recognizes an impairment loss in the statement of income (loss) to the extent that the estimated recoverable amount is less than the carrying value.

As at March 31, 2016, the company concluded that due to the positive developments in Minco Silver, which included the acquisition of Minco Resources and the related activities associated with the Changkeng project, accompanied by a corresponding increase in the market value of Minco Silver's share price, indication of impairment was not identified.

Impairment losses previously recorded are reversed if the conditions that gave rise to the impairment are no longer present and it has been determined that the asset is no longer impaired as a result. This reversal is recognized in net income in the period the reversal occurs, and is limited by the carrying value that would have been determined, from the application of equity accounting method, had no impairment charge been recognized in prior periods.

4. Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and guaranteed investment certificates with initial maturities of less than three months. The company did not hold any cash equivalents as at March 31, 2016 and December 31, 2015. As at March 31, 2016, the cash balance included USD \$3,704,748 (\$4,803,762 equivalent) comparing to USD 4,007,446 (\$5,557,926 equivalent) held on December 31, 2015.

5. Short-term investment

As at March 31, 2016, short-term investments consist of \$3,898,341 (December 31, 2015 - \$4,048,341) cashable guaranteed investment certificates, that earns an interest of 1.4% per annum and matures on December 28, 2016.

6. Mineral interests

As at March 31, 2016, the Company had the following mineral interests:

a) Gansu – Longnan Property

After the completion of the SPA on July 31, 2015, Minco China held nine exploration permits in the trust for the Company in the Longnan region in the south of Gansu Province in China. The Longnan region is within the southwest Qinling gold field. The Longnan region consists of three projects Yejiaba – four exploration permits; Yangshan – four exploration permits; Xicheng East – one exploration permit, according to their geographic distribution, type and potential of mineralization.

Minco Gold Corporation

(An exploration stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2016, and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

6. Mineral interests (continued)

a) Gansu – Longnan Property

On December 13, 2013, Minco China entered into an agreement with Gansu Yuandong Investment Co., Ltd (“YDIC”) in which the Company agreed to sell two exploration permits in the Xicheng East and Yejiaba area to YDIC for RMB 0.8 million (\$170,973). The process of transferring the titles to the two permits to YDIC was pending approval by Gansu province and the proceeds were not received as at March 31, 2016.

On December 26, 2014, Minco China entered into an agreement with Beijing Runlong Investment Limited Company (“Beijing Runlong”) in which the Company agreed to sell four exploration permits in the Yangshan area to Beijing Runlong for total cash proceeds of RMB 3,200,000 (\$604,618).

Beijing Runlong must make the following payments to Minco China:

- i) 5% of the total cash proceeds within 20 working days from the date of signing the agreement (not received)
- ii) 45% of the total cash proceeds upon receiving the approval of the transfer from the Provincial land and resources administrative authority, before submitting to the Ministry of Land and Resources (not received); and
- iii) 50% of the total cash proceeds within 5 days upon receiving the approved exploration rights license (not received).

As the proceeds were not received as at March 31, 2016, the Company considers Beijing Runlong is in default of the agreement. As a result, the titles of these four permits are still kept by the Company. The Company did not record any receivable due to the uncertainty of collectability.

c) Hunan - Gold Bull Mountain

Minco China through its subsidiary Yuanling Minco holds the Gold Bull Mountain exploration permit in trust for the Company. This exploration permit expires on June 28, 2017.

The following is a summary of exploration costs, net of recoveries, incurred and expensed by each project:

	Three months ended March 31,		Cumulative to March 31,
	2016	2015	2016
	\$	\$	\$
Currently active properties:			
Gansu - Longnan	84,327	192,071	12,452,038
Guangdong- Changkeng (i)	-	62,647	8,285,703
Hunan			
Hunan- Gold Bull Mountain	6,671	10,110	2,323,282
Guangdong- Sihui	-	106	6,099
Total	<u>90,998</u>	<u>264,934</u>	<u>23,067,122</u>

(i) Changkeng Property was sold to Minco Silver on July 31, 2015

Minco Gold Corporation

(An exploration stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2016, and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

7. Equity investment in Minco Silver Corporation

As at March 31, 2016, the Company owned 11,000,000 common shares of Minco Silver which represented 18.43% ownership of Minco Silver (December 31, 2015 – 11,000,000 share or 18.45%).

The Company determined that it continued to hold significant influence over Minco Silver despite the Company owning less than 20% of the voting rights of Minco Silver. The Company continues to have the ability to influence Minco Silver through its board representation, common CEO and shared management positions between the Company and Minco Silver. As a result, the Company continues to account for its investment in Minco Silver with the equity method.

As at March 31, 2016, management evaluated its equity investment in Minco Silver for indications of impairment. The company concluded that due to the positive developments in Minco Silver, which included the acquisition of Minco Resources and the related activities associated with the Changkeng project, accompanied by a corresponding increase of Minco Silver's market value, no indication of impairment was identified as at March 31, 2016.

	2016	2015
	\$	\$
As at January 1, Equity investment in Minco Silver	6,631,094	6,820,000
Dilution loss	(9,185)	-
Share of associates income (loss)	(389,616)	1,259,391
Share of other comprehensive income (loss) of investments accounted for using the equity method (i)	(923,376)	1,958,940
Unrealized gain on disposition of Minco Resources	-	(3,407,237)
Equity investment in Minco Silver as at March 31, 2016 and December 31, 2015	<u>5,308,917</u>	<u>6,631,094</u>

(i) Represent the exchange differences on translation from functional to presentation currency of Minco Silver's subsidiaries

The following is a summary of Minco Silver's balance sheet and reconciliation to carrying amounts as at March 31, 2016 and December 31, 2015:

	March 31,	December 31,
	2016	2015
	\$	\$
Cash and cash equivalents	16,734,266	26,202,564
Other current assets	37,740,318	33,039,404
Mineral interests	60,465,577	63,676,055
Property, plant and equipment	389,246	434,999
Current liabilities	350,304	638,550
Total equity	<u>114,979,104</u>	<u>122,714,472</u>

Minco Gold Corporation

(An exploration stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2016, and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

7. Equity investment in Minco Silver Corporation (continued)

Reconciliation to carrying amounts:

	March 31, 2016	December 31, 2015
Minco Gold's share in percentage	18.43%	18.45%
Minco Gold's share of net assets of Minco Silver	\$21,190,649	\$ 22,640,820
Differences between Minco Gold's share of net asset and carrying value of the equity investment	<u>(15,881,732)</u>	<u>(16,009,726)</u>
Carrying value of investment in Minco Silver	<u>\$ 5,308,917</u>	<u>\$ 6,631,094</u>

The following is a summary of Minco Silver's income statement for the three months ended March 31, 2016 and 2015:

	Three months ended March 31, 2016	Three months ended March, 2015
	\$	\$
Administrative recovery (expenses)	(2,344,786)	694,625
Finance and other income	176,727	592,474
Net income (loss) for the period		
- Shareholders of the Company	(2,112,902)	1,537,937
- Non-controlling interest	(55,157)	-
Other comprehensive income for the period		
- Shareholders of the Company	(5,007,503)	9,502,918
- Non-controlling interest	(774,695)	-
Comprehensive income (loss) for the period	<u>(7,950,257)</u>	<u>11,040,855</u>

8. Receivable from a legal settlement

On December 16, 2010, Minco China entered into an agreement with the 208 Team, a subsidiary of China National Nuclear Corporation, to acquire a 51% equity interest in the Tugurige Gold Project located in Inner Mongolia, China (the "Agreement"). The 208 Team did not comply with certain of its obligations under the Agreement, including its obligation to set up a new entity (the "JV Co") and the transfer of its 100% interest in the Tugurige Gold Project to the JV Co. As a result, Minco China commenced legal action in China seeking compensation.

On March 25, 2013, Minco China settled its claim against the 208 Team relating to the Agreement for an amount of RMB 14 million (\$2.4 million). Minco China received RMB 5 million (\$801,395) during 2013 and recognized a receivable of RMB 4 million (\$699,688) as at December 31, 2013. The Company received RMB 4 million (\$720,095) in January 2014.

Minco Gold Corporation

(An exploration stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2016, and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

8. Receivable from a legal settlement (Continued)

On May 6, 2015, Minco China reached an agreement to settle its claim against the 208 Team for an amount of RMB 5.5 million (\$1,138,472). The payments were to be received in following manner:

- i) On the signing date of the agreement- RMB 500,000 (\$98,940) (received by Minco China on May 7, 2015)
- ii) On or before June 17, 2015- RMB 2,000,000 (\$405,894) (outstanding)
- iii) On or before August 7, 2015- RMB 3,000,000 (\$608,840) (outstanding)

Upon the completion of the SPA, the Company continued to hold the interest of the outstanding receivable (RMB 5,000,000) through a trust agreement with Minco China. As at March 31, 2016, the Company has not received the remaining RMB 5 million (\$1,014,734).

The Company, through Minco China, has engaged a Chinese law firm to recommence legal action against 208 Team to recover the remaining RMB 5 million (\$1,014,734) unpaid balance on a contingent fee basis whereby the Company will pay the Chinese law firm 50% of the net amount recovered. The Company has not recognized this receivable as at December 31, 2015 and March 31, 2016 due to the uncertainty of collectability.

9. Non-controlling interest

Below is summarized financial information for Mingzhong, a 51% owned subsidiary formerly owned by the Company until July 31, 2015 upon the completion of the SPA. The amounts disclosed are based on those included in the condensed consolidated interim financial statement before inter-company eliminations.

Summarized income statement

For the period ended	March 31, 2016	March 31, 2015
	\$	\$
Net loss	-	(52,446)
Other comprehensive income	-	67,947
Total comprehensive income (loss)	-	15,501
Loss allocated to NCI	-	(25,698)

Summarized cash flows

For the period ended	March 31, 2016	March 31, 2015
	\$	\$
Cash flows from operating activities	-	(141,200)
Cash flows from financing activities	-	-
Effect of exchange rate changes on cash	-	113,417

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(An exploration stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2016, and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

10. Share capital

- a. Common shares and contributed surplus

Authorized: 100,000,000 common shares without par value

- b. Stock options

Minco Gold may grant options to its directors, officers, employees and consultants under its stock option plan (the "Stock Option Plan"). The Company's board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options are granted. These options are equity-settled.

During the three months ended March 31, 2016, the Company did not grant any stock option.

The maximum number of common shares reserved for issuance under the Stock Option Plan is 15% of the issued and outstanding common shares of the Company.

Minco Gold recorded \$42,861 in share-based compensation expense for the three months ended March 31, 2016 (March 31, 2015 - \$13,348).

A summary of the options outstanding is as follows:

	Number outstanding	Weighted average exercise price
		\$
January 1, 2015	6,460,501	0.79
Granted	1,190,000	0.24
Exercised	(66,500)	0.26
Forfeited	(927,500)	0.55
Expired	(66,667)	0.93
Balance, December 31, 2015	6,589,834	0.72
Exercised	(10,000)	0.26
Forfeited	(30,000)	0.46
Expired	(1,122,500)	2.17
Balance, March 31, 2016	5,427,334	0.43

The weighted average share price on the date of exercise was \$0.26 in 2016 (2015 - \$0.30). As at March 31, 2016, there was \$43,309 (2015- \$11,759) of total unrecognized compensation cost relating to unvested stock options.

Minco Gold Corporation

(An exploration stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2016, and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

10. Share capital (continued)

Range of exercise prices	Number outstanding	Options outstanding		Options exercisable	
		Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$			\$		\$
0.18 – 0.24	1,040,000	4.46	0.24	321,664	0.24
0.25 – 0.42	1,012,334	2.80	0.26	1,012,334	0.26
0.43 – 0.54	2,115,000	1.74	0.46	2,115,000	0.46
0.55 – 0.67	1,260,000	0.99	0.67	1,260,000	0.67
	5,427,334	2.28	0.43	4,708,998	0.46

The Company uses the Black-Scholes option pricing model to determine the fair value of the options.

Option pricing models require the use of subjective estimates and assumptions including the expected stock price volatility. The stock price volatility is calculated based on the Company's historical volatility. Changes in the underlying assumptions can materially affect the fair value estimates.

11. Related party transactions

Funding of Foshan Minco

Up to July 31, 2015, Minco Silver could not invest directly in Foshan Minco as Foshan Minco is legally owned by Minco China. All historical funding supplied by Minco Silver for exploration of the Fuwan Project first went through Minco China via the Company and Minco Resources to comply with Chinese Law. In the normal course of business Minco Silver uses trust agreements when providing cash, denominated in US dollars, to Minco China via the Company and Minco Resources for the purpose of increasing the registered capital of Foshan Minco. Upon completion of the disposal of Minco Resources (note 1), the requirement for the trust structure was eliminated.

Shared office expenses

- Minco Silver and Minco Gold share offices and certain administrative expenses in Beijing up to July 31, 2015. Minco Silver, Minco Base Metals Corporation ("MBM"), a company with which the Company's CEO has significant influence over, and Minco Gold share offices and certain administrative expenses in Vancouver.

Minco Gold Corporation

(An exploration stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2016, and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

11. Related party transactions (continued)

At March 31, 2016, the Company had \$214,638 due to Minco Silver (December 31, 2015 – \$177,330), representing shared office expenses, and expenses in relation to the Company's remaining assets in China.

- b) At December 31, 2016, the Company had \$18,993 due from MBM (December 31, 2015 - \$12,387), in relation to shared office expenses.

The amounts due are unsecured, non-interest bearing and payable on demand.

The amounts due are unsecured, non-interest bearing and payable on demand.

Key management compensation

Key management includes the Company's directors and senior management. This compensation is included in exploration costs and administrative expenses.

For the three month ended March 31, 2016 and 2015, the following compensation was incurred with key management:

	Three months ended March 31,	
	2016	2015
	\$	\$
Cash remuneration	69,896	98,400
Share-based compensation	37,228	10,306
Total	<u>107,124</u>	<u>108,706</u>

The above transactions were conducted in the normal course of business.

12. Fair value measurements

Financial assets and liabilities that are recognized on the balance sheet at fair value can be classified in a hierarchy that is based on the significance of the inputs used in making the measurements. The levels in the hierarchy are:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Financial instruments that are not measured at fair value on the balance sheet are represented by cash and cash equivalents, receivable, due from related parties, account payable and accrued liabilities, and due to related parties. The fair values of these financial instruments approximate their carrying value due to their short-term nature.