MINCO GOLD CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2009

This management's discussion and analysis ("MD&A") of the operating results and financial position of Minco Gold Corporation and its subsidiaries ("Minco Gold" or "the Company") is for the year ended December 31, 2009 compared with the year ended December 31, 2008. Together with the consolidated financial statements and related notes, the MD&A provides a detailed account and analysis of the Company's financial and operating performance for the year. The Company's functional and reporting currency is the Canadian dollar. This MD&A is current to March 29, 2010 and should also be read in conjunction with the Company's Annual Information Form and other corporate filings available at www.sedar.com ("SEDAR").

Management is responsible for the consolidated financial statements referred to in this MD&A, and provides officers disclosure certifications filed with securities commissions on SEDAR. The audit committee reviews the consolidated financial statements and MD&A, and recommends approval to the Company's Board of Directors.

The MD&A should be read in conjunction with the consolidated financial statements of the Company and related notes, which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Refer to Note 2 of the December 31, 2009 and 2008 audited consolidated financial statements for disclosure of the Company's significant accounting policies.

Company Overview

Minco Gold (TSX: MMM/NYSE Amex:MGH/FSE:MI5) was incorporated under the laws of British Columbia, Canada in 1982 as Caprock Energy Ltd. Following a number of name changes, the Company became Minco Gold in 2007. The principal business activities include the acquisition, exploration and development of gold properties.

Minco Gold is exploring and evaluating mineral properties and projects in the People's Republic of China ("China"). Through joint ventures with various Chinese government entities and alliances with mining enterprises in China, the Company is working to build a strong portfolio of commercially viable projects in China.

The Company is in the exploration stage and has no operating revenue. Since the signing of its first co-operation agreement in China in 1996, the Company has been active in Chinese mineral exploration and property evaluation and plans to build a portfolio of precious metal properties in China. The Company has conducted exploration work on properties located in Sichuan, Xinjiang, Hubei, Hunan, Inner Mongolia, Guangdong and Gansu provinces of China, and investigated or evaluated many additional Chinese mineral properties.

The Company does not generate revenues and has accumulated losses since inception and is unlikely to generate earnings in the immediate future. On October 22, 2009, the Company closed a private placement financing for gross proceeds of $4,400,000.

Companies

The Company has interests in properties through direct and indirect ownership (through wholly owned subsidiaries and through joint ventures and business combinations) as follows:

Wholly-owned subsidiaries **-** Minco Mining (China) Corporation ("Minco China"), Yuanling Minco Mining Ltd. ("Yuanling Minco"), Huaihua Tiancheng Mining Ltd. ("Huaihua Tiancheng") and Triple Eight Mineral Corporation ("Temco")..

Less than Wholly-owned subsidiaries **-** the Company has equity interests in the following projects and joint ventures:

- 51% of a joint venture company formed and known as Guangzhou Mingzhong Mining Co., Ltd. (the "Mingzhong JV"),- holding company for the Changkeng Gold project and the Changkeng Exploration Permit;
- 65% of a joint venture company formed and known as Inner Mongolia Damo Mining Co. Ltd. (the "Damo JV") - holding company for the Gobi Gold project
- Equity interests – as at December 31, 2009, the Company's ownership of Minco Silver Corporation ("Minco Silver") was 32.01%.

Highlights for the year ended December 31, 2009

For the year ended December 31, 2009:

1. Recorded a net loss $0.2 million or a loss per share of $0.00 (2008 – a loss of $13.3 million or a loss per share of $0.30). The Company recorded a loss from continuing operations of $0.8 million or a loss per share of $0.02 (2008 – a loss of $14.1 million or a loss per share of $0.33) which reflects the Company's focus on continued exploration and acquisition activities.

2. In March 2009, the Company reported an NI 43-101 resource estimate for the Changkeng project on the distinct and separate gold dominant and silver dominant zones was completed by P&E Mining Consultants Inc. of Brampton, Ontario. The gold dominant deposit contains an indicated gold resource of 3.9 million tonnes @ 4.89 g/t gold ("Au") for a total of 623,100 oz contained gold and an inferred gold resource of 4.0 million tonnes @ 3.01 g/t Au for a total of 386,800 oz Au. The silver dominant deposit contains an indicated silver resource of 5.6 million tonnes @ 170.0 g/t silver ("Ag") for a total of 30,708,000 oz contained silver and an inferred silver resource of 1.06 million tonnes @ 220.0 g/t Ag for a total of 7,517,000 oz Ag. Work continued on the completion of the National Exploration Report.

3. In the Longnan region the Company resumed field activities within the three main areas and then later stopping all work at Xicheng East due to negative results. Traversing, sampling and trenching were completed in all three project areas. During the 2nd half of 2009, all work was focused on the Yangshan and Yejiaba project areas. A new gold enriched structural trend was discovered on the Oujiaba permit within the Yangshan area and was identified intermittently over a strike length of approximately 6 kilometres with significant gold mineralization being intersected in surface trenches in 4 areas. The best continuous channel samples results are 1.18g/t Au over 4.7 metres, 13.2 g/t Au over 10.0 metres, 0.33 g/t Au over 4.0 metres and 0.60g/t Au over 1.5 metres. Within the Yejiaba project area, detailed traversing and surface trenching identified significant silver - iron – lead - zinc enriched poly-metallic zone with a width of 5 to 25 metres. The best continuous surface channel sample results are listed in the Summary and detailed property section of this document.

4. No work was completed on the Gobi Gold project, Gold Bull Mountain project and Xiaoshan project during 2009.

5. Minco Gold elected to sell its interest in the Inner Mongolia Huayu-Minco Mining Co., Ltd. (the "HYMK JV" or "BYC") BYC project for RMB7.0 million (approximately $1.2 million). The Company recorded this transaction in the fourth quarter of 2008. Proceeds from the sale were received in three installments, with the final installment of RMB 2.8 million ($0.4 million) received on February 28, 2009.

6. Minco Gold elected to sell its interest in Henan Zhongjia Co. Ltd. On April 26, 2009, the Company entered into a sale agreement to dispose of its interest in Zhongjia . After completion of all legal requirements and approvals, the Company relinquished all managerial involvement and control to the purchaser on June 30, 2009. Gross proceeds on disposal were RMB 2.46 million (approximately $0.4 million)

Results of Operations

Exploration Costs

For the years ended December 31, 2009 and 2008

Exploration costs, net of exploration cost recoveries, for the year ended December 31, 2009 were $0.2 million compared to $10.2 million in the comparative year in 2008. The decrease was due to the recovery of exploration costs of $1.4 million for the Changkeng Silver mineralization and lower exploration activities. Therefore the gross amount before recovery was $1.6 million for the year ended December 31, 2009.

For the three months ended December 31, 2009 exploration costs totaled $0.4 million (2008 - $1.7 million).

Pursuant to the terms of the agreement on Changkeng Silver mineralization, the Company has assigned its right to earn 51% interest on Changkeng Silver mineralization to Minco Silver. As a result of the assignment, Minco Silver is responsible for 51% of the costs in relation to the Changkeng Silver mineralization.

In 2009, the Company and Minco Silver entered into an agreement and agreed Minco Silver will share and pay 30% of the Company's 51% of the cost of the permit. Accordingly, in the year ended December 31, 2009, the Company recorded a receivable due from Minco Silver of $1,205,298, and an exploration permit costs recovery for the year.

For the years ended December 31, 2008 and 2007

Exploration costs including exploration permit purchases for the year ended December 31, 2008 totaled $10.2 million (2007 - $1.8 million) and for the three months ended December 31, 2008 totaled $1.6 million (2007 - $1.5 million).

The increase in exploration costs is due to the acquisition of the Changkeng Exploration Permit during 2008 and the increase in field work activities undertaken on the Longnan Properties.

The following is a summary of exploration costs incurred by the Company.

Year ended December 31,	2009	2008	2007
Gansu			
- Yangshan, Anba(*)	$ -	$ -	$ 12,941
- Minco-Qinqi (formerly West Extension of Yangshan) *	-	-	(163,088)
- Longnan	1,336,083	1,414,127	886,375
Inner Mongolia			
- Gobi Gold	(8,003)	270,532	214,319
- BYC **	-	-	34,098
Guangdong			
- Changkeng	(1,090,981)	8,351,719	149,551
Hunan			
- Gold Bull Mountain	4,137	98,948	655,858
Henan Zhongjia			
- Xiaoshan**	-	57,953	55,196
Total	241,236	10,193,273	1,845,250

* Projects terminated
** Projects disposed

The following table summarizes the key operating results for the years ended December 31, 2009, 2008 and 2007.

Statement of Operations	2009	2008	2007
Exploration Permit costs (recoveries)	$ (1,205,298)	$6,611,918	$ 842,788
Exploration costs	1,446,534	3,581,361	1,002,462
Administrative expenses	2,481,140	4,789,686	4,965,307
Operating loss	(2,722,376)	(14,982,965)	(6,810,557)
Unrealized gain (loss) on marketable securities	23,100	(75,600)	(232,546)
Write down of mineral interests	-	(358,500)	-
Gain on sale of exploration permits	-	425,632	-
Gain on sale of Minco Silver shares	-	-	2,978,034
Interest and other income	123,051	363,361	299,354
Loss for the year before discontinued operations, non-controlling interest, taxes expenses, loss from equity investment and dilution gain	(2,576,224)	(14,628,072)	(3,765,715)
Tax expenses	-	(85,349)	-
Share of loss from equity investment in Minco Silver	(1,659,280)	(948,750)	(3,239,898)
Dilution gain	3,479,000	1,544,454	191,000
Non-controlling interest	-	-	97,114
Loss for the period from continuing operations	(756,504)	(14,117,717)	(6,717,499)
Income (loss) from discontinued operations	555,604	853,412	(862,732)
Loss for the year	(200,900)	(13,264,305)	(7,580,231)
Basic and diluted (loss) per share	$(0.00)	$(0.31)	$(0.18)
Weighted average number of shares outstanding	43,148,525	42,970,813	42,908,809

Summary of Quarterly Results

The following table summarizes selected financial information for the eight most recently completed quarters:

	2009				2008			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Exploration costs (recoveries)	$ 375,951	$ (1,011,452)	$ 303,435	$ 573,302	$1,565,329	$ 864,403	$ 751,978	$7,011,569
Administrative expenses	757,916	715,180	863,870	705,771	832,197	951,442	942,721	1,048,304
Foreign exchange (gain) loss	(613 518)	73,049	46,213	(67,341)	323,425	344,107	284,917	48,870
Operating income (loss)	(520,349)	223,223	(1,213,518)	(1,211,732)	(2,720,951)	(2,159,952)	(1,979,616)	(8,108,743)
Other income (loss)	1,535	90,184	26,845	27,587	308,654	(18,555)	388	64,406
Income (loss) for the period before discontinued operations, non-controlling interest, tax, loss from equity investment and dilution gain	(518,814)	313,407	(1,186,673)	(1,184,145)	(2,412,297)	(2,178,507)	(1,979,228)	(8,044,337)
Tax expenses	-	-	-	-	(85,349)	-	-	-
Share of gain (loss) from equity investment in Minco Silver	(277,786)	(742,483)	(506,188)	(132,823)	142,209	(112,964)	(507,599)	(470,396),
Dilution gain	3,361,154	965	116,881	-	-	-	1,375,604	168,850
Non-controlling interest	-	-	-	-	(82,685)	72,290	(51,726)	62,121
Income (loss) from continuing operations	2,564,555	(428,111)	(1,575,980)	(1,316,968)	(2,438,122)	(2,219,181)	(1,162,949)	(8,283,762)
Income (loss) from discontinued operations	(7,488)	(14,359)	577,451	-	1,088,712	(93,954)	(155,049)	-
Net income (loss) for the period	$2,557,067	$(442,470)	$(998,529)	$(1,316,968)	$(1,349,410)	$(2,313,135)	$(1,317,998)	$(8,283,762)
Basic and diluted income (loss) per share	$(0.05)	($0.01)	($0.02)	($0.03)	($0.03)	$(0.05)	$(0.03)	$(0.19)
Weighted average number of shares outstanding	43,148,525	43,011,106	43,005,551	42,989,051	43,148,525	42,974,157	42,974,157	42,928,385

As the 2009 year progressed, management continued to monitor and make business decisions on how best to manage its available cash flows. Exploration activities were limited in the fourth quarter as the Company concentrated on the Changkeng Gold project and Longnan projects.

In the first quarter of 2008, the Company accrued RMB 19 million ($2.94 million) as the first installment on the Changkeng exploration permit. (The amount was paid in December 2008) As at December 31, 2008, the Company accrued the remaining balance due on the payment for the exploration permit of RMB 29 million ($ 5.04 million) and paid exploration permit costs of $3.66 million, the interest expenses $0.21 million and a $1.17 million exchange loss. As a result of these transactions, total exploration permit costs for 2008 were $6.6 million.

On May 25, 2009, Mingzhong received government approval to convert shareholder loans totaling RMB 30 million (approximately $5.53 million) to equity. As a result of this conversion, the Company recognized the minority shareholder's contribution as a non-controlling interest of RMB 14.7 million (approximately $2.49 million).

Pursuant to the terms of the agreement on Changkeng Silver mineralization, the Company has assigned its right to earn a 51% interest in the Changkeng Silver mineralization to Minco Silver. As a result, Minco Silver is responsible for 51% of the costs in relation to the Changkeng Silver mineralization.

In the year ended December 31, 2009, $207,710 was recorded as an exploration cost recovery, which represents 51% of the incurred costs on Changkeng Silver mineralization and paid on Minco Silver's behalf by the Company. Minco Silver will reimburse this amount to the Company.

On July 18, 2008 the Company signed an agreement with Long Da Fu (Beijing) Investments Co. Ltd ("LongDaFu") to sell the interest in HYMK for RMB 7 million ($1.2 million). There was a transition period from September 10, 2008 to October 31, 2008 while the companies awaited government approval. Following receipt of government approval, on October 31, 2008, Long Da Fu took over management control and daily operations. Of the total RMB 7 million ($1.2 million), the Company received RMB 4.25 million ($757,710) and has recorded RMB 2.75 million ($490,283) as receivable on December 31, 2008. This was received subsequent to the year end 2008. As at December 31, 2008, the Company recorded Earnings for the year from discontinued operations of $ 1.16 million.

In the fourth quarter of 2007, the Company recorded a gain on the sale of 1,000,000 Minco Silver shares of $3.0 million. This is the main contributor to the increase in earnings in the fourth quarter of 2007. There have been no further sales of Minco Silver shares.

Minco Silver has capitalized $9.0 million (2008 - $5.3 million) of development costs and Minco Gold's equity share of this amount is $3.6 million.

Administrative Expenses

For the years ended December 31, 2009 and 2008

The Company's administrative expenses include overhead associated with administering and financing the Company's exploration activities. For the full year ended December 31, 2009 the Company incurred a total of $2.5 million (2008 - $4.8 million) administrative expenses. In the three-month period ended December 31, 2008, the Company spent a total of $0.8 million on administrative expenses (2008- $0.8 million).

Significant changes in expenses are as follows:

- The Company had incurred nominal interest expense in 2009 compared to $0.2 million in 2008. This decrease reflects the conversion of the loans payable of the minority shareholders' loans in Mingzhong to share capital.
- The Company recorded a foreign exchange gain of $0.56 million for the full year ended December 31, 2009 (2008 loss – $1 million) and for the three month period ended December 31, 2009, a foreign exchange gain of $0.02 million (2008 – loss of $1.5 million).
- The Company incurred investor relations expense of $0.1 million for the year ended December 31, 2009 (2008 - $0.4 million) and in the current quarter $0.01 million (2008 - $0.02 million). The decrease reflects management's efforts to reduce expenditures to preserve funds for exploration activities.
- In the year ended December 31, 2009, the Company granted 1,907,000 stock options to its directors, officers, employees and consultants at the price range from $0.48 to $1.06 per share. The Company recorded stock based compensation expense of $0.8 million for the full year ended December 31, 2009 (2008 - $1.2 million) and during the three months ended December 31, 2009 $0.06 million (2008 - $0.3 million). The decrease in stock based compensation over prior year is due to the lower weighted average exercise price of options issued in 2009 as compared to 2008.

To date the Company has been in the exploration stage and has not earned revenue from operations. Income earned has been interest income, rental income and sundry income.

Interest income

In the year ended December 31, 2009, interest income was $0.04 million (2008 - $0.14 million).

Sundry income

In the year ended December 31, 2009, sundry income was $0.01 million (2008 – $0.15 million) recorded on debts forgiven.

Rental income

In the year ended December 31, 2009, rental income was $0.08 million (2008 – 0.07 million) recorded on office space sub-let to related parties.

Short-term investment

As at December 31, 2009, short-term investments consisted of $2,475,936 of cashable guaranteed investment certificates with terms of greater than ninety days but not greater than one year (2008 – $850,904) and $Nil in commercial notes (2008 – $71,655).

Marketable Securities

As at December 31, 2009, the Company held 420,000 common shares (2008 – 420,000 common shares) of Nanika Resources Inc. ("Nanika"). The market value of the shares was $35,700 (2008 - $12,600).

For the years ended December 31, 2008 and 2007

The Company's administrative expenses include overhead associated with administering and financing the Company's exploration activities. For the full year ended December 31, 2008 the Company incurred a total of $4.8 million (2007 - $5.0 million) administrative expenses. In the three-month period ended December 31, 2008, the Company spent a total of $0.9 million on administrative expenses (2007- $1.4 million) net of foreign exchange.

Significant changes in expenses are as follows:

- Consulting fees increased to $0.28 million (2007 - $0.08 million) as the Company incurred fees associated with a review of the internal controls and SOX compliance with a major accounting firm. In addition, the Company recorded costs associated with consultants providing "in-house" legal counsel and CFO advisory services.
- The Company recorded a foreign exchange loss of $1.0 million for the full year ended December 31, 2008 (2007 loss – $0.4 million) and for the three month period ended December 31, 2008, a foreign exchange gain of $0.6 million (2007 – gain of $0.5 million).
- The Company incurred investor relations expense of $0.4 million for the year ended December 31, 2008 (2007 - $0.6 million) and in the current quarter $0.02 million (2007 - $0.2 million). The decrease reflects management's efforts to reduce expenditures as they preserve cash funds for exploration activities.
- The Company had reduced property investigation expenses in 2008 ($0.1 million) as the focus was on the Changkeng Gold property in relation to prior year (2007 - $0.2 million).

- In the year ended December 31, 2008, the Company granted 767,500 stock options to its employee and consultants at the price of $0.46 per share. The Company recorded stock based compensation expense of $1.2 million for the full year ended December 31, 2008 (2007 - $2.0 million) and during the three months ended December 31, 2008 $0.3 million (2007 - $0.4 million). The decrease in stock based compensation over prior year is due to the fact that there were less new options issued and the price at which the options were granted.

To date the Company has been in the exploration stage and has not earned revenue from operations. Income earned has been interest income, rental income and sundry income.

Interest income

In the year ended December 31, 2008, interest income was $0.14 million (2007 - $0.24 million).

Sundry income

In the year ended December 31, 2008, sundry income was $0.15 million (2007 – nil) recorded on debts forgiven.

Rental income

In the year ended December 31, 2008, rental income was $0.07 million (2007 – 0.06 million) recorded on office space sub-let to related parties.

Short-term investment

Short-term investments consist of, cashable guaranteed investment certificates with terms of greater than ninety days but not greater than one year, commercial notes and marketable securities. As of December 31, 2008, the Company held $922,559 (2007 - $6,149,044) in short-term investments.

Financial Position

The Company's total assets at December 31, 2009 increased to $14.6 million (2008 - $10.6 million) as the Company increased cash and short term investments during 2009. In addition, the Company's equity investment in Minco Silver has increased during 2009 due to dilution gains. At December 31, 2009, the Company has cash and short term investments (and therefore liquid assets that can easily be converted to cash) of $6.0 million (2008 - $3.5 million) available for use in operations. In addition, the Company has $2.1 million due from Minco Silver (2008 – $1.2 million) which can be collected on demand.

Properties

The Company has interests in properties through direct and indirect ownership (through wholly owned subsidiaries and through joint ventures and business combinations) as follows:

- Wholly-owned subsidiaries **-** Minco Mining (China) Corporation ("Minco China"), Yuanling Minco Mining Ltd. ("Yuanling Minco"), Huaihua Tiancheng Mining Ltd. ("Huaihua Tiancheng") and its interests in the Longnan project, incorporated in the People's Republic of China and Triple Eight Mineral Corporation ("Temco").

- Less than Wholly-owned subsidiaries **-** the Company has the following projects and joint venture interests:
  - 51% of a joint venture company formed and known as Guangzhou Mingzhong Mining Co., Ltd. (the "Mingzhong JV"), formerly "Mingzhong Guangdong Minco-Jinli Mining Co. Ltd, (the "Jinli JV") - holding company for the Changkeng Gold project and the Changkeng Exploration Permit;
  - 65% of a joint venture company formed and known as Inner Mongolia Damo Mining Co. Ltd. (the "Damo JV") - holding company for the Gobi Gold project; and
- Equity interests – during 2009, the Company's ownership decreased to 40.48% due to the exercise of options by Minco Silver option holders. ("Minco Silver").

Changkeng Gold Project

On September 28, 2004, Minco Gold signed a 30-year joint venture contract with four other companies in Guangdong for the exploration and development of the Changkeng gold deposit in Gaoyao City of Guangdong province, China.

The Company can now proceed with an exploration program on the Changkeng Gold Project with the granting of the business license on March 30, 2007 and the transfer of the Changkeng Exploration Permit on January 5, 2008.

In 2007, six infill holes with a total of 1,264 meters were drilled to meet the minimum exploration expenditures required by the Chinese authorities. Assay results for these six holes were released in March 2008 and are available at the Company's website and at *www.sedar.com*.

On March 12, 2008, the Company released a NI 43-101 compliant resource estimate which contains an indicated resource of 2.1 million tonnes @ 5.61 grams per tonne (g/t) gold (Au) for a total of 379,000 oz Au and an inferred resource of 2.2 million tonnes @ 4.82 g/t Au for a total of 333,400 oz Au. An updated NI 43-101 resouce estimate technical report has been filed on March 12, 2008 on SEDAR and is available at *www.sedar.com*.

The 2008 exploration program consisted of 11,809 meters of drilling in 60 holes, investigation of the potentially mined-out area, limited metallurgical testing, hydro-geological, geotechnical and environmental studies. Assay results for all holes were released and are available at the Company's website. Following the completion of the drill program, an updated resource estimate was completed and an exploration report was initiated for National (China) permitting requirements in 2009. These studies will be combined and would be used as the basis for completing any future independent Preliminary Economic Assessment (PEA) on the project.

In March 25, 2009, the Company reported an updated NI 43-101 resource estimate for the Changkeng project based on the 2008 exploration program results and calculated on the distinct and separate gold dominant and silver dominant zones was completed by P&E Mining Consultants Inc. of Brampton, Ontario. The gold dominant deposit contains an indicated gold resource of 3.9 million tonnes @ 4.89 g/t gold ("Au") for a total of 623,100 oz contained gold and an inferred gold resource of 4.0 million tonnes @ 3.01 g/t Au for a total of 386,800 oz Au. The silver dominant deposit contains an indicated silver resource of 5.6 million tonnes @ 170.0 g/t silver ("Ag") for a total of 30,708,000 oz contained silver and an inferred silver resource of 1.06 million tonnes @ 220.0 g/t Ag for a total of 7,517,000 oz Ag. The updated NI 43-101 resource estimate technical report has been filed on March 2009 on SEDAR and is available at *www.sedar.com*.

The Company is currently working on the National Exploration Report for submission to MOLAR.

Gansu Longnan Properties

Minco Gold's wholly-owned subsidiary, Minco China, at present holds 12 exploration permits in the Longnan region of south Gansu Province in China. The Longnan region is within the southwest Qinling gold field. The Longnan project has been divided into three sub-projects according to their geographic distribution, type and potential of mineralization:

Yangshan: includes five exploration permits located in the northeast extension of the Yangshan gold belt and its adjacent area; potential for gold.

Yejiaba: includes four exploration permits along a regional structural belt parallel to the Yangshan gold belt; potential for gold and poly-metallic mineralization (silver-iron-lead-zinc).

Xicheng East: includes three exploration permits to the east extension of the famous Xicheng Pb-Zn mineralization belt; potential for gold, silver, lead and zinc.

All of these 12 exploration permits are located over regional geochemical gold anomalies with host rocks and significant structure trends similar to that at Anba and other gold deposits in the region.

Exploration in 2008

2008 Regional Target Generation for Yangshan and Yejiaba

In March 2008 Minco's field crew commenced reconnaissance work at Henjiawan which is geologically similar to the Anba deposit. Work consisted of mapping, trenching and sampling. A structural and alteration zone was identified and 54 chip samples collected and the best results are 0.58, 0.42, 0.36, 0.89, 0.21 and 0.36 g/t Au. The gold mineralization is mainly associated with dark grey phyllite and granite dykes. Trenching was conducted in April 2008 and 46 channel samples were collected. Assay data returned from channel samples ranges from 0.01 to 0.02g/t Au.

Reconnaissance investigation at the Yejiaba area has been conducted on the extension zones of an adjacent known gold deposit. 45 line kilometres was investigated and 103 chip samples were collected. Gold mineralization was identified in the structurally fractured zones extended from the known deposit. Grab samples from the 3-5cm wide veinlets returned 0.58 to 24.6g/t Au. Four trenches were dug. Mineralization zone of 5m in width was delineated in one of the trenches with grade from 0.2 to 0.58g/t over 1.0 m.

Regional reconnaissance investigation for exploration target generation was conducted in November and early December over the major multi-element anomalies associated with favourable geological and structural features in the Yangshan and the Yejiaba sub-project areas. The recent reconnaissance program has resulted in the following discoveries:

1. Gouzikou Gold Occurrence, Oujiaba Permit, and Yangshan Sub-project: A 50m-wide EW-trending structural zone was discovered in the favourable Devonian lithological unit. 7 un-continuous samples from the 47 channel samples across the structural zone returned gold values 0.22, 0.15, 0.44, 0.15, 1.19, 0.46 and 0.21g/t Au respectively.
2. Fujiwan Gold Occurrence, Shajinba Permit, and Yejiaba Sub-project: A 1-2m zone was identified at the contact zone between a granite porphyry dyke and the Carboniferous phyllite. Five chip samples from outcrops returned gold values 3.91, 2.87, 4.29, 3.11 and 1.21g/t Au.
3. Shajinba Antimony Occurrence, Shajinba Permit, and Yejiaba Sub-project: Mineralization was observed at the contact zone between thick limestone and slate.
4. Madigou Gossan Zone, Yejiaba Permit, and Yejiaba Sub-project: A gossan zone was discovered at the contact zone between Silurian slate and Carboniferous limestone. Peak values of 0.13-0.3g/t Au were detected in previous soil samples nearby.

5. Realgar Occurrences, Weiziping Permit, and Yejiaba Sub-project: By talking with local people, it is known that there has been a realgar mining activity at the northern part of the Weiziping permit since ancient time.

Yangshanli:

At the end of June 2008, a surface mapping and trenching program was initiated within the 3 km^2 area in the Anpingli-Shibali area, and follow up for some major Au, As and Sb anomalies was conducted in the adjacent areas of the known mineralization zone. The surface mapping program is designed to better understand the structural control and trace the strike extension of the known gold mineralization intersected in trenches last year. 13km^2 of 1:10,000 mapping was completed by the end of September. A new mineralization zone of more than 5 meters in width has been discovered about 1,000 meters north of the major known zone revealed in trenches TC21, TC7 and TC8. The new zone occurred at the contact zone between thick limestone and phyllite and closely associated with a NW-trending fault zone. Continuous surface chip samples returned results from 0.25 to 0.8g/t Au with widths of 0.5 to 1.0 meters.

Five trenches were dug to trace the strike extension of the known mineralization outcrops but most of them did not reach bedrock. The effectiveness of trenching is very limited because of the thick overburden in most of the survey area.

An IP survey was completed over a 3km^2 investigation area in September to define exploration targets at depth. Dip extensions of favourable rock units and structures as well as possible intrusives have been delineated with the results of the IP survey in the survey area.

Xicheng East:

A reconnaissance survey program was initiated across the exploration areas at the Xicheng East sub-project area. The general objective of the reconnaissance investigation is to define targets for more detailed exploration by systematic traverse line mapping and sampling over the five known Pb-Zn-Ag occurrences and the Mohuashan geochemical soil anomalies. Channel samples were collected over known mineral occurrences and chip samples were collected over new alteration and mineralization zones along traverse lines.

Reconnaissance investigation was completed by September and consisted of 41.5km line kilometres of geological mapping and 236 chip and channel samples were collected over known mineral occurrences and favourable potential areas. Major results are summarized below:

1.Sanchawan Pb-Zn Occurrence: Mineralization occurred in sandstone at the contact zone between sandstone and limestone. The mineralization zone is 2.0 to 4.8m in width and can be traced for 150m along strike. Three artisan tunnels and mining pits were observed. Spot galena and limonite can be seen in samples. 31 channel samples were collected and 12 of them contain 0.28% to 1.85% Pb with widths of 0.5 to 1.0 meter. The zone is considered a Pb-dominated mineralization zone and deep potential of the zone should be further evaluated.

2. Chengjiagou Au-Ag-Pb Occurrence: Mineralization occurred in a small fractured zone in sandy slate. The observed mineralization zone is 2.3m in length and 0.03 to 0.3m in width. Banded and glaebule galena was observed associated with silification and pyritization. Two of the seven channel samples contain 1.67g/t Au, 10g/t Ag, 0.43% Pb and 0.33g/t Au, 70g/t Ag and 2.39% Pb respectively. Further exploration will be carried out to evaluate mineralization potential along strike and in the hanging wall rocks where gold mineralization was detected.

3. Xiaodonggou and Sanhewan
   a) Xiaodonggou Pb-Zn-Ag Occurrence: Mineralization occurred in fissures developed in sericite schist. The fissures are 0.02 to 0.5m in width and tens of centimetres to several meters in length. Sphalerite and galena, spotty pyrite filled in some of these fissures. 14

channel samples were collected and 4 samples contain 0.15% to 0.74% Pb, 0.14% to 2.14% Zn over 1.0 m.

b) Sanhewan Pb-Zn Occurrence: Sanhewan is the west extension of the Xiaodonggou occurrence. A 2m-wide alteration zone was observed and 12 chip samples were collected. 4 samples contain 0.48% to 0.56% Pb and 0.41% to 0.87% Zn.

Both Xiaodonggou and Sanhewan occurrences are located at the east extension of the regional Au-Ag mineralization zone. Two gold deposits are located at 5km and 9km west respectively at the zone.

Detailed surface mapping and investigation on the available artisan adits were conducted in October and November 2008 in Sanchawan and Xiaodonggou area. A grid soil sampling program was carried over the significant gold anomalies in early December in the Caopingshan area.

Exploration in 2009

Exploration was resumed in March 2009, and through to December 31, 2009 it was focused on the following areas:

Reconnaissance traverses and trenching within Shajinba-Fujiawan structure in Yejiaba sub-project area.

Prospecting, traversing and trenching in Yangshan sub-project area.

Traversing and trenching in the Xicheng East area.

Xicheng East

In 2009, verification of soil gold anomalies in Caopingshan area and trenching resulted in identifying argillization and silicification zones in metasandstone. Width of zones is from 1 to 5m, strike 315 to 330 deg., dip 65 degrees. Intensity of alteration is weak, pyrite and rare galena inclusions present in altered rocks. The most significant concentrations were discovered in the trench TC1-1 on the soil sampling line XIV (the westernmost one) – continuous trench samples returned 0.43 g/t Au over 4.0 metres. The assays received for trenching samples in Caopingshan area confirm that soil anomalies correspond with elevated gold concentrations in bedrock. Nine trenches in total were completed in the vicinity of trench TC1-1, one of them intersected a zone of weak silicification with inclusions of fine arsenopyrite, average gold content is 0.33 g/t Au over 2.3 metres. No works were completed in this area during the fourth quarter.

Yejiaba area:

Reconnaissance traversing within a major fault zone trending 60 deg. NE in Yejiaba area discovered several mineralization showings (Shajinba zone, Yaoshang zone and Fujiawan zone) which have high potential for gold. The overall structural trend is 10.0 km long. The most significant results are as follows:

Shajinba zone. In Shajinba area, a zone of argillization and carbonatization was discovered near Shajinba village. Intensity of alteration is moderate, fine pyrite inclusions and chalcosine present in the zone. True width of the zone is not less than 5.0 meters; it appears to be concordant to hosting phyllite. Another zone of silicification was found 1.0 km North. The zone coincides with a minor fault and dykes of rhyolite, both striking 80 deg. Silicification is represented by quartz veinlets 1.0 cm to 3.0 cm wide with inclusions of pyrite, arsenopyrite and antimonite. Width of the silicification zone is approximately 5.0 metres. The best grab samples taken from outcrops returned 0.26, 0.23 and 0.06 g/t Au with corresponding silver content of 155.0, 2.0 and 455.0 g/t. Several grab samples were taken 100 metres NE from this intersection and two of them returned 37.0 g/t Ag and 833.0 g/t Ag. Most significant result achieved in Shajinba zone in the third quarter and fourth quarter is the discovery of poly-metallic mineralization associated with the silver zone.

The new zone is hosted by massive limestone and represented by massive lead mineralization in the central part and veinlets of galena in contact zones. Observed length of the mineralization is approximately 350.0 metres, width varies from 5 metres to 25 metres. Trenching continued in the fourth quarter which continued to intersect the silver – antimony iron rich poly-metallic mineralization with spacing between trenches from 80 metres to 120 metres.

The best surface channel samples results for the silver – iron – lead – zinc rich poly metallic zone for 2009 are as follows:

Sample No.	Width, m	Average Grade				Alteration
		Ag(g/t)	Pb(%)	Zn(%)	Fe(%)	
YJB-09-2250 to YJB-09-2252	2.3m	89.00	0.27	0.01	-	Silicification with limonite antimonite
YJB-09-2269 to YJB-09-2279	11.0m	4.24	5.09	0.65	29.5	Silicification with hematite, pyrolusite
YJB-09-2430	1.1m	71.0	0.14	0.004	-	Silicification
YJB-09-2487 to YJB-09-2494	8.0m	102.8	0.15	0.17	26.1	Silicification with hematite, pyrolusite
YJB-09-2561 to YJB-09-2563	3.0m	117.9	0.55	0.18	31.5	Silicification with hematite, pyrolusite
YJB-09-2585 to YJB-09-2589	5.0m	100.2	1.25	0.11	46.6	Silicification with hematite, pyrolusite
YJB-09-2631 to YJB-09-2632	2.0m	169.7	1.15	0.32	41.5	Silicification with hematite, pyrolusite

Yaoshang zone. One grab sample taken from silicified phyllite in early April returned 0.5 g/t Au, 12 g/t Ag and 0.13% Pb. Trenching in the area exposed a tectonic block of phyllite in limestone with numerous dykes of rhyolite. Width of the block is 100 metres. Both the phyllite and rhyolite are silicified. Two intervals 5.0 m and 6.0 metres long with gold content from 0.11 g/t to 0.64 g/t were discovered in silicified rhyolite. No works were completed in the zone in the fourth quarter.

- Fujiawan zone. Two trenches 40m and 21m long were completed in the zone. One of them exposed strong argillization and silicification in a dyke of rhyolite. The best results are 2.0 g/t Au over 2.0 metres and 1.46 g/t Au over 3.0 metres.. No works were completed on the zone in the fourth quarter.

- In the western most part of the property as channel sample was taken across a north-south trending hydrothermally altered structure and it returned a result that averaged 2.66 g/t Au and 322 g/t Ag over 0.8 metres.

Yangshan area

In 2009, traversing in Yangshan area resulted in discovery of gold mineralization in Oujiaba-Dianziping area. The discovery has been traced for approximately 6 kilometres and has the same host lithologies as the Anba gold deposit.

Continuous channel samples were taken in 4 places along the 6 kilometres mineralized structure and returned averaged gold results of:

- **Line 0** **1.18g/t Au over 4.7 metres**
- **Line 400** **13.2 g/t Au over 10.0 metres**
- Line 496 0.33 g/t Au over 4.0 metres
- Line 608 0.60g/t Au over 1.5 metres

The gold enriched, hydrothermally altered structural trend has been discovered during the 2009 exploration program which consisted of traversing and trenching. The mineralization has a width ranging from 5 to 10 metres and is hosted along the contact of hanging wall limestone and heavily folded footwall phyllite which is intruded by numerous intrusive dykes. Numerous grab samples taken from outcrop along the structure returned 0.5g/t to 27.9g/t Au.

The Oujiaba property, located 25 kilometres east of the Anba gold deposit, is part of the Company's 100% owned Longnan Project which is located within the Yangshan Gold Belt.

Gobi Gold Project

Minco Gold has a 65% interest in the Damo JV.

In 2008 exploration was focused on investigation of the surface distribution of the various-sized auriferous veins in the northeast extension area of the Zhula Mine. Trenching, channel sampling and chip sampling were conducted over geologically favourable areas and magnetic anomalies. A total of 165 samples were collected from trenches, abandoned mining pits and surface traverse lines. Two parallel mineralization zones were identified between M8 and M9 magnetic anomalies. The two veins are 200-300m in length and 1-3m in width with gold grades of 1.05g/t and 1.47g/t in two trenches. The widespread, extremely high gold values in the previously completed geochemical surveys resulted in the discovery of sporadically distributed high-grade silicified veins of less than 1cm to 5cm in width at surface. The exploration potential and economic significance of the northeast extension will rely on the favorable structural preparation to increase the density of the high-grade veinlets at depth. Reprocessing of all the available raw data from previous IP programs will be arranged to further delineate and define any potential targets.

There was no work conducted in 2009 and a buyer is being sought.

BYC Gold Project

The Company made the decision to sell its interest in HYMK as the Company believes that the potential for a significant discovery is limited. On July 18, 2008, the Company agreed to transfer its interest in the HYMK JV to Long Da Fu (Beijing) Investment Co. Ltd. for a total of RMB 7.0 million (approximately $1.2 million).The transaction was completed in October 2008 and the final installment on the sale proceeds received subsequent to year end 2008.

Xiaoshan Project

The Xiaoshan project consists of two exploration permits, the 17.1km^2 Huluyu permit and the 12km^2 Dafangshan permit and both permits are held by the Henan Nonferrous Exploration and Mining Company ("HNEM"), a subsidiary of the Nonferrous Geological Exploration Bureau of Henan Province. Tectonically, the Xiaoshan project area sits at the Xiaoshan uplift block on the southern rim of the North China. The area also forms part of east section of the E-W trending Qinling metallogenic belt. Host rock of gold and silver mineralization is mainly composed of interbedded chlorite-albite schist, sericite-quartz-albite schist, plagioclase-amphibole schist, and biotite-plagioclase gneiss.

A total of 13 gold and silver veins have been identified on surface within the Huluyu permit.
A general review on exploration data from exploration programs organized in 2007 was conducted in April and May 2008. It was concluded that there are no significant Ag-Pb-Zn mineralization intersected within the drilling below the K3 structure, which is the expected major ore-control structure. There is no further evidence for Minco Gold's target model of high grade Ag-Pb-Zn with associated Au. Therefore, Minco Gold has decided to suspend its funding on all exploration programs in the two exploration permits and will keep the interest earned so far in the joint venture.

The Company has sold the property in 2009.

Gold Bull Mountain Gold Project

The Company established a subsidiary company, Yuanling Minco for the purpose of initiating its exploration and mining activities in the major gold-producing areas in the West and Southwest Hunan province. In July 2006, Minco China's wholly owned subsidiary Yuanling Minco entered into a Gold Bull Mountain Mining License Transfer Agreement with Yuanling County Government. On August 10, 2006, the Gold Bull Mountain Mining License was transferred to Yuanling Minco. In 2006, the Company paid a total of RMB 2,546,652 (approximately $358,500), which included a mining licence transfer fee of RMB 1,000,000 (approximately $143,000), an environmental protection fee of RMB 740,000 (approximately $104,000) and other related costs.

During the first five months in 2008, 456m of underground drifting was completed at Levels 87 and 47 to explore the gold zones defined in the upper level. Some un-continuous gold mineralization zones were intersected in tunnels at Level 87. Average gold grade in these veins ranges from 0.22 to 2.55g/t. No major mineable zone was delineated at Level 47.

In the process of managing and prioritizing cash flow needs, the Company made the decision to cease exploration program at GBM in June 2008.

The Company is currently exploring the possibility of selling Yuanling Minco.

The Company is currently renewing the permits and evaluations to keep the permits in good standing for potential future sale.

Liquidity and Capital Resources

The Company does not generate revenues from operations. The Company relies on equity financing for its working capital requirements to fund its exploration, investment, permitting and administrative activities. The Company depends on a combination of its current on hand resources; its ability to raise capital, its ability to work with its minority partners and other joint venture partners; and its ability to manage the timing of exploration expenses, to complete its planned exploration business plan and support the basic operations expenses for the next 12 months. While the Company believes it will be able to raise the additional financing when required, the impact of the current global economic downturn and uncertainty of global equity markets provide no guarantees that the Company can complete a financing.

Cash Flow

Operating Activities

For the year ended December 31, 2009, the Company used $5 million to support its continuing operating activities. (2008 - $7.5 million). The full year net loss was $0.2 million (2008 - $13.3 million) with the fourth quarter being $2 million (2008 - $1. million). Current year operating loss before gain on discontinued operations was $0.8 million (2008 - loss of $14.1 million). This level of expenditure activity is consistent with the Company's goal of exploration activity and acquisition opportunities. Cash provided by discontinued operations was $0.6 million (2008 –$0.2 million).

Financing Activities

For the full year ended December 31, 2009, the Company generated cash from proceeds on issuance of shares $4.5 million (2008 - $0.05 million).

Investing Activities

The Company purchased $1.6 million (2008 – sold $5.1 million) in short term investment securities to shore up its cash to support future exploration activities, Cash provided by investing activities of discontinued operation activities was $44,871 (2008 - $288).

Available Resources

The Company's cash and short-term investment balance at December 31, 2009 amounted to $6 million (2008 - $3.5 million).

Accounts Payable and Accrued Liabilities

During the year, the Mingzhong partners contributed RMB 30.0 million ($5.53 million) to Mingzhong as shareholder loans. Of the five partners, the Company contributed RMB 15.3 million ($2.82 million) with the minority partners contributing 14.7 million ($2.71 million). The funds were used to make the installment on the Changkeng Exploration permit RMB 19 million ($2.94 million) and for exploration and operating activities RMB 11 million ($1.7 million).

On May 20, 2009, the loan of RMB 30.0 million ($5.53 million) was converted to share capital of Mingzhong. Accordingly, $2,493,427 was reclassified to minority interests and the translation difference is recognized in the earnings.

Investment in Minco Silver Corporation

As at December 31, 2009 the Company owns 13,000,000 common shares of Minco Silver (2008 – 13,000,000 common shares) that were acquired in 2004 in exchange for the transfer of the Fuwan property and the silver interest in the Changkeng property.

The Company has not participated in the share offering of Minco Silver and as a result of dilution and sale of 1,000,000 shares in 2007, its ownership interest has decreased to 32.01% as at December 31, 2009.

The Company is exposed to the transactions undertaken by Minco Silver through its equity accounting for the Company's investment in Minco Silver.

Dilution gains and equity losses on the investment in Minco Silver as follows:

	2009	2008	2007
Dilution gain in Minco Silver	$ 3,479,000	$ 1,544,454	$ 191,000
Equity loss of Minco Silver Corporation	$ (1,659,280)	$ (948,750)	$ (3,239,898)
Income (loss) from investment in Minco Silver	$ 1,819,720	$ 595,704	$ (3,048,898)

The carrying value and market value of the Minco Silver shares held by the Company and accounted for using the equity basis, are as follow:

	December 31, 2009	December 31, 2008	December 31, 2007
Investment in Minco Silver Corporation on an equity basis	$5,494,836	$3,675,116	$3,079,412
Market value of Minco Silver shares	$24,050,000	$18,460,000	$38,740,000

As at December 31, 2009 the closing share price for Minco Silver's shares on the Toronto Stock Exchange was $1.85 (2008 - $1.42).

As at December 31, 2009, Minco Silver had current assets of $11,526,006, non-current assets 17,494,393 (including $9,000,902 in capitalized mineral interest costs), current liabilities of $2,405,152 and shareholders equity of $26,615,247. Minco Silver incurred exploration costs of $1,413,008, administration costs of $3,274,557 and a loss of $4,246,398 during the year ended December 31, 2009.

As at December 31, 2008, Minco Silver had current assets of $5,398,758, non-current assets 12,330,727 (including $5,294,098 in capitalized mineral interest costs), current liabilities of $1,949,370 and shareholders equity of $15,780,115. Minco Silver incurred exploration costs of $1,814,641, administration costs of $1,369,282 and a loss of $2,295,138 during the year ended December 31, 2008.

Minco Silver had capitalized $9.0 million (2008 - $5.3 million) of development costs and Minco Gold's equity share of this amount is $3.5 million.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Outlook

In 2010, the Company will continue to focus on exploration programs on the Longnan and Changkeng projects. Aggressive exploration programs will be conducted to follow up the discoveries made on Oujiaba property and Yejiaba property. The Company will continue to sell its non-core projects in China to generate capital for the Company's exploration efforts. In addition, the Company will continue to seek advanced gold projects for acquisition.

Share Capital

As at the date of this MD&A, the Company has 48,157,782 common shares and 5,662,101 stock options outstanding, for a total of 53,819,883 fully diluted common shares outstanding.

Contractual Obligations and Contingencies

(a) The Company has commitments in respect of office leases requiring minimum payments of $792,148 as follows:

2010	$ 115,490
2011	128,911
2012	151,850
2013	165,710
2014	172,640
2015	57,547
	$ 792,148

The Company has entered into sub-lease agreements for a portion of its leased premises.

Transactions with Related Parties

The Company earned the rental income and incurred the following fees to its directors or corporations controlled by its directors:

	2009	2008	2007
Rental Income	$ 75,547	$ 68,100	$ 58,761

	2009	2008	2007
Exploration costs	$ 59,813	$ 85,937	$ 80,625
Management fees	37,927	42,135	17,344
Property investigation	2,979	6,979	21,094
Investor relations	9,281	8,177	-
Director's fees	49,000	48,000	62,500
	$ 159,000	$ 191,228	$ 181,563

Receivables of $Nil (2008 - $166,872) are due from four companies related by two common directors.

At December 31, 2009, the Company has $2,109,285 due from Minco Silver (2008 – $1,246,282) in relation to expenditures on the Fuwan Silver Property, new silver project investigation cost, and shared office expenses for both offices in Vancouver and Beijing. The amount due from Minco Silver is unsecured, non-interest bearing and repayable on demand.

At December 31, 2009, the Company has $120,576 (2008 - $506,569) due from Minco Base Metals in relation to expenditures on the White Silver Mountain project and shared office expenses. The amount due from Minco Base Metals is unsecured, non-interest bearing and repayable on demand. The Company is related to Minco Base Metals through two common directors and one common officer. The Company provided financial assistance to fund Minco Base Metal's operation.

The above transactions were conducted in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

Critical Accounting Estimates

The preparation of the Company's consolidated financial statements requires management to make various judgments with respect to estimates and assumptions. On an ongoing basis, management regularly reevaluates its estimates and assumptions; however actual amounts could differ from those based on such estimates and assumptions.

The Company follows the fair value method, as determined using the Black-Scholes option valuation model, of accounting for stock-based compensation as recommended by the Canadian Institute of Chartered Accountants Handbook Section 3870, Stock-based compensation and other stock-based payments. Under the fair value method, compensation cost is measured at fair value at the date of grant and is expensed over the award's vesting period.

The Company is required to make estimates of future production costs, future gold commodity pricing, and currency exchange fluctuations in the process of testing the impairment of its assets. In testing the impairment of its mineral interests the Company is evaluating its resources and extended determination of gold reserves which requires a number of assumptions and estimations, including geological sampling and modeling as well as estimates of future gold prices and future production costs. Estimates of the resources and ultimately the estimates of reserves

may change based on additional information obtained subsequent to the assessment date. This may include data obtained from exploration drilling, significant changes in the price of gold and changes in estimates of the cost of production. A change in the estimate of reserves could result in a change in the rate of depletion, development amortization, or impairment of the resources, resulting in a write down.

In the opinion of management, none of the accounting estimates reflect matters that are highly uncertain at the time the accounting estimate is made or that would have a material impact on the Company's financial condition, changes in financial condition or results of operation.

Business Environment and Risks

The Company's operations consist of the acquisition, exploration and development of properties in China. The Company examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include credit risk, liquidity risk, currency risk and interest rate risk. Management reviews these risks on a monthly basis and when material, they are reviewed and monitored by the Board of Directors.

Credit risk – Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if the counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by these counterparties, less any amounts owed to the counterparty by the Company where a legal right of set-off exists and also includes the fair value contracts with individual counterparties which are recorded in the consolidated financial statements. The Company considers the following financial assets to be exposed to credit risk:

Cash and cash equivalents – In order to manage credit and liquidity risk the Company places its short-term investment funds into government and Canadian bank debt securities with terms of 90 days or less when acquired. At December 31, 2009 the balance of $ 3,508,917 was placed with three institutions.

Short term investments – are investment grade bonds and guaranteed investment certificates with maturities of greater than 90 days when acquired. At December 31, 2009, these totaled $2.5 million and were placed with one institution. The yields on these investments were 0.65% to 0.80%.

Liquidity risk – Liquidity risk includes the risk that the Company cannot meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements and its exploration and development plans. The annual budget is approved by the Board of Directors. The Company insures that there are sufficient cash balances to meet its short-term business requirements. At December 31, 2009, the Company has positive working capital of approximately $2.87 million and therefore has sufficient funds to meet its current operating and exploration obligations. However, the Company will require significant additional funds in the future to complete its plan.

Currency/Foreign exchange risk – The Company's functional currency is the Canadian dollar and therefore the Company's net earnings are impacted by fluctuations in foreign currencies. The Company raises funds in Canadian dollars and lends either Canadian dollar amounts to support the Chinese operations. As the Company operates in China and many of its exploration expenditures are payable in either U.S. dollars or the Chinese currency RMB, there exist foreign currency risks arising from changes in exchange rates with the Canadian dollar. The Company maintains its excess cash in Canadian based assets. The Company does not hedge its foreign currency fluctuations. A 10% strength in the Canadian dollar against the Chinese RMB will have a before tax effect of a $253,676 gain on the financial results.

Interest rate risk – The interest rate risk is the risk that the fair value of future cash flows of a financial instrument fluctuates because of changes in market interest rates. Cash and short-term investments entered into by the Company bear interest at a fixed rate thus exposing it to the risk of changes in fair value arising from interest rate fluctuations. Short term investments are invested in high grade, highly liquid instruments and the Company exposes itself to variable interest rate fluctuations. A1% increase in the interest rate in Canada will have a net (before tax) income effect of $24,759, assuming the foreign exchange rate remains constant.

Initial Adoption of Accounting Policies

On January 1, 2009, the Company adopted three new standards that were issued by the Canadian Institute of Chartered Accountants:

Goodwill and Intangible Assets

Effective from 1 January 2009, the Company adopted the recommendations included in Section 3064, "Goodwill and Intangible Assets," of the CICA Handbook, which replaced CICA Section 3062, "Goodwill and Other intangible Assets". The adoption of this Section had no material impact on the Company's financial statements.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

Effective from 1 January 2009, the Company adopted the EIC 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. The adoption of this Section had no material impact on the Company's financial statements.

Mining Exploration Costs

Effective March 27, 2009, the Company adopted the EIC 174, "Mining Exploration Costs". This standard provides guidance on the capitalization of exploration costs related to mining properties, in particular, and on impairment of long-lived assets. The adoption of this standard did not have a significant impact on the Company's financial statements.

Recent Accounting Pronouncements

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board ("AcSB") has set January 1, 2011 as the date for publicly listed companies to adopt IFRS, replacing Canadian GAAP. Accordingly, IFRS compliant financial statements will be required for the first quarter of 2011. Comparative figures presented in these financial statements are also required to comply with IFRS.

In January 2010, the Company initiated an IFRS diagnostic study to assess the impact of the transition to IFRS. A number of key accounting areas where IFRS differs and accounting alternatives were to be reviewed. The Company has planned to start the process to make a determination of the impact of transition to IFRS on its financial statements and systems, if any, during the first half of 2010. The second phase of the conversion plan will include detailed assessments and technical analysis that will result in understanding potential impacts, decision on accounting policy choices and the drafting of accounting polices. The Company expects this phase to be completed in the first half of 2010. The final phase of implementation and transitioning to IFRS is being planned for 2010.

At this time, the comprehensive impact of the changeover on the Company's future financial position and results of operations is not yet determinable. The Company continues to monitor and

assess the impact of evolving differences between IFRS and Canadian GAAP, since the International Accounting Standards Board is expected to continue issuing new accounting standards during the transition period. As a result, the final impact of IFRS on the Company's financial statements can only be measured once all the applicable IFRS at the conversion date are known.

Section 1582, Business Combinations, 1601, Consolidations and 1602, Non-controlling interests

In January 2009, the CICA issued three new sections to replace Section 1581, "Business Combinations" and Section 1600, "Consolidated Financial Statements." Section 1582 will apply to a transaction in which the acquirer obtains control of one or more businesses (as defined in the Section). Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. A bargain purchase will result in the recognition of a gain. Acquisition costs will be expensed.

Any non-controlling interest will be recognized as a separate component of shareholders' equity and net income will be allocated between the controlling and non-controlling interests. These new standards will apply to fiscal years beginning on or after January 1, 2011. These Sections will not have an impact on the Company's financial statements unless the Company enters into a business combination subsequent to January 1, 2011.

Internal Controls over Financial Reporting

There has been no significant change in the Company's internal control over financial reporting during the year 2009 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Internal Control over Financial Reporting is a process designed under the supervision of the Company's Chief Executive Officer and Chief Financial Officer to provide reasonable assurance in the reliability of the Company's financial information and the preparation of the audited financial statements. The design includes policies and procedures that:

1. Pertains to the maintenance of records;

2. Provide reasonable assurance that the transactions are recorded accurately and that the receipts and expenditures are made in accordance with the authorizations of management and directors; and

3. Provide reasonable assurance in the prevention and timely detection of material unauthorized acquisition, use or disposal of the Company's assets.

The Company has a limited number of staff and it is not always possible to achieve a complete segregation of incompatible duties. Management attempts to mitigate the risk of any material misstatement occurring through compensating controls and the "hands-on" involvement and knowledge of the senior management, however, a control system, no matter how well designed and functioning, can only provide reasonable, not absolute assurance the objectives of the control system are met.

Management evaluated the internal control over financial reporting based on the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework and identified some material weakness in the financial reporting process as of December 31, 2009. Specifically, due to the smaller nature of the Company, there was a lack of effective segregation of duties where responsibilities for the preparation, entry and approval of accounting transactions were shared in some locations. In addition, there was a lack of consistency in the application of the Company's standardized, formal policies and procedures around the financial closing and reporting of financial results; the Company did not have the required complement of personnel throughout the year (with

appropriate levels of accounting knowledge, experience and training in the application of Canadian generally accepted accounting principles).

Management has concluded that the Company will be able to mitigate the above weaknesses by:

a) the nature and present level of activities and transactions within the Company being readily transparent;
b) the review of the Company's financial statements by senior management and the board of directors; and,
c) active participation of senior management in monitoring financial reporting.

Subsequent Event

Subsequent to the year end, the Company has received the amounts due from Minco Silver totaling approximately $1,395,553.

Cautionary Statement on Forward-Looking Information

This MD&A, which contains certain forward-looking statements, are intended to provide readers with a reasonable basis for assessing the financial performance of the Company. All statements, other than statements of historical fact, are forward-looking statements. The words “believe”, “expect”, “anticipate”, “contemplate”, “target”, “plan”, “intends”, “continue”, “budget”, “estimate”, “may”, “will”, “schedule” and similar expressions identify forward looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to, fluctuations in the currency markets such as Canadian dollar, Chinese RMB and U.S. dollar, fluctuations in the prices of gold, silver and other commodities, changes in government legislation, taxation, controls, regulations and political or economic developments in Canada, the United States, or China or other countries in which the Company carries or may carry on business in the future, risks associated with mining or development activities, the speculative nature of exploration and development, including the risk of obtaining necessary licenses and permits, and quantities or grades of reserves. Many of these uncertainties and contingencies can affect the Company’s actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company.

Readers are cautioned that forward-looking statements are not guarantees of future performance. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those acknowledged in such statements. Specific reference is made to the Company's most recent Annual Information Form on file with Canadian provincial securities regulatory authorities for a discussion of some of the factors underlying forward-looking statements.

The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except to the extent required by applicable laws.

Dr. Ken Cai
March 29, 2010