MINCO GOLD CORPORATION

(An exploration stage enterprise)

Consolidated Financial Statements
(in Canadian dollars)

December 31, 2009, 2008, and 2007

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MINCO 明科金矿公司
GOLD CORPORATION

Management's Responsibility for Financial Reporting

The consolidated financial statements and the information contained in the annual report are the responsibility of the Board of Directors and management. The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include certain estimates that reflect management's best judgments on information currently available. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the consolidated financial statements fairly reflect the financial position and results of operations of the Company within reasonable limits of materiality.

The Audit Committee of the Board of Directors is composed of three Directors and meets periodically with management and the independent auditors to review the scope and results of the annual audit and to review the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board of Directors for approval.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Accountants, who were appointed by the shareholders. The auditors' report outlines the scope of their examination and their opinion on the consolidated financial statements.

Dr. Ken Cai
President and CEO

Paul Zhang, C.A.
CFO and VP Finance

Vancouver, Canada
March 29, 2010

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Independent Auditors' Report

To the Shareholders of Minco Gold Corporation

We have audited the consolidated balance sheets of **Minco Gold Corporation** (the "Company") as at December 31, 2009 and the consolidated statements of operations and comprehensive loss and deficit and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at December 31, 2008 and for the two year period then ended, prior to adjustment for the discontinued operations, were audited by other auditors who expressed an opinion without reservation in their report dated April 14, 2009. We have audited these adjustments to the financial statements as at December 31, 2008 and for the two year period then ended, and in our opinion, such adjustments, in all material respects, are appropriate and have been properly applied.

Yours very truly,

PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, British Columbia
March 29, 2010

"PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate legal entity.

MINCO GOLD CORPORATION

(An exploration stage enterprise)
Consolidated Balance Sheets
(in Canadian dollars)

		December 31, 2009		December 31, 2008
ASSETS				
Current assets				
Cash and cash equivalents	$	3,508,917	$	2,553,531
Short-term investments (Note 3)		2,475,936		922,559
Marketable securities (Note 4)		35,700		12,600
Receivables		371,576		895,840
Due from Minco Silver (Note 13(c))		2,109,285		1,246,282
Due from Minco Base Metals (Note 13(d))		120,576		506,569
Prepaid expenses and deposits		85,731		129,113
Assets of discontinued operations (Note 9)		-		51,771
		8,707,721		6,318,265
Long-term deposit		51,764		51,523
Plant, property and equipment (Note 6)		341,245		468,650
Equity investment in Minco Silver (Note 7)		5,494,836		3,675,116
Assets of discontinued operations (Note 9)		-		44,871
	$	14,595,566	$	10,558,425
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$	5,203,844	$	5,783,711
Loan payable (Note 10)		-		2,667,295
Liabilities of discontinued operations (Note 9)		-		237,800
		5,203,844		8,688,807
Non-Controlling Interest (Note 10)		2,493,427		-
SHAREHOLDERS' EQUITY				
Share capital (Note 11(a))		38,553,755		34,021,922
Contributed surplus (Note 11(a))		5,627,841		4,930,097
Deficit		(37,283,301)		(37,082,401)
		6,898,295		1,869,618
	$	14,595,566	$	10,558,425

Commitments (Note 14)
Subsequent event (Note 19)

See accompanying notes to consolidated financial statements

On behalf of the Board

"Malcolm Clay"	*"Robert Callander "*
Malcolm Clay Director	Robert Callander Director

MINCO GOLD CORPORATION

(An exploration stage enterprise)
Consolidated Statements of Operations and Comprehensive Loss and Deficit
For the Years ended December 31,

(in Canadian dollars)

	2009	2008	2007
Exploration permit (Note 5)	$ (1,205,298)	$ 6,611,918	$ 842,788
Exploration costs, net of recoveries (Note 5)	1,446,534	3,581,361	1,002,462
	241,236	10,193,279	1,845,250
Administrative expenses (Note 13)			
Accounting and audit	228,514	183,990	121,458
Amortization	190,111	95,905	52,588
Consulting	282,515	284,006	76,368
Directors' fees	49,000	48,000	62,500
Foreign exchange (gain) loss	(561,597)	1,015,022	406,376
Interest expense	792	211,402	-
Investor relations	119,578	353,862	577,138
Legal	(3,900)	49,231	47,408
Meals and entertainment	82,790	71,422	44,449
Office and miscellaneous	117,545	160,472	195,135
Property investigation	104,760	88,353	218,672
Regulatory and filing	112,119	105,838	91,948
Rent	260,311	216,986	230,723
Salaries and benefits	591,758	534,512	685,492
Stock-based compensation (Note 11(b))	750,510	1,242,953	2,022,850
Telephone	33,895	26,485	15,430
Travel and transportation	122,439	101,247	116,772
	2,481,140	4,789,686	4,965,307
Operating loss	(2,722,376)	(14,982,965)	(6,810,557)
Other income (loss)			
Gain on sale of exploration permit	-	425,632	-
Unrecognized gain (loss) on marketable securities	23,100	(75,600)	(232,546)
Gain on sale of Minco Silver shares	-	-	2,978,034
Write down of mineral interests	-	(358,500)	-
Interest and other income	123,052	363,361	299,354
Loss for the year before discontinued operations, non-controlling interest, tax expenses, loss from equity investment and dilution gain	(2,576,224)	(14,628,072)	(3,765,715)
Tax expenses (Note 12)	-	(85,349)	-
Share of loss from equity investment in Minco Silver (Note 7)	(1,659,280)	(948,750)	(3,239,898)
Dilution gain (Note 7)	3,479,000	1,544,454	191,000
Non-controlling interest (Note 8)	-	-	97,114
Loss for the year from continuing operations	(756,504)	(14,117,717)	(6,717,499)
Earnings (loss) for the year from discontinued operations (Note 9)	555,604	853,412	(862,732)
Loss and comprehensive loss for the year	(200,900)	(13,264,305)	(7,580,231)
Deficit, beginning	(37,082,401)	(23,818,096)	(16,231,366)
Share buy-back cost in excess of book value	-	-	(6,499)
Deficit, ending	$ (37,283,301)	$ (37,082,401)	$ (23,818,096)
Loss per share from continuing operations - basic and diluted	$ (0.02)	$ (0.33)	$ (0.16)
Earnings (loss) per share from discontinued operations - basic and diluted	$ 0.01	$ 0.02	$ (0.02)
Loss per share - basic and diluted	$ (0.00)	$ (0.31)	$ (0.18)
Weighted average number of common shares outstanding - basic and diluted	**43,148,525**	**42,970,813**	**42,908,809**

See accompanying notes to consolidated financial statements

MINCO GOLD CORPORATION

(An exploration stage enterprise)
Consolidated Statements of Cash Flows
For the Years ended December 31,
(in Canadian dollars)

	2009	2008	2007
Cash flows from operating activities			
Loss for the year from continuing operations	$ (756,504)	$ (14,117,717)	$ (6,717,499)
Adjustment to reconcile net loss from continuing operations to cash provided by (used in) operating activities:			
- amortization of equipment	190,111	95,905	52,588
- equity loss on investment in Minco Silver	1,659,280	948,750	3,239,898
- dilution gain	(3,479,000)	(1,544,454)	(191,000)
- stock-based compensation	750,510	1,242,953	2,022,850
- foreign exchange loss	-	1,015,022	406,376
- non-controlling interest		-	(761,770)
- unrecognized (gain)/loss on marketable securities	(23,100)	75,600	232,546
- write down of mineral interests	-	358,500	-
- gain on sale of Minco Silver shares	-	-	(2,978,034)
- gain on sale of Exploration permit	-	(425,632)	-
Change in non-cash working capital items:			
-decrease (increase) in receivables	524,266	(87,963)	(40,039)
- due from Minco Base Metals	385,993	(234,570)	(271,999)
- due from Minco Silver	(863,004)	-	-
- decrease (increase) in prepaid expenses and deposits	43,139	(28,070)	83,517
- (decrease) increase in accounts payable and accrued liabilities	(754,541)	1,791,095	(578,685)
- increase in tax payable	-	85,349	-
Cash flows from operating activities of continuing operations	(2,322,851)	(10,825,232)	(5,501,251)
Cash flows from financing activities of discontinued operations (Note 9)	319,502	169,430	618,515
	(2,003,349)	(10,655,802)	(4,882,736)
Cash flows from financing activities			
Proceeds from issuance of shares	4,479,067	46,439	105,808
Movement in loan payable	-	2,667,295	-
Cost of share buyback	-	-	(44,451)
Non-controlling interest (Note 8)	-	-	412,803
Cash flows from financing activities of continuing operations	4,479,067	2,713,734	474,160
Cash flows from financing activities of discontinued operations (Note 9)	-	213,942	99,325
	4,479,067	2,927,676	573,485
Cash flows from investing activities			
Acquisition of equipment	(62,707)	(110,392)	(205,279)
(Increase) decrease in short-term investments	(1,553,377)	5,138,285	4,745,616
Proceeds from sales of mineral interest	-	425,632	-
Decrease (increase) in Due from Minco Silver	-	3,393,506	(1,903,602)
Proceeds from investment in Minco Silver	-	-	3,248,416
Cash flows from investing activities of continuing operations	(1,616,084)	8,847,031	5,885,151
Cash from flows investing activities of discontinued operations	44,871	288	(40,699)
	(1,571,213)	8,847,319	5,844,452
Effect of exchange rate changes on cash and cash equivalents	-	182,735	(417,814)
Increase in cash and cash equivalents	904,506	1,301,928	1,117,387
Cash and cash equivalents, beginning	2,604,411	1,302,483	185,096
Cash and cash equivalents, ending	$ 3,508,917	$ 2,604,411	$ 1,302,483
– Cash and cash equivalents, ending – continuing operations	3,508,917	2,553,531	972,942
– Cash and cash equivalents, ending – discontinued operations	-	50,880	329,541
Major non-cash transaction			
Minority shareholder's loan converted to capital (Note 10)	2,493,427	-	-

See accompanying notes to consolidated financial statements

1. Nature of Operations

Minco Gold Corporation (the "Minco Gold" or the "Company") was incorporated in 1982 under the laws of British Columbia, Canada 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 gold mineral properties and projects in the People's Republic of China ("China") with the aim of bringing these properties to production. The ability of the Company to meet its commitments as they become payable, the exploration and development of mineral properties and projects, and the underlying value of the mineral properties are entirely dependent upon the existence of economically recoverable reserves, the ability of the Company to arrange appropriate financing to complete the exploration and development of its properties, the receipt of necessary permits and upon achieving future profitable production or receiving proceeds from the disposition of the properties. The timing of such events occurring, if at all, is not yet determinable. The Company is considered to be an exploration stage enterprise as it has not yet generated any revenue from operations.

2. Significant Accounting Policies

Basis of Presentation and Consolidation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The consolidated financial statements include the accounts of Minco Gold, its wholly-owned Chinese subsidiaries Minco Mining (China) Corporation ("Minco China"), Yuanling Minco Mining Ltd. ("Yuanling Minco") and Huaihua Tiancheng Mining Ltd. ("Huaihua Tiancheng"); its wholly owned British Virgin Island subsidiary Triple Eight Mineral Corporation ("Temco"); its 65% interest in Inner Mongolia Damo Mining Co. Ltd. ("Damo"); and its 51% interest in Guangzhou Mingzhong Mining Co., Ltd. ("Mingzhong").

Effective October 31, 2008, the Company sold its 75% interest in Inner Mongolia Huayu-Minco Mining Co., Ltd. ("HYMK") in an arms length transaction.

Effective June 30, 2009, the Company sold its 70% interest in Henan Zhongjia Minco Mining Co., in an arms length transaction.

As at December 31, 2009, Minco Gold beneficially owns 13,000,000 shares of Minco Silver Corporation ("Minco Silver"), which represents approximately 32.01% (2008 – 40.48%) of Minco Silver's share capital. The Company uses the equity method to account for the investment in Minco Silver (see note 7).

All inter-company accounts and transactions have been eliminated.

2. Significant Accounting Policies (continued)

Use of Estimates and measurement uncertainty

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the consolidated financial statements and expenses during the period reported. Significant areas of estimate include asset and loan valuation, income taxes and contingencies. By their nature, these estimates are subject to uncertainty and the effect on the consolidated financial statements of changes in these estimates in future periods could be significant.

Stock Based Compensation

The Company grants stock options to directors, officers, employees and service providers. The Company applies the fair-value method of accounting for stock-based awards. Stock-based compensation for employees is determined based on the grant date fair value of the stock options calculated using the Black-Scholes option pricing model. The expense is charged to earnings over the vesting period. For non-employees, stock-based compensation is determined based on the fair value of the options on the earliest of the date at which the counterparty's performance is complete, a performance commitment is reached, the equity instrument are granted if they are fully vested and non-forfeitable at that date. If the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

Acquisition, Exploration and Development of Mineral Interests

Exploration expenditures other than direct acquisition costs are expensed before a mineral resource is identified as having economic potential.

The Company's policy is to capitalize mineral property acquisition costs and to commence capitalization of mineral property exploration and development costs when a mineral resource is identified as having economic potential on a property.

Where a specific mineral interest property is identified as having a mineral resource with economic potential, costs specific to the development of the particular project are capitalized as development costs and carried at cost until the properties to which they relate are placed into commercial production, sold, abandoned or determined by management to be impaired in value.

A mineral resource is considered to have economic potential when it is expected that documented resources can be legally and economically developed considering long-term metal prices. Therefore, prior to capitalizing such costs, management determines that the following conditions have been met:

i. There is a probable future benefit that will contribute to future cash inflows;

ii. The Company can obtain the benefit and control access to it; and

iii. The transaction or event giving rise to the benefit has already occurred.

2. Significant Accounting Policies (continued)

Costs relating to any producing mineral interest would be amortized on a unit-of-production basis over the estimated ore reserves. Costs incurred after a property is placed into production that increase production volume or extend the life of a mine are capitalized.

The recoverability of the amount capitalized for the capitalized mineral interests is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to farm-out its resource properties, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated amortization, depreciation and depletion.

Amortization is calculated using the straight-line method based on the assets' estimated useful lives:

	Estimated useful life
Computer Equipment	5 year
Leasehold Improvements	Remaining lease term
Mining Equipment	5 year
Motor Vehicles	10 year
Office Equipment and Furniture	5 year

Impairment

The carrying values of mineral interests and property, plant and equipment are reviewed when changes in circumstances suggest their carrying value may be impaired. Management considers assets to be impaired if the carrying value exceeds the estimated undiscounted future projected cash flows from the use of the asset or mineral interests and its eventual disposition. If impairment is deemed to exist, the assets or development property will be written down to fair value with a charge to operations.

Asset Retirement Obligations

The Company recognizes the fair value of liabilities for asset retirement obligations in the period in which they are incurred and in which a reasonable estimate of such costs can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related asset and depreciated over the life of the asset. Over time, the liability is increased to reflect an interest element (accretion expenses) considered in its initial measurement at fair value. The amount of liability will be adjusted for changes in amounts and time of cash flows at each reporting period. It is possible that the Company's estimates of its ultimate reclamation and closure liabilities could change as a result of changes in regulations, the extent of environmental remediation required, and the means of reclamation or cost estimates. Changes in estimates are accounted for prospectively from the period the estimate is revised.

2. Significant Accounting Policies (continued)

As at December 31, 2009 and 2008 the Company did not have any asset retirement obligations.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, short-term investments, marketable securities, receivables, accounts payable and accrued liabilities and loan payable.

a) 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. Cash and cash equivalents have been classified as held for trading and are recorded at fair value.

b) Short-term Investments

Short-term investments comprise guaranteed investment certificates with initial maturity of greater than three months. Such investments have been classified as held for trading and are recorded at fair value.

c) Marketable securities

Marketable securities are classified as held for trading and carried at their fair values.

d) Receivables

Receivables are classified as loans and receivables and accordingly are recorded initially at fair value, plus transaction costs incurred, and subsequently at amortized cost using the effective interest rate method.

e) Accounts Payable, Accrued Liabilities and Loan Payable

Accounts payable, accrued liabilities and loan payable are classified as other financial liabilities and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost.

Income Taxes

The Company follows the liability method of accounting for income taxes. Future income taxes are recognized for the future tax consequences attributable to differences between the carrying values of assets and liabilities and their respective income tax bases on the balance sheet date. Future income tax assets and liabilities are measured using substantially enacted income tax rates expected to apply in the period in which temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in substantially enacted rates is included in operations. A future income tax asset is only recorded to the extent it is more likely than not to be realized

2. Significant Accounting Policies (continued)

Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. Diluted loss per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. If the Company incurred net losses in a fiscal year, basic and diluted loss per share are the same as the inclusion of dilutive instruments.

Translation of Foreign Currencies

The Company's measurement currency is the Canadian dollar. The Company follows the temporal method of accounting for the translation of its integrated foreign operations and for foreign currency transactions. Under this method, transactions denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the transaction dates. At year-end, monetary assets and liabilities are re-measured at the year-end exchange rates, and non-monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at their historical exchange rates. Exchange gains and losses on translation are charged to operations.

Newly Adopted Accounting Policies

Goodwill and Intangible Assets

Effective from January 1, 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 January 1, 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.

2. Significant Accounting Policies (continued)

New Accounting Pronouncements

Section 1582, Business Combinations, 1601, Consolidated Financial Statements 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.

Certain comparative figures have been reclassified to conform with the presentation as at and for the year ended December 31, 2009.

3. Short-term Investments

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).

4. Marketable Securities

As at December 31, 2009, the Company held 420,000 common shares of Nanika Resources Inc.

5. Mineral Interests

a) Guangdong – Changkeng

Minco China, Minco Gold's wholly owned subsidiary, is the controlling shareholder in Guangzhou Mingzhong Mining Co., Ltd. ("Mingzhong").

Mingzhong signed an exploration permit transfer agreement with No. 757 Exploration Team of Guangdong Geological Bureau ("757 Exploration Team") and on January 5, 2008 Mingzhong received the Changkeng exploration permit, which expires in September 2011. The value of the exploration permit was RMB 48 million (approximately $7.3 million).

5. Mineral Interests (continued)

The initial committed contribution to Mingzhong by the five partners was established at RMB 100 million ($16.57 million). The contributions will be used to purchase the exploration permit for RMB 48 million ($7.3 million) and to provide funds for exploration and development of RMB 52 million ($9.27 million). Minco China is to contribute at a rate of 51% with the other shareholders contributing 49%, as and when funds are required for the purchase of the exploration permit and exploration activities.

Changkeng Silver Mineralization

Pursuant to the terms of an agreement with Minco Silver, 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 total 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 costs incurred on the Changkeng Silver Mineralization and paid on Minco Silver's behalf by the Company. Minco Silver paid this amount to the Company.

In 2009, the Company and Minco Silver entered into an agreement under the terms of which Minco Silver will pay 30% of the Company's 51% of the cost of the Changkeng permit. Accordingly, in the year ended December 31, 2009, the Company recorded an exploration permit cost recovery of $1,205,298.

b) Gansu – Longnan

Minco China holds twelve 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:

(1) Yangshan: including five exploration permits located in the northeast extension of the Yangshan gold belt and its adjacent area;

(2) Yejiaba: including four exploration permits adjacent to the Guojiagou exploration permit;

(3) Xicheng East: including three exploration permits to the east extension of the famous Xicheng Pb-Zn mineralization belt;

The Company has spent a cumulative total of $4.1 million to December 31, 2009 (2008 - $2.8 million) on exploration costs.

c) Inner Mongolia - Gobi Gold

The Gobi Gold project is located in Inner Mongolia Autonomous Region, China. Pursuant to a co-operative joint venture agreement signed on March 12, 2004, Minco Gold can earn a 75% interest in the project after spending RMB 18 million (approximately $2.7 million) over a four-year period ended March 12, 2008. The Damo was formed to hold the above noted mineral interests.

At December 31, 2009, the Company has spent a cumulative total of $1.9 million (2008 - $1.9 million) and earned a 65% (2008- 63%) project interest.

5. Mineral Interests (continued)

d) Hunan – Gold Bull Mountain

Minco China's wholly owned subsidiary Yuanling Minco owns the Gold Bull Mountain Mining License.

As at December 31, 2008, the Company wrote off the $358,500 cost of the Gold Bull Mountain Mining License recorded as mineral interests. Management decided to write off the license as there was significant deterioration in the business environment.

As at December 31, 2009, the Company has incurred a cumulative total of $2.3 million (2008 - $2.2 million) in exploration costs. The Company has determined that as part of its prioritization of its cash management, that the Gold Bull Mountain project will no longer be funded.

The following is a summary of exploration costs, net of recoveries, incurred by the Company:

Year ended December 31,	2009	2008	2007
Gansu			
- Yangshan, Anba (a)	$ -	$ -	$ 12,941
- Minco-Qinqi (a)	-	-	(163,088)
- Longnan	1,336,083	1,414,127	886,375
Inner Mongolia			
- Gobi Gold	(8,003)	270,532	214,319
- BYC (b)	-	-	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 (b)	-	57,953	55,196
Total	$ 241,236	$ 10,193,279	$ 1,845,250

(a) Projects terminated
(b) Projects disposed of (Note 9)

6. Plant, Property and Equipment

	December 31, 2009		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$ 222,193	$ 193,202	$ 28,991
Leasehold improvements	68,318	60,580	7,738
Mining equipment	363,570	286,033	77,537
Motor vehicles	405,534	183,470	222,064
Office equipment and furniture	140,514	135,599	4,915
	$1,200,129	$ 858,884	$ 341,245

6. Plant, Property and Equipment (continued)

	December 31, 2008		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$ 222,226	$ 151,522	$ 70,704
Leasehold improvements	66,044	46,916	19,128
Mining equipment	358,909	213,067	145,842
Motor vehicles	348,718	142,916	205,802
Office equipment and furniture	134,597	107,423	27,174
	1,130,494	661,844	468,650
Discontinued operations	51,800	6,929	44,871
	$1,182,294	$ 668,773	$ 513,521

7. Equity Investment in Minco Silver Corporation

As at December 31, 2009 the Company owns 13,000,000 common shares of Minco Silver (2008 and 2007- 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 offerings of Minco Silver and as a result of dilution and the sale of 1,000,000 shares of Minco Silver in 2007, its ownership interest has decreased to 32.01% at December 31, 2009.

The Company's equity accounts for its investment in Minco Silver.

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

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

7. Equity Investment in Minco Silver Corporation (continued)

The carrying value and market value of the Minco Silver shares held by the Company are as follows:

	December 31, 2009	December 31, 2008
nvestment in Minco Silver on an equity basis	$ 5,494,836	$ 3,675,116
Market value of Minco Silver shares	$24,050,000	$18,460,000

As at December 31, 2009, Minco Silver had current assets of $11,526,006, non-current assets of $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 of December 31, 2008, Minco Silver had current assets of $5,398,758, non-current assets of $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.

8. Non-controlling Interest

The non-controlling interest represents the interest of minority shareholders in Zhongjia, prior to disposal, and the interest of the minority shareholders in Mingzhong.

9. Discontinued Operations

The following information summarizes the financial information for the Company's discontinued operations:

a) Minco Base Metal Corporation ("MBM")

On November 15, 2007, the Company effected the reorganization and spin-off of MBM, including its interest in Gansu Keyin Mining Co. Ltd. and the White Silver Mountain project. The Company issued 1 common share in MBM for every 5 common shares of the Company (the assets disposed of consisted primarily of cash, receivables and payables). The 2007 loss of MBM prior to disposition was $39,596. The net liabilities of $112,674 of MBM as of November 14, 2007 were credited to the Contributed Surplus of the Company.

9. Discontinued Operations (continued)

b) Inner Mongolia Huayu-Minco Mining Co.,Ltd. ("HYMK")

On July 18, 2008, the Company entered into a sale agreement to dispose of its interest in HYMK. After completion of all legal requirements and approvals, the Company relinquished all managerial involvement and control to the purchaser on October 31, 2008. Gross proceeds on disposal were RMB 7.0 million (approximately $1.2 million).

c) Henan Zhongjia Co. Ltd (Zhongjia)

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)

Operating Results for Discontinued Operations

The net earnings (loss) from discontinued operations summarized in the consolidated statements of operations comprised the following:

	Years Ended December 31		
	2009	2008	2007
Loss from MBM	$ -	$ -	$ (39,596)
Loss from HYMK-	-	(30,952)	(36,268)
Gain on sale of HYMK (net of tax $35,268)	-	1,195,682	-
Loss from Zhongjia	(309,003)	(311,318)	(786,868)
Gain on sale of Zhongjia	864,607	-	-
			-
Earnings (loss) from discontinued operations	$ 555,604	$ 853,412	$ (862,732)

Assets and Liabilities of Discontinued Operations

The assets and liabilities related to MBM, HYMK and Zhongjia are included in the consolidated balance sheets of Minco Gold and comprise the following:

9. Discontinued Operations (continued)

	December 31,	
	2009	2008
Cash	$ -	$ 50,880
Receivables	-	891
Plant, propery and equipment	-	44,871
Accounts payable and accrued liabilities	-	(237,800)
Net liabilities of discontinued operations	$ -	$ (141,158)

Cash flow of Discontinued Operations

The cash flows related to MBM, HYMKand and Zhongjia are included in the consolidated statements of cash flows of Minco Gold and comprise the following:

	2009	2008	2007
Cash provided by operating activities of discontinued operations			
- MBM	$ -	$ -	$ (4,240)
- HYMK	-	677,004	5,996
- Zhongjia	583,517	(507,574)	616,759
	583,517	169,430	618,515
Cash provided by financing activities of discontinued operations			
- Zhongjia	-	213,942	99,325
	-	213,942	99,325
Cash provided by financing activities of discontinued operations			
- MBM	-	-	-
- HYMK	-	4,461	-
- Zhongjia	44,871	(4,173)	(40,699)
	44,871	288	(40,699)
Increase in cash	$ 628,388	$ 383,660	$ 677,141

10. Loans payable

Mingzhong signed loan agreements with its shareholders on December 10, 2008 for RMB 30 million ($5.53 million). As at December 31, 2008, the Company recorded a loan payable of $2,667,296 to the minority shareholders' loans in Mingzhong.

On May 20, 2009, the loan of RMB 30 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 income statement.

11. Share Capital

(a) Common Stock and Contributed Surplus

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

	Shares	Share Capital	Contributed Surplus
Balance - December 31, 2007	42,928,385	$ 33,941,510	$ 3,721,117
Stock-based compensation	-	-	1,242,953
Stock options exercised	60,666	80,412	(33,973)
Balance - December 31, 2008	42,989,051	$ 34,021,922	$ 4,930,097
Private placement (net of share issuance costs of $10,260)	5,000,000	4,389,740	-
Stock-based compensation	-	-	750,510
Common shares sold	16,500	13,106	649
Stock options exercised	152,231	128,988	(53,415)
Balance - December 31, 2009	48,157,782	$ 38,553,756	$ 5,627,841

On October 22, 2009, the Company closed a non-brokered private placement financing. The financing placed 5,000,000 common shares at a price of $0.88 per share for gross proceeds of $4,400,000.

Under the terms of a Normal Course Issuer Bid, the Company acquired 48,000 common shares at a cost of $44,451 between November 22, 2006 and November 21, 2007. The cost to purchase the shares exceeded their carrying value by $6,499. This excess has been charged to retained earnings.

11. Share Capital (continued)

(b) Stock Options

Minco Gold may grant options to its directors, officers, employees and consultants under its stock option plan. The 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 option granted.

Stock option compensation is expensed over the vesting period of each option. During the year ended December 31, 2009, the Company granted 1,907,000 stock options to directors, employees and consultants with exercise prices ranging from $0.48 to $1.60 vesting over an eighteen months period.

The number of common shares reserved for issuance is 5,662,101 based upon option granted and not exercised. The maximum number of common shares reserved for issuance is 10% of the issued and outstanding shares.

Minco Gold recorded $0.8 million in stock based compensation expense in 2009 (2008 - $1.2 million).

A summary of the status of options granted by Minco Gold is as follows:

	Number	Weighted Average Exercise Price
Options outstanding at December 31, 2007	5,236,667	$ 1.21
Granted	767,500	1.03
Exercised	(60,666)	0.79
Forfeited	(1,217,667)	1.48
Options outstanding at December 31, 2008	4,725,834	$ 1.11
Granted	1,907,000	0.56
Exercised	(152,231)	0.50
Forfeited	(668,502)	1.08
Expired	(150,000)	1.80
Options outstanding at December 31, 2009	5,662,101	$ 0.93

The weighted average fair value of options granted by Minco Gold during the year ended December 31, 2009 was $0.93. Each option entitles the holder to purchase one common share.

11. Share Capital (continued)

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (yr)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$0.00 - $1.06	3,903,434	3.28	$ 0.68	2,933,436	$ 0.77
$1.07 - $1.63	1,091,667	2.90	$ 1.27	741,667	$ 1.31
$1.64 - $2.54	567,000	1.24	$ 1.67	567,000	$ 1.67
$2.55 - $3.00	100,000	1.33	$ 2.55	100,000	$ 2.55
	5,662,101	2.97	$ 0.93	4,342,103	$ 1.02

The Company used the Black-Scholes option pricing model to determine the fair value of the options with the following assumptions:

	2009	2008	2007
Risk-free interest rate	1.58% - 2.61%	1.69% - 3.10%	3.95% - 4.59%
Dividend yield	0%	0%	0%
Volatility	75% - 90%	64% - 77%	86% - 104%
Approximate expected lives	5 years	5 years	5 years

Option pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and therefore, in management's opinion, existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

(c) Capital Risk Management

The Company's objectives in managing its liquidity and capital are to safeguard the Company's ability to continue as a going concern and provide financial capacity to meet its strategic objectives. The capital structure of the Company consists of equity attributable to common shareholders, comprising issued share capital, contributed surplus and accumulated deficit.

11. Share Capital (continued)

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets. To facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending upon various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

As at December 31, 2009, the Company does not have any long term debt and is not exposed to any externally imposed capital requirements.

The Company expects that its current capital resources will be sufficient to carry on a limited development and exploration business plan and support the basic operational expenses.

12. Income Taxes

On March 16, 2007, the National People's Congress ("NPC") of China approved the new Corporate Income Tax Law, which became effective on January 1, 2008. The new law establishes a unified 25% tax rate for both domestic enterprises and foreign invested enterprises ("FIEs"). This change of the Chinese tax law will have impact to the extent of the Company's business operations in China when the Company becomes profitable in China.

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to loss before income taxes. These differences result from the following items:

		2009		2008		2007
Loss before discontinued operations	$	(756,502)	$	(14,032,368)	$	(6,717,499)
		30%		31%		34%
Income tax recovery at statutory rates	$	(226,951)	$	(4,350,034)	$	(2,283,950)
Non-taxable capital gain		-				(553,530)
Non-taxable dilution loss (gain)		-		(92,334)		520,313
Non-deductible expenses		226,360		(1,298,184)		734,677
Difference in foreign tax rates		90,937		1,043,006		145,999
Impact of federal tax rate change		(256,454)		179,848		637,268
Expiry of non-capital loss carry forward		232,160		196,776		356,895
Business tax/China withholding tax		-		85,349		-
Change in valuation allowance		(119,235)		4,181,504		865,394
Other		53,183		139,418		(423,066)
Provision for tax expenses	$	-	$	85,349	$	-

12. Income Taxes (continued)

Future income taxes arise from temporary differences in the recognition of income and expenses for financial reporting and tax purposes. The significant components of future income tax assets and liabilities at December 31, 2009 are as follows:

	2009	2008
	25%	26%
Future income tax assets:		
Non-capital losses	$ 4,102,025	$ 4,050,990
Resource expenditures	4,433,969	4,365,041
Capital assets	177,644	175,827
Marketable securities	-	87
Equity investment in Minco Silver	(133,952)	97,254
Share issue costs	2,052	8,970
	8,581,738	8,698,169
Future income tax liabilities:		
Marketable securities	(2,804)	-
Less: valuation allowance	(8,578,934)	(8,698,169)
Net future income tax assets	$ -	$ -

No future income tax asset has been recognized as realization is not considered more likely than not, due to the uncertainty of future taxable income.

The Company has Canadian non-capital loss carry forwards of approximately $4,994,195 that may be available for tax purposes. The expiry for Canadian non-capital loss carry forwards is as follows:

	Non-Capital Losses Canada
2010	$ 812,495
2015	1,156,750
2026	1,442,234
2028	1,582,716
	$ 4,994,195

The Company has approximately $11.4 million of operating losses and approximately $13.9 million of unclaimed exploration expenses for Chinese income tax purposes. Operating losses incurred in a year can be carried forward for five years, while unclaimed exploration expenses will be amortized to match with future sales.

In China, under the new Corporate Income Tax Law, which became effective on January 1, 2008, the Company is required to pay withholding tax on deemed interest for intercompany loans in China which is not claimable against Canadian carried forward loss.

13. Related Party Transactions

a. 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	-
Directors' fees	49,000	48,000	62,500
	$ 159,000	$ 191,228	$ 181,563

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

c. 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, silver project investigation costs and shared office expenses. The amount due from Minco Silver is unsecured, non-interest bearing and repayable on demand.

d. At December 31, 2009, the Company has $120,576 (2008 - $506,569) due from MBM in relation to expenditures on the White Silver Mountain project and shared office expenses. The amount due from MBM is unsecured, non-interest bearing and repayable on demand. The Company is related to MBM through two common directors and one common officer.

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.

e. During the year, Zhongjia Kailong, Co. Ltd, a Chinese registered entity controlled by a person related to a director of the Company, lent RMB 10 million ($1.53 million) to Minco China. As at December 31, 2009, the funds were paid by Minco China.

14. Commitments

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.

15. Geographic Information

The Company's business has one operating segment, mineral exploration and development. The Company conducts operations only in Canada and in China; therefore segregates its financial results by geographical division. The Company's total assets, liabilities and operating loss are as follows:

	December 31, 2009	December 31, 2008
Current Assets		
Canada	$ 5,199,706	$ 1,958,075
China	3,508,016	4,360,190
	$ 8,707,722	$ 6,318,265

	December 31, 2009	December 31, 2008
Long-term Assets		
Canada	$ 5,508,346	$ 3,801,028
China	379,499	439,132
	$ 5,887,845	$ 4,240,160

	December 31, 2009	December 31, 2008
Current Liabilities		
Canada	$ 165,494	$ 192,831
China	5,038,350	8,495,976
	$ 5,203,844	$ 8,688,807

	2009	2008	2007
(Loss) for the year			
Canada *	$ 758,271	$ (2,399,860)	$ (3,959,788)
China	(1,514,775)	(11,704,154)	(2,767,068)
Discontinued operation	555,604	839,709	(853,375)
	$ (200,900)	$ (13,264,305)	$ (7,580,231)

16. Earnings (Loss) per Share

The table below calculates the basic and diluted earnings and loss per share.

	2009	2008	2007
Loss per share from continuing operations			
Basic	$ (0.02)	$ (0.33)	$ (0.16)
Diluted	$ (0.02)	$ (0.33)	$ (0.16)
Earnings per share from discontinued operations			
Basic	$ 0.01	$ 0.02	$ (0.02)
Diluted	$ 0.01	$ 0.02	$ (0.02)
Loss per share			
Basic	$ (0.01)	$ (0.30)	$ (0.18)
Diluted	$ (0.01)	$ (0.30)	$ (0.18)
Weighted average number of shares outstanding	43,148,525	42,970,813	42,908,809
Effect of dilutive securities			
Stock options	-	50,640	-
Diluted weighted average number of shares outstanding	43,148,525	43,021,453	42,908,809

Stock options are excluded from the computation of diluted earnings per share when the exercise price exceeds the average market value of the common shares or has created an anti-dilutive effect.

17. Financial Risk Management

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 that are recorded in the consolidated financial statements. The Company considers the following financial assets to be exposed to credit risk:

17. Financial Risk Management (continued)

i. 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 $ 3.5million was placed with three institutions.

ii. Short term investments –These are investment grade bonds and guaranteed investment certificates with maturities of greater than 90 days when acquired. At December 31, 2009, these totalled $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 $3.50 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 or US 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 effective interest rate on financial liabilities (accounts payable) ranged up to 1%. 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. A 1% 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.

17. Financial Management Risk (continued)

Fair value measurement

It is required that the fair value measurement uses a fair value hierarchy that reflects the significance of the inputs used in making the measurements, including the following levels: Level 1 – quoted prices in active markets for identical assets or liabilities,

Level 2 – valuation methods that make use of directly or indirectly observable inputs, and Level 3 – valuation methods that make use of unobservable market data used as inputs.

The fair value of the Company's cash and cash equivalents and short-term investments is their carrying value (level 2). The marketable securities are measured at their fair value based on quoted market price (level 1). The fair value of the Company's receivables and payables approximates their carrying value given their short-term nature.

18. Reconciliation of Canadian and United States Generally Accepted Accounting Principles

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), which differ in certain material aspects from United States Generally Accepted Accounting Principles ("US GAAP"). The significant differences between Canadian GAAP and US GAAP affecting the Company's financial statements are summarized as follows:

Consolidated Balance Sheets		**December 31, 2009**		**December 31, 2008**
Total assets under Canadian GAAP	$	14,595,566	$	10,558,425
Adjustment for investment in Minco Silver		(2,898,576)		(2,160,438)
Total assets under US GAAP	$	11,696,990	$	8,397,987
Shareholders' equity under Canadian GAAP	$	6,898,295	$	1,869,618
Difference in equity loss in Minco Silver (Note a)		(3,608,625)		(2,160,438)
Difference in the dilution gain in Minco Silver (Note a)		710,049		-
Non-Controlling interest (Note c)		2,493,427		-
Total shareholders' equity under US GAAP	$	6,493,146	$	(290,820)

18. Reconciliation of Canadian and United States Generally Accepted Accounting Principles (continued)

Consolidated Statements of Operations and Comprehensive loss for the Year ended December. 31,	**2009**	**2008**	**2007**
Losses for the year			
Under Canadian GAAP	$ (200,900)	$ (13,264,305)	$ (7,580,231)
Difference in equity loss in Minco Silver (Note a)	(1,448,187)	(2,160,438)	-
Difference in the dilution gain in Minco Silver (Note a)	710,049	(1,544,454)	(191,000)
Unrealized (gain)/loss on available-for-sale securities (Note b)	(23,100)	75,600	189,000
Loss for the year under US GAAP	$ (962,138)	$ (16,893,597)	$ (7,582,231)
Weighted average number of shares outstanding	43,148,525	42,970,813	42,908,809
Loss per share – basic and diluted under US GAAP	$ (0.02)	$ (0.39)	$ (0.18)

Loss for the year			
Under US GAAP	$ (962,138)	$ (16,893,597)	$ (7,582,231)
Unrealized (gain)/loss on available-for-sale securities (Note b)	23,100	(75,600)	(298,947)
Comprehensive (loss) under US GAAP	$ (939,038)	$ (16,969,197)	$ (7,881,178)

There were no reconciliation items for the consolidated statements of cash flows

(a) Equity investment in Minco Silver

Under Canadian and US GAAP, the Company accounts for its investment in Minco Silver using the equity method of accounting.

Under Canadian GAAP, Minco Silver capitalizes mineral property development costs upon the establishment of a mineral resource. For US GAAP purposes, all exploration and development costs are expensed until proven and probable reserves have been established by way of a bankable feasibility study.

With the decrease of the Company's equity interest in Minco Silver (see note7), the Company recognized dilution gains under Canadian GAAP for the years ended December 31, 2009, 2008 and 2007. Under US GAAP, prior to the application of EITF 08-6, "Equity Method Accounting Consideration effective January 1, 2009, such transactions were considered capital transactions and the resulting dilution gains are excluded from net income and included in contributed surplus. From January 1, 2009 dilution gains or losses are recognized in net income under both US and Canadian GAAP.

18. Reconciliation of Canadian and United States Generally Accepted Accounting Principles (continued)

(b) Comprehensive income (loss)

Under Canadian GAAP, the Company classifies all its short-term investments as held-for-trading.

Under US GAAP, the Company classified the short-term investments as available for sale prior to January 1, 2007. Beginning January 1, 2007, the Company changed the classification for all new short-term investments to held-for-trading. Securities acquired prior to January 1, 2007 and still held as at the date of the balance sheet remain classified as available for sale.

Unrealized holding gains and losses on these securities are excluded from income and charged to accumulated other comprehensive income as a separate component of shareholders' equity until realized.

(c) Under US GAAP, the non-controlling interest is classified to shareholders' equity in accordance with Accounting Standards Codification 810 "Consolidations", effective from January 1, 2009.

(d) Recently adopted accounting standards – US GAAP

1) In June 2009, the FASB issued Accounting Standards Codification ("ASC") Topic 105, "Generally Accepted Accounting Principles." ASC Topic 105 establishes the FASB Accounting Standards Codification ("Codification") as the source of authoritative accounting principles recognized by the FASB to be applied by non-governmental entities in the preparation of financial statements in conformity with US GAAP for the Securities and Exchange Commission ("SEC") registrants. All guidance contained in the Codification carries an equal level of authority. The Codification supersedes all existing non-SEC accounting and reporting standards. The FASB will no longer issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. The FASB will instead issue new standards in the form of Accounting Standards Updates ("ASU"). The FASB will not consider ASUs as authoritative in their own right and ASUs will serve only to update the Codification, provide background information about the guidance and provide the basis for conclusions on changes in Codification. These changes and the Codification itself do not change US GAAP. The adoption of these changes has only impacted the manner in which new accounting guidance under US GAAP is referenced. It did not impact the Company's consolidated financial statements.

2) In September 2006, the FASB issued an amendment included in ASC 820 Fair Value Measurements and Disclosures (formerly SFAS 157, Fair Value Measurements), which defines fair value, establishes a framework for measuring fair value and expands fair value disclosures. The standard does not require any new fair value measurements. The effective date for certain non-financial assets and non-financial liabilities was deferred to years beginning after November 15, 2008, and interim periods within those years. The Company adopted the standard on January 1, 2009 without significant effect on the Company's financial statements.

18. Reconciliation of Canadian and United States Generally Accepted Accounting Principles (continued)

3) In December 2007, the FASB issued an amendment to ASC 805 "Business Combinations" (formerly SFAS 141(R), "Business Combinations"), which retains the fundamental requirements that the acquisition method of accounting be used for all business combinations and for an acquirer to be identified for each business combination. The standard applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company adopted the standard on January 1, 2009 without significant effect on the Company's financial statements.

4) In December 2007, the FASB issued an amendment to ASC 810 "Consolidations" (formerly SFAS 160, "Non-controlling Interests in Consolidated Financial Statements," which amended ARB 51) to establish accounting and reporting standards for a non-controlling interest in a subsidiary and for deconsolidation of a subsidiary. The standard applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company adopted the standard on January 1, 2009 without significant effect on the Company's financial statements.

5) In March 2008, the FASB issued an amendment to ASC 815, "Derivatives and Hedging" (formerly FASB Statement No. 161, Disclosure about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133") which provides revised guidance for enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and the related hedged items are accounted for under ASC 815, and how derivative instruments and the related hedged items affect an entity's financial position, financial performance and cash flows. The Company adopted the standard on January 1, 2009 without significant effect on the Company's financial statements.

6) In April 2008, the FASB issued an amendment to ASC 350, "Intangibles – Goodwill and Other" (formerly FSP No. FAS 142-3, "Determination of the Useful Life of Intangible Assets") which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under ASC 350. The intent of this amendment is to improve consistency between the useful life of a recognized intangible asset under ASC 350 and the period of expected cash flows used to measure the fair value of the asset under ASC 805, "Business Combinations" (formerly FASB Statement No. 141, "Business Combinations"). The amendment is effective for the Company's fiscal year beginning January 1, 2009 and has been applied prospectively to intangible assets acquired after the effective date. The Company adopted the standard on January 1, 2009 without significant effect on the Company's financial statements.

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7) In April 2009, an amendment was issued to ASC 815, "Derivatives and Hedging" which addresses whether an equity-linked financial instrument (or embedded feature) is indexed to an entity's own stock, an important consideration in determining the instrument's accounting classification. The amendment is effective for annual periods beginning after December 15, 2008. The Company adopted the standard on January 1, 2009 with no impact on the Company's financial statements.

8) In May 2009, the FASB issued ASC 855, "Subsequent Events" which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued. The standard is based on similar principles as those that previously existed in the auditing standard. The standard is effective for interim and annual periods ending after June 15, 2009. The Company has adopted the standard for the annual period ended December 31, 2009 without significant effect.

(e) Future accounting pronouncements impacting the Company

1) In June 2009, the FASB issued an amendment to ASC 820, "Fair Value Measurements and Disclosures" (formerly SFAS 166, "Accounting for Transfers of Financial Assets," which amends FAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishing of Liabilities") significantly changing how companies account for transfers of financial assets. The standard provides revised guidance in a number of areas including the elimination of the qualifying special purpose entity concept, the introduction of a new "participating interest" definition that must be met for transfers of portions of financial assets to be eligible for sale accounting, clarification and amendments to the derecognition criteria for a transfer to be accounted for as a sale when beneficial interests are received by the transferor, and extensive new disclosures. The provisions are to be applied to transfers of financial assets occurring in years beginning after November 15, 2009. The Company is currently evaluating the potential effect of adopting this standard on its financial statements and disclosures.

2) In June 2009, the FASB issued an amendment to ASC 810, "Consolidation" (formerly SFAS 167, "Amendments to FASB Interpretation No. 46 (R)," which amends the consolidation guidance for VIE under FIN 46(R), "Consolidation of Variable Interest Entities"). The changes include the elimination of the exemption for qualifying special purpose entities and a new approach for determining who should consolidate a variable interest entity. In addition, changes to when it is necessary to reassess who should consolidate a VIE have also been made. In determining the primary beneficiary, or entity required to consolidate a VIE, quantitative analysis of who absorbs the majority of the VIE's expected losses or receives a majority of the VIEs expected residual returns or both is no longer required. Under the amendment, an entity is required to assess whether its variable interest or interests in an entity give it a controlling financial interest in the VIE, which involves more qualitative analysis. Additional disclosures will be required under

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the amendment to provide more transparent information regarding an entity's involvement with a VIE. The provisions are to be applied to transfers of financial assets occurring in years beginning after November 15, 2009. The Company is currently evaluating the potential effect of adopting this standard on its financial statements and disclosures.

19. Subsequent Event

Subsequent to the year - end, the Company has received $1,395,553 of the amount due from Minco Silver.