MINCO GOLD CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013

This Management's Discussion and Analysis ("MD&A") of Minco Gold Corporation ("we", "our", "us", "Minco Gold" or the "Company") has been prepared on the basis of available information up to March 26, 2014, should be read in conjunction with the audited consolidated financial statements and notes thereto prepared by management for the years ended December 31, 2013 and 2012. The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Except as noted, all financial amounts are expressed in Canadian dollars. All references to "$" and "dollars" are to Canadian dollars, all references to "US$" are United States dollars and all references to "RMB" are to Chinese Renminbi. Refer to Note 3 of the December 31, 2013 audited consolidated financial statements for disclosure of the Company's significant accounting policies.

Additional information, including the audited consolidated financial statements for the year ended December 31, 2013, and the MD&A and annual report on Form 20-F for the same period, is available under the Company's profile on SEDAR at www.sedar.com. The Company's audit committee reviews the consolidated financial statements and MD&A, and recommends approval to the Company's board of directors.

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

The Company's subsidiaries are as follows:

Our wholly-owned subsidiaries include: Minco Mining (China) Co., Ltd. ("Minco China"), Yuanling Minco Mining Ltd., Huaihua Tiancheng Mining Ltd., Minco Resource Limited.

The Company, through Minco China, established Tibet Minco on January 29, 2013 for the purpose of potential future transactions.

The Company, indirectly through Minco China and Tibet Minco, owns a 51% interest in a company formed and known as Guangzhou Mingzhong Mining Co., Ltd. ("Mingzhong"), which holds the Changkeng Gold property and the Changkeng Exploration Permit.

As at December 31, 2013, The Company owned a 21.91% equity interest in Minco Silver Corporation ("Minco Silver"), a publicly traded company listed on the Toronto Stock Exchange, which holds title to the Fuwan Silver Project located in Guangdong Province, P.R China.

As at December 31, 2013, the Company had 50,348,215 common shares and 6,853,167 stock options outstanding, for a total of 57,201,382 common shares outstanding, on a fully diluted basis.

As at the date of this MD&A, the Company had 50,498,215 common shares and 7,156,167 stock options outstanding, for a total of 57,654,382 common shares outstanding, on a fully diluted basis.

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1. Highlights for the Year

The Company made good progress in the exploration program on the Yejiaba Project during 2013. The sample work performed on this project, in particular on the Baimashi North and East Targets, consisted of 912 rock chip samples, 818 soil samples, 41 stream sediment samples and 339 trench channels. The result based on these samples, reviewed by an independent consultant, indicates the Baimashi North Target is the only target that hosts sufficient size and grade potential to produce a substantial gold deposit.

On March 25, 2013, Minco China settled its claim against the 208 Exploration Team ("the 208 Team") relating to the Joint Venture Agreement ("JV Agreement") for a settlement amount of RMB 14 million ($2.3 million). Minco China has received RMB 5 million ($801,395) in 2013 and another RMB 4 million ($699,688) in January 2014. Refer to section 2.4 of this MD&A respecting the Tugurige Gold project for additional information.

Mingzhong successfully renewed the Changkeng Exploration Permit for a two-year period ending on September 10, 2015. In addition, Mingzhong paid the final payment of RMB 29 million ($4.92 million) for the Changkeng Exploration Permit to 757 Exploration Team after the process to increase its registered capital was completed in May 2013.

2. Projects and Equity Investment in Minco Silver

The following is a brief discussion of the properties that Minco Gold holds through its subsidiaries and its equity investment in the Fuwan Silver Project of Minco Silver. Information of a technical or scientific nature respecting the Company's mineral properties ("Technical Information") is primarily derived from the documents referenced herein. Technical Information which appears in this MD&A has been reviewed and approved by Thomas Wayne Spilsbury, an independent director of Minco Silver, in which the Company owned a 21.92% equity interest as at December 31, 2013. Mr. Spilsbury is a Member of the Association of Professional Engineers and Geoscientists of British Columbia, a Member of the Australian Institute of Geoscientists and a Fellow of the Australasian Institute of Mining and Metallurgy CP (Geo) and is a "qualified person", as defined in NI 43-101. The Company operates quality assurance and quality control of sampling and analytical procedures.

All sample length information that follows refers to reported sample length; the lengths reported may not necessarily represent true thickness of the mineralization.

2.1 Longnan Projects

The following is a brief description of the Company's Longnan Properties. Technical Information respecting the Company's Yejiaba Project appearing in this MD&A has been primarily derived from the NI 43-101 compliant technical report entitled "*Independent Technical Report on the Yejiaba Gold-Polymetallic Project Gansu Province, P.R. China*", dated effective April 29, 2012 and prepared by Calvin R. Herron, P. Geo Ontario, a consultant to the Company and a qualified person for NI 43-101, available on SEDAR at www.sedar.com. Readers should refer to the aforementioned technical report for more information.

Exploration Activities - Longnan Region Projects

The Company's wholly-owned subsidiary, Minco China, held ten exploration permits in the Longnan region in the south of Gansu Province in China during 2013. The Longnan region is within the southwest Qinling gold field. The Longnan region consists of three projects according to their geographic distribution, type and potential of mineralization.

Yejiaba: Includes four exploration permits along a regional structural belt parallel to the Yangshan gold belt. The potential in this area is for polymetallic mineralization (gold-silver-iron-lead-zinc). The Company completed the NI 43-101 compliant technical report (refer to above) on Yejiaba Project, which is available on SEDAR.

Yangshan: Includes five exploration permits located in the northeast extension of the Yangshan gold belt and its adjacent area.

Xicheng East: Includes one exploration permit for the east extension of the Xicheng Pb-Zn mineralization belt. The potential in this area is for polymetallic mineralization (gold-silver-lead-zinc).

Yejiaba Project

The Yejiaba Project is located along the collisional boundary separating the Huabei and Yangtze Precambrian cratons. This major E-W trending collision zone has localized a number of large gold and polymetallic deposits within a geologic province that is often referred to as the Qinling Orogenic Belt. Gold and polymetallic mineralization on the Company’s lease package is generally hosted in Silurian-Devonian, thin-bedded limestone interbedded with phyllite. Mineralization is associated with shears and quartz veins, with higher grades typically found along sheared contacts separating massive limestone from the thin-bedded limestone and phyllite unit. Granite porphyry and quartz diorite dykes tend to be spatially associated with mineralization. Alteration accompanying mineralization consists of weak silicification and pyritization with carbonate veining and secondary carbon. Small quartz veinlets are noted in several places. Associated metals consist of silver, lead, antimony and arsenic.

Semi-regional geochemical anomalies were first delineated by the Company in 2005, extending 10 km along a hydrothermally altered zone that follows a NE trending thrust and regional unconformity.

Subsequent work between 2006 and 2012 has included traverse-line investigations, soil sampling, geologic mapping, geophysical surveys (ground magnetic and IP), trenching and drilling.

To date several targets have been identified and tested including: Shanjinba (Zone 1 and 2), Yaoshang, Fujiawan, Baimashi, Bailuyao, Baojia and Paziba.

The Company engaged an independent consultant to conduct a detailed review of the Yejiaba Project in April 2013, in particular to focus on the Baimashi North and East Targets. The sample work performed on the Yejiaba project during 2013 consisted of 912 rock chip samples, 818 soil samples, 41 stream sediment samples and 339 trench channels. The detailed results at the Baimashi North and East Targets are described in below.

During 2012, the Company completed an extensive surface trenching program at the Shajinba target on the Yejiaba project including 72 trenches for an aggregate length of 2,396.3 m and three diamond drill holes for an aggregate total of 1,260.2 m. The rock chip sample results at Shajinba indicated there was no significant mineralization within the target area. A comprehensive discussion and data compilation of previous exploration work up to the end of 2012 for the Shanjinba target were included in the Company’s Annual MD&A for the year ended December 31, 2012, dated April 1, 2013, available on SEDAR at www.sedar.com.

Sampling and assaying

The channel samples taken in the trenches are generally 10 cm wide; 5 cm deep, lengths are typically 1m but can be slightly longer or shorter to match geological boundaries. Only significant channel sample results are reported below, where composited gold grades are over 0.50 g/t. Reported composites may comprise individual samples with gold assays lower than 0.5g/t if it is deemed that the geology and mineralization is continuous over the interval. Channel sample intervals may not necessarily represent true thickness of the mineralization.

Sample preparation was performed by independent laboratory SGS-Tianjin, at their laboratory in Xian (PRC). Pulps are then analyzed at the SGS-Tianjin assay facility in Tianjin. Sample QAQC methods consisted of insertion of blank and duplicates in the field (one in twenty samples), while SGS-Tianjin inserted analytical duplicates and reference standards into the sample stream at their laboratory.

Baimashi Target

The Baimashi gold-antimony mineralization was discovered on the boundary between Weiziping-Baimashi and Shajinba-Yangjiagou permits and includes the Baimashi North Target that was identified in 2013, located approximately 1Km north of the Baimashi Target; and the Baimashi East Target.

During 2013, the samples in Table 1 were collected within the Baimashi North and East Target. Out of total samples, 118 trench, 75 soil and 37 rock samples were collected from Baimashi East, but the results of these samples demonstrated the gold values in the Baimashi East are tightly confined to narrow structure and thereby effectively diminished the target's size and significance. The Company has no further exploration planned on this target.

All of the exploration to date conducted during 2013 indicates the Baimashi North Target is the only target that hosts sufficient size and grade potential to produce a substantial gold deposit. The Company decided to drill-test this target in early 2014 with a scout drilling program to determine whether or not sufficient lateral and vertical continuity of gold mineralization exists to support a large scale, low-grade open pit operation.

Table 1. Summary of sample types collected within the Baimashi Targets

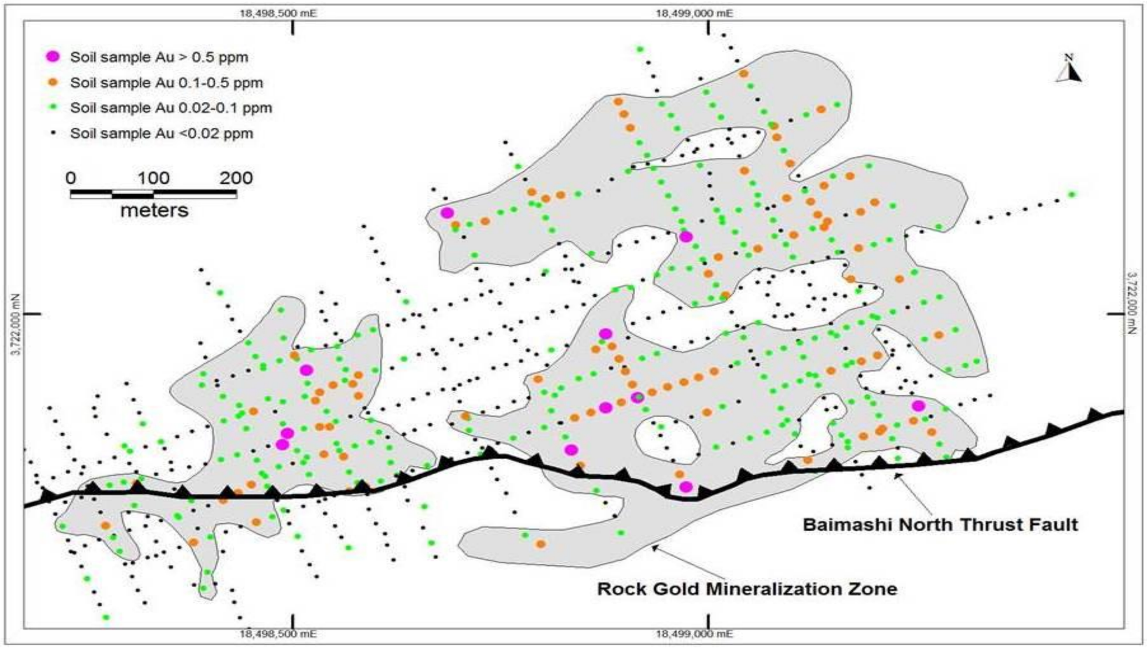
	# of Samples	Gold Range (ppm)	Average Au (ppm)
Rock Chip	912	<0.005 – 47.115	0.729
Soil	818	<0.005 – 3.968	0.055
Trench Channels	339	<0.005 – 14.250	0.190
Stream Sediment	41	<0.005 – 0.226	0.015

Baimashi North Target

Gold Mineralization Observed within the Baimashi North Target

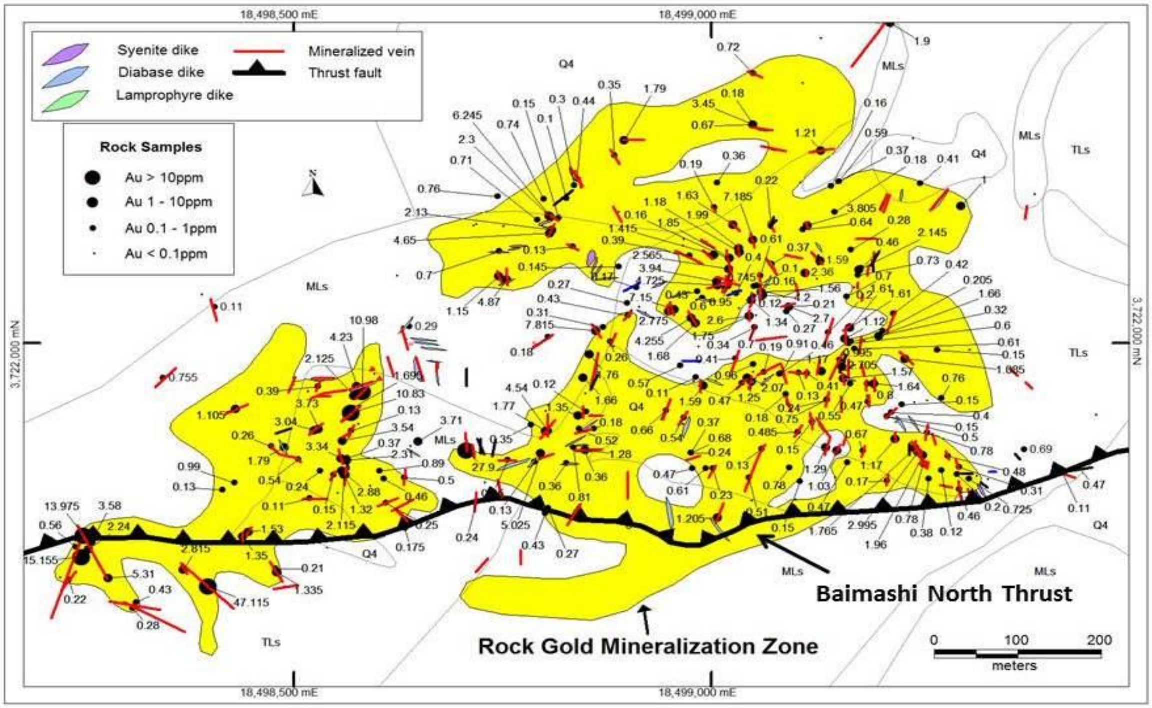
The Rock Gold Zone shown in Figure 1 represents the distribution of rock chip gold values exceeding 0.100ppm, and the zone boundaries were defined by combining the rock chip and soil sample results together with the structural data. The gold-in-soil distribution fairly represents the gold zone.

Figure1. Outline of Baimashi North Gold Mineralization Zone relative to soil samples results



In Figure 2, the same Rock Gold Zone is shown relative to the distribution of rock chip sample results together with the mapped mineralized structures (shears, veins, dikes). Here again, the sample data fits well within the zone boundaries, which suggests that the soil sample values generally do a fair job of reflecting the rock sample data. The dominantly northeast-trending Rock Gold Mineralization Zone is approximately 1,200m long by 600m wide. It measures 317,000m2 in plain view and is open to the north. The Baimashi North Target certainly possesses sufficient size for hosting a large gold deposit but will need sufficient gold grade as well

Figure 2. Outline of Baimashi North Gold Mineralization Zone relative to rock chip results and mineralized structures.



Samples collected within the Baimashi North Target

Following the encouraging results found in the third quarter of 2013 described below, a total of 589 soil samples and 39 rock samples were collected within this target during the fourth quarter of 2013. The soil sample results show a gold range from 0.005 to 3.968 ppm (refer to Table 1).

During the year ended December 31, 2013, 247 rock chip samples, 125 soil samples and 41 stream sediment samples within Baimashi North Target were collected.

The 247 rock samples collected within the Rock Gold Mineralization Zone run from 0.005 to 47.115ppm Au and average 1.49ppm, which is a potentially economic grade for an open-pit operation if this grade can be maintained. A rough analysis of the rock sample data is presented in Table 2, where we see a high percentage of samples (39%) carrying gold values exceeding 0.5 g/t, while 68% run in excess of 0.1 g/t. Six samples included in the >3.0 ppm Au category in Table 2 exceed 10ppm Au. If these six high-grade samples are taken out, the overall average grade drops to 1.00ppm, which illustrates the weight carried by high-grade numbers in this zone.

Table 2. Summary of rock chip sample results (excludes dumps).

Sample Ranges	Number of Samples	% of Total Samples	Average Au (ppm)	Average As (ppm)	Average Sb (ppm)
>3.0 ppm Au	22	8	8.391	4292	99
1.0-3.0 ppm Au	48	17	1.764	2358	66
0.5-1.0 ppm Au	41	14	0.691	1797	54
0.1-0.5 ppm Au	83	29	0.276	1340	25
<0.1 ppm Au	94	32	0.027	241	8

The overall gold grade distribution is summarized in Table 3. This is obviously a low grade system, and the amount of high grade found within the low-grade blanket will determine whether or not this target can be economical.

Table 3. Distribution of gold grades in 247 rock samples collected at Baimashi North Target							
Grade Range (ppm Au)	<0.1	0.1 -- 0.5	0.5 -- 2	2 -- 4	4 -- 6	6 -- 8	>8
% of Total	18	32	33	9.3	3.2	1.6	2.4

The rock samples collected within this zone tested a variety of geologic features and they can be grouped into vein/fault, dike-related, and altered rock types. The carbonate veins and altered faults usually range from 0.1m to1.0m wide, and the sampling often includes some of the surrounding low-grade wallrock. Altered dikes and dike margins were also sampled as a separate rock type, as were several zones of altered phyllitic limestone (the "altered rock type") hosting stockwork-type carbonate veinlets.

Averaged Au-As sample results for these three rock groups are compared in Table 4. Based on the As:Au ratios, arsenic values look to be following the intrusive dikes and sills, which suggests a congenetic relationship between the intrusive plumbing and Au-As mineralization. In contrast, the lower As:Au ratio seen in the vein/fault type is attributed to post-intrusion mineralization in younger, more dilatant zones.

Table 4. Comparison of Au-As mineralization in major sample types at Baimashi North Target			
Sample Type	Ave. Au (ppm)	Ave. As (ppm)	As/Au Ratio
V: Vein/Fault type	2.190	2185	997
D: Dike related	0.951	1726	1815
R: Altered rock type	0.958	1325	1383

Yangshan and Xicheng East

During 2013, the Company did not conduct any exploration activities on these two projects except for maintaining the exploration permits in respect of the projects.

On December 13, 2013, Minco China entered into an agreement with YDIC pursuant to which the Company agreed to sell two exploration permits in the Xicheng East and Yangshan area to YDIC for RMB 0.8 million ($140,000). The process of transferring the titles of the two permits to YDIC had not been completed as at December 31, 2013 due to the pending approval by Gansu province.

2.2 Changkeng Gold Project

The following is a discussion of the Company's Changkeng Gold Project. Technical Information respecting the Changkeng Gold Project is primarily derived from the NI 43-101 technical report entitled "Technical Report and Updated Resource Estimate on the Changkeng Gold Project Guangdong Province, China", dated effective February 21, 2009 and prepared by Tracy Armstrong, P. Geo Ontario, Eugene Puritch, P. Eng. Ontario and Antoine Yassa, P.Geo. Québec, all of P&E Mining Consultants Inc., and all qualified persons for the purposes of NI 43-101. This technical report includes relevant information regarding the data, data validation and the assumptions, parameters and methods of the mineral resource estimates on the Changkeng Gold Project.

Location

The Changkeng gold deposit is located approximately 45 km southwest of Guangzhou, the fourth largest city in China with 13 million people and the capital city of Guangdong Province. The project is adjacent to Minco Silver's Fuwan silver deposit and situated close to well-established water, power and transportation infrastructure.

Ownership

Mingzhong, a cooperative joint-venture established among Minco China, Guangdong Geological Bureau, Guangdong Gold Corporation, and two private Chinese companies to jointly explore and develop the Changkeng Property, signed a purchase agreement in January 2008 to buy a 100% interest in the Changkeng Exploration Permit on the Changkeng Project from 757 Exploration Team. The transfer of the Changkeng Exploration Permit from 757 Exploration Team to Mingzhong was approved by the MOLAR in 2009. The renewed Changkeng Exploration Permit for a two-year period expires on September 10, 2015.

The purchase price of the Changkeng Exploration Permit was set at RMB 48 million ($8.15 million). As of December 31, 2008, Mingzhong paid the first payment of RMB 19 million ($3.22 million) to the 757 Exploration Team for the Changkeng Exploration Permit. The remaining balance of RMB 29 million ($4.92 million) was settled in May 2013. According to the Supplementary Agreement signed between 757 Exploration Team and Mingzhong, 757 Exploration Team agreed to refund RMB 3.8 million ($622,293) to Mingzhong for the exploration costs incurred during the early stage of exploration of Changkeng project. The refunded amount was recorded as an exploration cost recovery during the year ended December 31, 2013. On July 31, 2013, Mingzhong paid the RMB 1.03 million ($169,669) to 757 Exploration Team for the completed hydro-geological program on the Changkeng Gold Project. The hydro-geological program was conducted to assist the preparation of the NI 43-101 technical report entitled "Technical Report and Updated Resource Estimate on the Changkeng Gold Project Guangdong Province, China": dated effective February 21, 2009.

On April 18, 2013, Minco China and 757 Exploration Team entered into a loan agreement in which Minco China agreed to loan RMB 10 million ($1,641,900) with annual interest rate of 6% to 757 Exploration Team for a two- month period until June 18, 2013. The loan was intended to partially settle Mingzhong's liability of RMB 29 million ($4.92 million) to 757 Exploration Team for the acquisition of Changkeng Exploration Permit at the date of the agreement. On May 29, 2013, 757 Exploration Team repaid Minco China the RMB 10 million along with RMB 65,753 ($10,919) of interest income during the year ended December 31, 2013.

Geology, Drilling Program and Resources Estimate

There have been no significant changes in the geology, drilling program and resource estimate for the year ended December 31, 2013 and as at the MD&A date compared to the year ended December 31, 2012.

A comprehensive discussion of the geology, drilling program and resource estimate are included in the Company's Annual Report on Form 20-F for the year ended December 31, 2013, dated March 28, 2014 available on SEDAR at www.sedar.com. During the year ended December 31, 2013, the Company did not conduct any exploration activities, except for maintaining the Changkeng exploration permit.

2.3 Equity Investment in Minco Silver Corporation

As at December 31, 2013, the Company owned 13,000,000 common shares of Minco Silver (December 31, 2012 - 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. As at December 31, 2013, the Company owned a 21.91% (December 31, 2012 – 22.02%) equity interest in Minco Silver

The following discussion respecting the Fuwan Silver Project held by Minco Silver is based on Minco Silver's public disclosure available on SEDAR at www.sedar.com.

Current Developments on the Fuwan Silver Project

During 2013, Minco Silver made great efforts to regain the support of local communities for development of the Fuwan Silver Project before the submission of the revised Environmental Impact Assessment ("EIA") report. Minco Silver has had productive communication with the Zhaoqian District government and the Gaoyao County government. Due to the fact that the last public survey was carried out in 2008, Minco Silver conducted a new extensive public survey among local communities concerning the development of the Fuwan Silver Project in the first half year 2013, and obtained a strong support from the locals. On May 26, 2013, the Gaoyao County government issued an official approval of the development of the Fuwan Silver Project to the Company.

Minco Silver successfully renewed the Fuwan Exploration Permit and Mining Area Permit of the Fuwan project in 2013. The renewed permits have a two –year valid period ending on July 20, 2015 and April 10, 2016 respectively. The Preliminary Mine Design for the Fuwan Project was completed by China Nerin Engineering Co. Ltd in 2013.

Several large mining groups in China expressed an interest in the Fuwan Silver Project in late 2012. Minco Silver hosted site visits, data reviews, and preliminary discussions with those groups; however no definitive agreements have been concluded as at the date of this MD&A. Minco Silver's strategy is to secure a large Chinese mining group as a business partner.

Minco Silver has continued its focus on the EIA report and the permitting process in order to apply for a mining license for the Fuwan Silver Project.

Minco Silver engaged the Guangdong Nuclear Design Institute ("GNDI") to complete the Chinese Regulatory EIA report in 2010. The EIA report was reviewed by a technical panel appointed by the Department of Environmental Protection Administration of Guangdong Province in principle on March 7, 2010 with certain comments. Minco Silver submitted the revised report to the Department in December 2010 after addressing the comments received from the panel.

Minco Silver engaged General Station for Geo-Environmental Monitoring of Guangdong Province ("GSGEM") for a water monitoring study to comply with the new water regulations issued by the Ministry of Environmental Protection of China effective on June 1, 2011. GSGEM carried out the required monitoring study and prepared all reports required for compliance with the new National Water Guidelines. Minco Silver successfully completed the field work in January 2012 and received the comprehensive water monitoring report from GSGEM in April 2012. The report concluded that Minco Silver is in compliance with the requirements of the new National Water Guidelines.

The revision of the EIA report has been completed incorporating the results from the water monitoring survey report. The revised EIA will be submitted to the Department of Environment Protection of Guangdong ("EPA") as soon as they accept new application of EIA reports. The delay in approval of the EIA report on the Fuwan Silver Project has been due to the negative impact caused by the collapse of the tailing dam of an operating mine in the region of Guangdong Province three years ago. The preliminary mine design is near completion and will be released after the requirements from the approved EIA report are met.

Minco Silver has otherwise made significant progress in permitting on the Fuwan Silver Deposit. The progress is summarized as follows:

- The Chinese Preliminary Feasibility Study was completed by Changsha Non-Ferrous Mine Design Institute and approved by an expert panel
- The Mining Area Permit, covers approximately 0.79 km^2, defines the mining limits of the Fuwan Silver Deposit and restricts the use of this land to mining activities. The Permit was approved by MOLAR and renewed subsequent to the original approval in October 2009. The current permit expires on April 10, 2014. The Company is in the process of renewing this permit with the Ministry of Land and Resources.
- The Soil and Water Conservation Plan was completed and approved.
- The Land Usage Permit was approved by the Gaoming County, Foshan City and Guangdong provincial governments. It was renewed for a one year period until December 31, 2014.

- The Geological Hazard Assessment was completed and approved in September 2009.
- The Mine Geological Environment Treatment Plan was reviewed and approved by the Environment Committee of China Geology Association.
- The preliminary Safety Assessment draft report was completed in December 2011 and submitted to the Safety Bureau of Guangdong Province for approval.

Comprehensive income (loss) on the investment in Minco Silver is as follows:

Year ended December 31,	**2013**	**2012**	**2011**
	$	$	$
Dilution gain (loss) in Minco Silver	(77,414)	(8,398)	8,710,000
Equity loss of Minco Silver	(656,132)	(1,032,816)	(1,443,391)
Cumulative translation adjustment	726,975	(72,395)	287,268
Comprehensive income (loss) from investment in Minco Silver	(6,571)	(1,113,609)	7,553,877

The following is a summary of Minco Silver's balance sheet and reconciliation to carrying amounts as at December 31, 2013 and 2012.

	December 31, 2013	**December 31, 2012**
	$	$
Current assets	64,856,555	66,923,816
Mineral interests	27,369,966	21,012,566
Property, plant and equipment	483,281	572,583
Current liability	523,984	512,604
Shareholders' equity	92,185,818	87,996,361
Reconciliation to carrying amounts:		
Minco Gold's share in percentage	21.91%	22.02%
Minco Gold's share in $	20,197,913	19,376,799
Differences between Minco Gold's share and carrying value	(6,829,077)	(6,001,392)
Carrying value of investment in Minco Silver	13,368,836	13,375,407
Market value of Minco Silver shares	9,100,000	20,150,000

As at December 31, 2013 the closing share price for Minco Silver's shares on the Toronto Stock Exchange was $0.70 (December 31, 2012 - $1.55 per share).

As at December 31, 2013, the Company considered whether there was an objective evidence of impairment in Minco Silver. It is management's judgment that the decline in fair value below cost during the year was neither prolonged decline nor a significant decline given the historic share price volatility of the investee. Accordingly, the Company did not record an impairment in relation to Minco Silver. Subsequent to December 31, 2013, the Minco Silver's shares on the Toronto Stock Exchange traded above the carrying value.

The following is a summary of Minco Silver's income statement for the year ended December 31, 2013, 2012 and 2011.

Year ended December 31,	**2013**	**2012**	**2011**
	$	$	$
Administrative expenses	3,458,998	5,596,671	6,674,066
Net loss for the year	(2,987,033)	(4,676,550)	(5,970,842)
Other comprehensive income (loss) for the year	3,309,545	(327,801)	931,652
Comprehensive income (loss) for the year	322,512	(5,004,351)	(5,039,190)

2.4 Tugurige Gold project

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

On March 25, 2013, Minco China settled its claim against the 208 Team relating to the JV Agreement for an amount of RMB 14 million ($2.4 million). The Company received RMB 5 million ($801,395) during 2013 and recognized a receivable of RMB 4 million ($699,688) (settled subsequent to year end) as at December 31, 2013. The Company recognized a gain on the legal settlement, net of accrued legal fees of RMB 900,000 ($157,425) during the year ended December 31, 2013.

As at December 31, 2013, the remaining RMB 5 million ($874,575) balances due under the legal settlement was not recognized due to the uncertainty of collectability. In the event of non-payment of the final settlement amount, Minco China has reserved the right to take further legal action.

3. Results of Operations

3.1 Selected Annual Information

The following table summarizes selected financial information for the three most recently completed financial years:

The selected information for 2013, 2012 and 2011 was prepared in accordance with IFRS

		Year Ended December 31,	
	2013	**2012**	**2011**
	$	**$**	**$**
Income (loss) attributable to shareholders before discontinued operations			
Net income (loss) attributable to shareholders	(3,144,525)	(4,881,771)	891,422
Net income (loss) for the year	(2,943,305)	(4,871,432)	862,446
Income (loss) per share attributable to shareholders from continuing operations– basic and diluted	(0.06)	(0.10)	0.02
income (loss) per share attributable to shareholders – basic and diluted	(0.06)	(0.10)	0.02
Income (loss) per share – basic and diluted	(0.06)	(0.10)	0.02
Total assets	16,246,355	19,171,997	22,176,773
Total long-term financial liabilities	-	-	-
Cash dividends declared per share for each class of share	-	-	-

For the year ended December 31, 2013 and 2012

Net loss for the year ended December 31, 2013 was $2,943,305 (loss of $0.06 per share) compared to net loss of $4,871,432 (loss of $0.10 per share) for the comparative period of 2012. The decrease in net loss during the year was mainly due to the gain of $1.34 million on legal settlement with the 208 team and exploration costs recovery of $622,293 received by Minghzong from the 757 Exploration Team for certain recovery of exploration costs incurred during the early stages of the Changkeng project.

The Company's administrative expenses in 2013 were $2,734,091, which was slight decreased compared to $2,827,565 for the comparative period of 2012.

For the year ended December 31, 2012 and 2011

Net loss for the year ended December 31, 2012 was $4,871,432 (loss of $0.10 per share) compared to net income of $862,446 (income of $0.02 per share) for the comparative period of 2011. The Company did not participate in Minco Silver's bought deal financing of 7,600,000 common shares completed in March 2011 (the "2011 Public Offering"). As a result, the Company recognized a dilution gain of $8,710,000, compared to a dilution loss of $8,398 recognized in 2012.

The Company's administrative expenses decreased by $1,484,250 compared to 2011. The decrease was mainly due to the decrease of share-based compensation by $1,307,504.

3.2 Fourth Quarter

For the three months ended December 31, 2013 and 2012

Net loss for the three months ended December 31, 2013 was $651,536 (loss of $0.01 per share) compared to $1,394,096 (loss of $0.03 per share) for the comparative period of 2012. The decrease was primarily attributed to a gain from legal settlement recognized in the fourth quarter of 2013.

Exploration costs for the three months ended December 31, 2013 were $558,855 compared to $666,527 incurred for the comparative period in 2012. The decrease was primarily attributed to decrease exploration activities on the Longnan project in 2012.

Administrative expenses for the three months ended December 31, 2012 were $608,860, which was comparable to $657,660 for the comparative period of 2012.

3.3 Exploration Costs

The following is a summary of exploration costs incurred by each project:

		December 31,		Accumulative to December 31,
	2013	2012	2011	2013
	$	$	$	$
Longnan projects	1,262,074	1,479,979	1,870,486	10,846,252
Changkeng gold project (*)	(361,010)	113,207	66,522	7,918,267
Gold Bull Mountain	24,031	22,498	26,866	2,236,241
Sihui	2,863	1,605	-	4,468
	927,958	1,617,289	1,963,874	21,005,228

During the year ended December 31, 2013, the Company did not conduct any exploration activities on the Changkeng and Gold Bull Mountain projects, except for maintaining the exploration permits.

(*) During the year ended December 31, 2013, the Company recorded a refund from 757 Exploration Team of $622,293 for certain exploration costs incurred during the early stage of the Changkeng gold project. The refunded amount was recorded as an exploration cost recovery.

Exploration costs for the year ended December 31, 2012 were $1,617,289 compared to $1,963,874 for the comparative period of 2011. The decrease was mainly due to the delay of drilling progress on the Longnan project.

3.4 Administrative Expenses

The Company's administrative expenses include overhead associated with administering and financing of the Company's development activities.

The following table is a summary of the Company's administrative expenses for the three months and the years ended December 31, 2013, 2012 and 2011:

	Three months ended December 31,			Year ended December 31,		
Administrative expenses	**2013**	**2012**	**2011**	**2013**	**2012**	**2011**
Accounting and audit	24,896	28,946	24,351	111,905	164,843	246,900
Amortization	16,328	14,838	18,494	66,746	60,689	71,919
Consulting	2,533	27,675	44,987	30,453	85,932	122,654
Directors' fees	11,000	10,000	14,027	49,749	53,000	48,527
Foreign exchange (gain) loss	8,411	4,017	3,356	19,692	(872)	(17,149)
Investor relations	10,737	47,500	148,188	116,814	182,290	449,813
Legal and regulatory	14,457	17,883	140,664	132,506	269,795	257,354
Office administration expenses	87,057	86,468	53,170	360,894	283,161	316,359
Property investigation	18,774	1,994	31,934	112,863	12,748	117,605
Salaries and benefit	254,590	247,201	8,753	655,585	679,310	369,242
Share-based compensation	141,509	151,045	222,769	993,331	957,305	2,264,809
Travel and transportation	18,568	20,093	10,304	83,553	79,364	63,782
	608,860	**657,660**	**720,997**	**2,734,091**	**2,827,565**	**4,311,815**

Significant changes in expenses are as follows:

Accounting and auditing

Accounting and auditing expenses for the three months ended December 31, 2013 were $24,896 compared to $28,946 for the comparative period of 2012. The decrease was due to reduced audit fees of the external auditor in 2013.

Accounting and auditing expenses for the year ended December 31, 2013 were $111,905 compared to $164,843 for the comparative period of 2012. The decrease was due to the same reason described above.

Accounting and auditing expenses for the three months ended December 31, 2012 were $28,946 compared to $24,351 for the comparative period of 2011. The decrease was due to the Company not engaging its external auditor for IFRS transition and assistance with the quarterly reviews in 2012.

Accounting and auditing expenses for the year ended December 31, 2012 were $164,843 compared to $246,900 for the comparative period of 2011. The decrease was due to the same reason described above.

Consulting fees

Consulting fees for the three months ended December 31, 2013 were $2,533 compared to $27,675 for the comparative period of 2012. The decrease was due to the reduction in the use of external consultants in 2013.

Consulting fees for the year ended December 31, 2013 were $30,453 compared to $85,932 for the comparative period of 2012. The decrease was due to the departure of the Company's former CFO in 2012.

Consulting fees for the three months ended December 31, 2012 were $27,675 compared to $44,987 for the comparative period in 2011. The decrease was due to the same reason described above.

Consulting fees for the year ended December 31, 2012 were $85,932 compared to $122,654 for the comparative period of 2011. The decrease was due to the same reason described above.

Investor relations

Investor relations expenses for the three months ended December 31, 2013 were $10,737 compared to $47,500 for the comparative period of 2012. The decrease was primarily due to the reduction in the use of external consultants.

Investor relations expenses for the year ended December 31, 2013 were $116,814 compared to $182,290 of the comparative period of 2012. The decrease was mainly due to the same reasons described above.

Investor relations expenses for the three months ended December 31, 2012 were $47,500 compared to $148,188 for the comparative period of 2011. The decrease was primarily driven by a reduction in the use of external consultants for investor relation activities as well as decreased attendance at industry conferences.

Investor relations expenses for the year ended December 31, 2012 were $182,290 compared to $449,813 for the comparative period of 2011. The decrease was mainly due to the same reasons described above.

Legal and regulatory

Legal, regulatory and filing expenses for the three months ended December 31, 2013 were $14,457 compared to $17,883 for the comparative period of 2012. The decrease was due to the Company reducing use of its external legal counsel to assist with regulatory compliance.

Legal, regulatory and filing expenses for the year ended December 31, 2013 were $132,506 compared to $269,795 for the comparative period of 2012. The decrease was due to the same reason described above.

Legal, regulatory and filing expenses were $17,883 for the three months ended December 31, 2012 compared to $140,664 for the comparative period of 2011. The decrease was due to the Company engaging external legal counsel to assist with regulatory compliance in the fourth quarter of 2011. No such assistance was required for the comparative period of 2012.

Legal, regulatory and filing expenses for the year ended December 31, 2012 were $269,795, which was consistent with $257,354 for the comparative period of 2011.

Office administrative expenses

Office administrative expenses were $87,057 for the three months ended December 31, 2013 which was in line with the amount of $86,468 for the comparative period of 2012.

Office administrative expenses for the year ended December 31, 2013 were $360,894 compared to $283,161 for the comparative period of 2012. The increase was mainly due to the increased in office rent for Minco China. In addition, Minco China had income of $26,000 for renting a driller to a third party during 2012, which was offset against office administrative expense. No such miscellaneous income and rental income was generated in 2013. Minco China also paid $19,000 Chinese tax on the sale of two exploration permits in Xicheng East during the first quarter of 2013 (a gain recognized in 2012).

Property investigation

Property investigation expenses for the three months ended December 31, 2013 were $18,774 compared to $1,994 for the comparative period of 2012. The increase was due to the hiring of the Vice President of Business Development in November 2012.

Property investigation expenses for the year ended December 31, 2013 were $112,863 compared to $12,748 for the comparative period of 2012. The increase was due to the same reason described above.

Property investigation expenses for the three months ended December 31, 2012 were $1,994 compared to $31,934 for the comparative period of 2011. The decrease was due to the Company focusing on its Gansu Longnan project in 2012.

Property investigation expenses for the year ended December 31, 2012 were $12,748 compared to $117,605 for the comparative period of 2011. The decrease was due to the same reason described above.

Salaries and benefit

Salaries and benefit expenses for the three months and the year ended December 31, 2013 were in line with the comparative periods of 2012 .

Salaries and benefit expenses for the three months ended December 31, 2012 were $247,201 compared to $8,753 for the comparative period of 2011. In the fourth quarter of 2011, the Company recognized a recovery of payroll taxes in China in the amount of $136,000 that reduced salaries and benefit expenses significantly.

Salaries and benefit expenses for the year ended December 31, 2012 were $679,310 compared to $369,242 for the comparative period of 2011. The increase was mainly due to the same reason described above.

Share-based compensation

Share-based compensation expense for the three months ended December 31, 2013 was $141,509 compared to $151,045 for the comparative period of 2012. The slight decrease was due to the lower fair value of stock options granted based on the Black-Scholes option pricing model in 2013 compared to 2012.

Share-based compensation expense for the year ended December 31, 2013 was $993,331 compared to $957,305 for the comparative period of 2012. The increase was due to greater number of stock options granted in 2013 offset against the reason described above.

Share-based compensation expense for the three months ended December 31, 2012 was $151,045 compared to $222,769 for the comparative period of 2011. The decrease was due to the reduced value of stock options granted in 2012 versus 2011.

Share-based compensation expense was $957,305 compared to $2,264,809 for the comparative period of 2011. The decrease was due to the same reason described above.

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

3.4 Finance and other income (expense)

For the year ended December 31, 2013, the net amount of finance and other income was $1,452,290 compared to $614,636 for the comparative period of 2012. The increase was mainly due to the gain on legal settlement of $1,343,638 recognized in 2013.

For the year ended December 31, 2012, the net amount of finance and other income was $614,636 compared to the finance and other expenses of $128,474 for the comparative period of 2011. The increase is mainly from interest income and also the gain on sale of exploration permits of $442,796 recognized in 2012.

4. Summary of Quarterly Results

		Loss per share	
Period ended	**Net loss attributable to shareholders**	**Basic**	**Diluted**
	$	$	$
12-31-2013	(637,398)	(0.01)	(0.01)
09-30-2013	(1,370,204)	(0.02)	(0.02)
06-30-2013	(826,767)	(0.02)	(0.02)
03-31-2013(*)	(310,156)	(0.01)	(0.01)
12-31-2012	(1,386,778)	(0.03)	(0.03)
09-30-2012	(1,024,173)	(0.02)	(0.02)
06-30-2012	(1,170,193)	(0.02)	(0.02)
03-31-2012	(1,300,627)	(0.03)	(0.03)

Variations in quarterly performance over the eight quarters can be primarily attributed to changes in dilution gains and losses and equity gains and losses resulting from the Company's investment in Minco Silver. Another contributing factor is changes in the amount of share-based compensation recognized in each period.

(*) Net loss decreased to $0.3 million for the period ended March 31, 2013 mainly due to the Company recognizing a gain on legal settlement of $0.8 million.

5. Liquidity and Capital Resources

5.1 Cash Flows

	Year ended December 31,	
	2013	**2012**
	$	$
Operating activities	(6,043,493)	(3,376,809)
Investing activities	5,977,656	(4,637,653)
Financing activities	1,459,417	1,661,832

Operating activities

For the year ended December 31, 2013, the Company used $6,043,493 cash in operating activities compared to $3,376,809 cash used in 2012. The increase was primarily due to the final payment of RMB25.2 million ($4.3 million) for the Changkeng Exploration Permit paid to 757 Exploration Team.

Investing activities

For the year ended December 31, 2013, the Company redeemed short-term investments of $5.2 million and received the proceeds of $801,395 from the legal settlement with the 208 Team to arrive at $5,977,656 cash generated from investing activities.

Investing activities for the year ended December 31, 2012 included the purchase of short-term investments of $5,066,771, which was offset by proceeds of $442,796 from the sale of two exploration permits.

Financing activities

For the year ended December 31, 2013, the Company received $159,417 cash advanced from Mingzhong's minority shareholders compared to $nil for the comparative period of 2012. In addition, the Company received $1,300,000 advance by Minco Silver compared to $1,661,832 advance by Minco Silver for the Comparative period of 2012.

5.2 Capital Resources and Liquidity Risk

As at December 31, 2013, the Company has $1,797,809 in cash which was held by the Company's Chinese subsidiaries. The Company may face delays repatriating funds held in China if at any time the Company requires additional resources to enable it to undertake projects elsewhere in the world.

The Company is exposed to liquidity risk, which is the risk that the Company may encounter difficulty in settling its commitments when due. In managing this risk, management determined that the Company's cash balance as at December 31, 2013 of $1.8 million combined with any cash proceeds raised through the sale of equity interests in Minco Silver would be sufficient to meet its cash requirements for the Company's administrative overhead and to maintain its mineral interest throughout fiscal 2014.

The Company's ability to meet its obligations and finance exploration and development activities over the long-term depends on its ability to generate cash flow through various debt or equity financing initiatives. Capital markets may not be receptive to offerings of new equity from treasury or debt, whether by way of private placements or public offerings. The Company's growth and success is dependent on external sources of financing which may not be available on acceptable terms or at all.

5.3 Contractual Obligations

The Company's contractual obligations are related to a cost sharing agreement between the Company, Minco Silver and MBM, related parties domiciled in Canada, which outlines shared expenses incurred by the three companies including consulting and rental expenses.

The cost sharing agreement is renegotiated or amended by the parties annually.

Contractual obligations	Payments due by period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
	$	$	$	$	$
Advanced from Mingzhong's Minority Shareholders	167,920	167,920		-	-
Operating leases (1)	485,741	300,680	185,061	-	-
Other obligations (2)	4,136,564	4,136,564	-	-	-
Total contractual obligations	4,790,225	4,605,164	185,061	-	-

(1) Office rental payments – Canada and China

(2) Due to related parties, and other financial liabilities

6. Off -Balance Sheet Arrangements

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

7. Transactions with Related Parties

Shared expenses

Minco Silver and Minco Gold share offices and certain administrative expenses in Beijing and Minco Silver, MBM and Minco Gold share offices and certain administrative expenses in Vancouver.

At December 31, 2013, the Company had $3,584,387 due to Minco Silver (December 31, 2012 – $1,250,129) and consisted of the following:

Amount due from Foshan Minco as at December 31, 2013 of $15,847 (December 31, 2012 - $1,075,820), representing the expenditures incurred by Minco China on behalf of Foshan Minco and shared office expenses.

Amount due to Minco Silver as at December 31, 2013 was $3,600,234 (December 31, 2012 – $2,325,949) representing funds advanced from Minco Silver to Minco Gold to support its operating activities in Canada net of shared head office expenses.

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

At December 31, 2013, the Company has $67,418 due from MBM (December 31, 2012 - $10,768), in relation to shared office expenses. The Company is related to MBM through one common director and common management.

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

Funding of Foshan Minco

Minco Silver cannot invest directly in Foshan Minco as Foshan Minco is legally owned by Minco China. All funding supplied by Minco Silver for exploration of the Fuwan Project must first go through Minco China via the Company to comply with Chinese Law. In the normal course of business, Minco Silver uses trust agreements when providing cash, denominated in US dollars, to Minco China via the Company for the purpose of increasing the registered capital of Foshan Minco. Minco China is a registered entity in China; however it is classified as being a wholly foreign owned entity and therefore can receive foreign investment. Foshan Minco is a Chinese company with registered capital denominated in RMB and can only receive domestic investment from Minco China. Increase to the registered capital of Foshan Minco must be denominated in RMB.

On August 12, 2011, the Company, Minco Gold and Minco China, entered into a trust agreement in which Minco Gold and Minco China confirmed that they received US$10 million from Minco Silver and Minco China was required to exchange these US fund into RMB in order to increase Foshan Minco's registered share capital. As at December 31, 2013, all the funds were transferred from Minco China to Minco Yinyuan and Foshan Minco, and this trust agreement was effectively settled.

During the year ended December 31, 2013, Minco Silver advanced US$20 million to Minco China via the Company and Minco Resources in accordance with a trust agreement signed on April 30, 2013, in which Minco Silver agreed to advance US$20 million to Minco China to increase Foshan Minco's registered share capital. As at December 31, 2013, Minco China held the US$12,526,138 ($13,399,210) and RMB 14,613,570 ($2,556,161) in trust for Minco Silver.

Key management compensation

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

For the three months ended and years ended December 31, 2013, 2012 and 2011, the following compensation was paid to key management:

	For the three months ended December 31,		
	2013	**2012**	**2011**
	$	$	$
Cash remuneration	89,542	109,092	102,250
Share-based compensation	97,231	98,718	133,825
Total	186,773	207,810	236,075

	For the year ended December 31,		
	2013	**2012**	**2011**
	$	$	$
Cash remuneration	341,537	339,714	447,419
Share-based compensation	736,294	601,838	1,371,160
Total	1,077,831	941,552	1,818,579

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

8. Critical Accounting Estimates

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

Equity investment in Minco Silver

The Company reviews its equity investment in Minco Silver when there is any indication that the investment might be impaired. As at December 31, 2013, the Company considered whether there was objective evidence of impairment in associates. It is management's judgment that the decline in fair value below cost in the year was neither a prolonged decline nor a significant decline given the historic share price volatility of investee. Accordingly, the Company did not record an impairment in relation to the investment in Minco Silver.

Liquidity risk

The Company is exposed to liquidity risk, which is the risk that the Company may encounter difficulty in settling its commitments when due. In managing this risk, management determined that the Company's cash balance as at December 31, 2013 of $1.8 million combined with any cash proceeds raised through the sale of equity interests in Minco Silver would be sufficient to meet its cash requirements for the Company's administrative overhead and to maintain its mineral interest throughout fiscal 2014.

9. Adoption of new accounting standards and amendment

Effective January 1, 2013, the Company adopted the four new accounting standards and amendment to IAS 1, *Presentation of Financial Statements*.

IFRS 10 *Consolidated Financial Statements*

IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard (i) requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements; (ii) defines the principle of control, and establishes control as the basis for consolidation; (iii) sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and (iv) sets out the accounting requirements for the preparation of consolidated financial statements. IFRS 10 supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation - Special Purpose Entities*. The adoption of this standard did not have an impact on our consolidated financial statements.

IFRS 11 Joint Arrangements

IFRS 11, requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests *in Joint Ventures*, and SIC-13, *Jointly Controlled Entities — Non-monetary Contributions by Venturers*. The adoption of this standard did not have an impact on our consolidated financial statements.

IFRS 12 *Disclosure of Interests in Other Entities*

IFRS 12 establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure that address the nature of, and risks associated with, an entity's interests in other entities. IFRS 11 supersedes IAS 27, IAS 28 *Investments in Associates and* IAS 31, *Interest in Joint Ventures*. The adoption of this standard resulted in additional disclosures included in notes 3, 8 and 10 in the consolidated financial statements.

IFRS 13 *Fair Value Measurement*

IFRS 13 is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures. The adoption of this standard did not have an impact on the measurement of any balances on our consolidated financial statements

IAS 1, *Presentation of Financial Statements*
IAS 1 has been amended to require entities to separate items presented in other comprehensive income into two groups, based on whether or not items may be recycled in the future.

9.1 Accounting Standards Issued but Not Yet Applied

IFRS 9 *Financial Instruments*

IFRS 9, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 *Financial Instruments: Recognition and Measurement* for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39 except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. This effective date of this new standard has recently been deferred by the IASB, and will be no earlier than annual periods beginning on or after January 1, 2017. The Company has not yet assessed the impact of this standard or determined whether it will adopt earlier.

IFRIC 21 *Levies*

IFRIC 21, *Levies* was issued on May 20, 2013 and provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Company has not yet assessed the impact of this standard.

10. Financial Instruments

As explained in Note 3 of the December 31, 2013 audited consolidated financial statements, financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the statement of income or comprehensive income. Those categories are: fair value through profit or loss, loans and receivables, and other financial liabilities.

The following table summarizes the carrying value of financial assets and liabilities as at December 31, 2013 and 2012.

Carrying value of financial assets and liabilities as at December 31, 2013 and 2012

	December 31, 2013	**December 31, 2012**
Assets	**$**	**$**
Cash	1,797,809	263,054
Short-term investments	-	5,055,480
Receivables	715,649	78,311
Due from related parties	67,423	10,768
Marketable securities	-	1,470
Liabilities		
Account payable and accrued liabilities	552,177	372,537
Accounts payable for Changkeng permit	-	4,610,543
Advance from non-controlling interest	167,920	2,474,123
Due to related party	3,584,387	1,250,129

The carrying value of the Company's financial assets and liabilities approximate their fair value.

Financial risk factors

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– In order to manage credit and liquidity risk the Company places its cash with major financial institutions in the PRC (not subject to deposit insurance) and one major bank in Canada (subject to deposit insurance up to $100,000) At December 31, 2013, the balance of $1,797,809 (2012 - $263,054) was placed with a few institutions.
- Short-term investments – These are guaranteed investment certificates with maturities of greater than ninety days, but less than one year, when acquired. At December 31, 2013, the short-term investments totalled $Nil (2013 - $5,055,480).

Foreign exchange risk

The Company's functional currency is the Canadian dollar in Canada and RMB in China. The foreign currency risk is related to US dollar funds. Therefore the Company's net earnings are impacted by fluctuations in the valuation of the US dollar in relation to the Canadian dollar and RMB. The Company did not hold significant amounts of US dollar cash during the year and therefore the impact of the changes in the US dollar foreign exchange rate is insignificant to the Company's net earnings.

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 expose the Company to variable interest rate fluctuations. A 1% increase in the interest rate in Canada will have a net (before tax) income effect of $17,978 (2012- $53,200), assuming the foreign exchange rate remains constant.

11. Risks Factors and Uncertainties

A comprehensive discussion of risk factors is included in the Company's annual report on Form 20-F for the year ended December 31, 2013, dated March 28, 2014, available on SEDAR at www.sedar.com.

12. Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Management has established disclosure controls and procedures to ensure that information disclosed in this MD&A and the related financial statements was properly recorded, processed, summarized and reported to the Company's Board and Audit Committee. Management has evaluated the effectiveness of the Company's disclosure controls and procedures as at December 31, 2013 and has concluded, based on its evaluation, that these controls and procedures provide reasonable assurance that material information relating to the Company is made known to management and reported as required.

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The control framework used to design the Company's internal control over financial reporting is the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Management has evaluated the effectiveness of design and operation of the Company's internal controls over financial reporting as at December 31, 2013. Based on the result of this assessment, management has concluded that the Company's internal controls over financial reporting are effective.

13. Cautionary Statement on Forward-Looking Information

Except for statements of historical fact, this MD&A contains certain "forward looking information" and "forward looking statements" within the meaning of applicable securities laws, which reflect management's current expectations regarding, among other things and without limitation, the Company's future growth, results of operations, performance and business prospects, opportunities, future price of minerals and effects thereof, the estimation of mineral reserves and resources, the timing and amount of estimated capital expenditures, the realization of mineral reserve estimates, costs and timing of proposed activities, plans and budgets for and expected results of exploration timing of proposed activities, plans and budgets for and expected results of exploration activities, exploration and permitting time-lines, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation obligation and expenses, the availability of future acquisition opportunities and use of the proceeds from financing. Generally, forward looking statements and information can be identified by the use of forward looking terminology such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative connotation thereof.

Forward-looking statements are included throughout this document and include, but are not limited to, statements with respect to: our plans for future exploration programs for our mineral properties; the ability to generate working capital; markets; economic conditions; performance; business prospects; results of operations; capital expenditures; and foreign exchange rates. All such forward-looking statements are based on certain assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances. These statements are, however, subject to known and unknown risks and uncertainties and other factors. As a result, actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits will be derived therefrom. These risks, uncertainties and other factors include, among others: our interest in our mineral properties may be challenged or impugned by third parties or governmental authorities; economic, political and social changes in China; uncertainties relating to the Chinese legal system; failure or delays in obtaining necessary approvals; exploration and development is a speculative business; the Company's inability to obtain additional funding for the Company's projects on satisfactory terms, or at all; hazardous risks incidental to exploration and test mining; the Company has limited experience in placing resource properties into production; government regulation; high levels of volatility in market prices; environmental hazards; currency exchange rates; and the Company's ability to obtain mining licenses and permits in China.

Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that statements containing forward looking information will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on statements containing forward looking information. All of the forward-looking information and statements contained in this document are expressly qualified, in their entirety, by this cautionary statement. The various risks to which we are exposed are described in additional detail under the section entitled "*Item 3: Key Information – D. Risk Factors*" in the Company's annual report on Form 20-F available on SEDAR at www.sedar.com. The forward-looking information and statements are made as of the date of this document, and we assume no obligation to update or revise them except as required pursuant to applicable securities laws.