MINCO GOLD CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

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 April 16 2018, should be read in conjunction with the audited consolidated financial statements and notes thereto prepared by management for the years ended December 31, 2017, 2016 and 2015. The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. 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, 2017 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, 2017, 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 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 Company's common shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "MMM". The Company's common shares were traded on the NYSE MKT under the symbol "MGH" until January 31, 2017, and commenced trading on the OTC Market in the USA ("OTCQX") under the symbol MGHCF since January 31, 2017.

As at December 31, 2017, the Company had 50,733,381 common shares and 5,378,334 stock options outstanding, for a total of 56,111,715 common shares outstanding, on a fully diluted basis.

As at the date of this MD&A, the Company had 50,733,381 common shares and 8,958,334 stock options outstanding, for a total of 59,691,715 common shares outstanding, on a fully diluted basis.

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1. Highlights for the Year

Change of business and change of listing stock exchange

Prior to November 11, 2016, the Company's main business was the exploration, evaluation and development of mineral properties and projects. On November 11, 2016, the Company applied to undertake a Change of Business ("COB") and listing on the TSX Venture Exchange as an Investment Issuer and to delist its shares from the TSX. As an Investment Issuer the Company will utilize its strong working capital position, its extensive industry contacts and internal expertise to build a portfolio of high-quality investments, primarily in publicly traded and privately held corporations as well as direct ownership stakes in resource projects. Types of investments may include common shares, preferred shares, warrants, royalties, convertible debentures, bridge loans, and other investment vehicles selected to create value and return for the shareholders.

The Company received final approval on April 20, 2017. Effective Monday, May 1, 2017, the Company's common shares commenced trading on the TSX-V under the symbol "MMM", and the Company's common shares were delisted from the TSX effective Friday, April 28, 2017.

The background to this decision started in 2015, when the Company sold its 51-per-cent interest in the Changkeng gold project to Minco Silver. After evaluating numerous projects outside of China in search of new mineral resource assets to acquire, the Company determined that a diversified investment portfolio approach would provide the potential to generate more opportunities and create better long-term growth for shareholders.

In conjunction with the new business strategy, the Company divested all remaining mineral property interests held in China. See discussion in the section 2.2 of this MD&A.

More details of the Company's COB are disclosed in the filing statement filed in November 2016 on www.sedar.com under the Company's profile. The filing statement includes an investment policy, which has been adopted by the Company to govern its investment activities. The nature and timing of the Company's investments will depend, in part, on available capital at any particular time and the investment opportunities identified and available to the Company.

In early 2017, the Company filed a Form 25 ("Notification of Removal from Listing and/or Registration under Section 12(b) of the Securities Exchange Act of 1934") with the Securities and Exchange Commission (the "SEC") to initiate a voluntary delisting from the NYSE Mkt of the Company's outstanding common shares and the deregistration of the common shares under Section 12(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Company decided to delist its common shares in light of its change of business focus from mineral exploration to an investment strategy. The Company's common shares continue to be registered with the SEC under Section 12(g) of the Exchange Act and, therefore, the Company will continue to be subject to the SEC reporting requirements pursuant to Sections 13(a) and 15(d) of the Exchange Act until all applicable deregistration conditions are satisfied. The delisting was effective after the close of the market on January 27, 2017 and the Company's common shares began quotation on OTC market of the USA ("OTCQX") under the symbol MGHCF on January 31, 2017

Appointment of new director and officer

The Company appointed Mr. Ken Leigh as the Company's President in June 2017 and appointed Mr. Michael Durose, a Professional Geologist (P.Geo.) registered in the Province of Ontario, to the Company's Board of Directors, effective May 3, 2017.

Stock options granted

During the year ended December 31, 2017, the Company granted stock options to employees, consultants and directors for the purchase of 2,400,000 common shares at an exercise price ranging from $0.19 to $0.24 per common share. These options vest over an 18-month period from the issue date and will expire in five years after issuance if unexercised.

Subsequent to the year ended December 31, 2017, the Company granted stock options to employees, consultants and directors for the purchase of 3,580,000 common shares at an exercise price of $0.17 per common share. These options vest over an 18-month period from the issue date and will expire in five years after issuance if unexercised.

2. Investments at Fair Value and Mineral Properties Update

During the year ended December 31, 2017, the Company bought and sold common shares of a public company and realized a profit of $46,991.

The Company also acquired a portfolio of common shares, partnership units, and warrants of public companies and made an investment in a private company. An unrealized loss of $1,860,185 was recorded from all investments.

2.1 Investments at Fair Value

<u>Investments at fair value held as at December 31, 2017</u>

The Company has the following investments as at December 31, 2017:

Holdings	Number of Shares/Units Held	Number of Warrants Held	Market Value (i) $
Public companies (resources entities):			
Minco Silver Corp.	11,000,000		9,350,000
Hudson Resources Inc.	2,142,857		910,714
Hudson Resources Inc.		1,071,428	245,000
RoxGold Inc.	398,800		555,520
Continental Gold Inc.	130,025		439,485
Equinox Gold Corp.	224,600		251,552
Guyana Goldfields Inc.	40,000		203,200
Neo Performance Materials Inc.	11,000		196,900
ETFS Physical Palladium	1,125		143,415
Almaden Minerals Ltd.	100,000		128,158
All other public entities (non-resources)			687,968
Private company:			
El Olivar Imperial (iii)	400,000		502,138
			13,614,050

The Company invested in a total of 15 different entities during the year.

(i) The Company considers the closing price of public company's common share at each reporting date as their fair values.

The Company applies the Black-Scholes option pricing model to value the public company's share purchase warrants at the reporting date.

(ii) The Company holds a significant equity investment in Minco Silver Corporation ("Minco Silver") consisting of 11,000,000 common shares, representing approximately 18 % of Minco Silver's outstanding share capital. Minco Silver holds a 90% interest in the Fuwan silver deposit, situated along the northeast margin of the prospective Fuwan Silver Belt in Guangdong, China and 51% interest in the Changkeng gold project, located contiguous to, and part of the same mineralized system. Further information with respect to Minco Silver may be found at Minco Silver's website, www.mincosilver.ca. The Company has held its investment in Minco Silver since the spin-off of Minco Silver from the Company in 2005.

(iii) In December 2016, the Company acquired 5.9% or 400,000 units ("Units") of El Olivar Imperial SAC ("El Olivar"), a privately held Peruvian corporation, for US$1.00 per unit. There was no disposition or further acquisition during the year ended December 31, 2017.

El Olivar's principal asset is the wholly owned Planta Sol de Oro gold tailings and processing project located near Nasca, Peru, 445 kilometers south of Lima.

Each Unit consists of one Class A voting share and 1.5 Class A share purchase warrants (the "EI Warrant"), with each full EI Warrant entitling the holder to purchase one additional Class A voting share exercisable at a price of US$1.00 per share. The expiry date of the EI Warrant, initially set on July 18, 2017, was subsequently revised to the date that is twenty business days following notification in writing by EI Olivar that all permits necessary to build its mining facilities have been received. As of the date of this report, the Company had not yet received this notification.

The Class A Shares may be converted at any time into common shares of El Olivar at the option of the holder. After a period of 10 years from the commencement of commercial production, Class A shareholders will have the option to either convert their Class A Shares to common shares or redeem the shares for cash at face value. The conversion rate will initially be 1:1, subject to customary adjustments.

As part of the consideration for the investment in El Olivar, Minco Gold shall receive an annual cash dividend in U.S. dollars equal to 6% of the total invested amount, calculated from the initial date of investment and payable starting on the date that is 18 months from the closing date.

One director of the Company is also a director, an officer, and a controlling shareholder of EI Olivar.

Since there were no significant changes with respect to EI Olivar during the year ended December 31, 2017 that may cause a material change to El Olivar's fair value, it is management's judgement that the cost of the investment in EI Olivar (US$400,000) approximated its fair value as at December 31, 2017, except for the changes caused by changes in the foreign exchange rate between US dollars and Canadian dollars.

The principal business of EI Olivar is to construct and operate a processing manufacturing plant of gold mining ores and tailings in Peru. An appreciation of Peru currency to Canadian dollars, an increase of gold's price, and a positive of receiving all the required permits for the construction and operation of the processing plant will have positive impacts to the fair value of this investment.

Subsequent to the year ended December 31, 2017, the Company bought publicly traded common shares/fund units/ partnership units of twelve entities with cost of $1,076,700 and sold common shares/ fund units of four entities for proceeds of $568,000 and realized gain of $64,500.

2.2 Mineral Properties Update

Following the COB, the Company has fully divested all remaining interest in China, being two mineral properties and a receivable (the "Retained Assets"). As at December 31, 2017, the Company did not have direct interest in mineral properties.

3. Results of Operations

3.1 Selected Annual Information

Selected information for fiscal 2017, 2016 and 2015 is as follows:

	2017	**2016**	**2015**
	$	**$**	**$**
Loss from investments at fair value	(1,813,194)	(990,000)	-
Total assets	17,744,904	20,758,471	16,521,288
Long term liabilities	-	-	-
Cash dividend	-	-	-
Net income (loss) attributable to shareholders	(3,297,578)	7,217,068	14,361,342
Net income (loss) for the year	(3,297,578)	7,217,068	14,320,556
Income (loss) per share attributable to shareholders – basic and diluted	(0.06)	0.14	0.28
Income (loss) per share – basic and diluted	(0.06)	0.14	0.28

3.2 Operating result comparison, year to year

For the year ended December 31, 2017 and 2016

Year ended December 31,	2017 $	2016 $	Change year over year $
Realized gain from investments	46,991	-	46,991
Unrealized Loss from investments	(1,860,185)	(990,000)	(870,185)
Operating expenses	(1,240,940)	(595,106)	(645,834)
Other income (expenses)	(243,444)	8,802,174	(9,045,618)
	(3,297,578)	7,217,068	(10,514,646)

For the year ended December 31, 2016 and 2015

Year ended December 31,	2016 $	2015 $	Change year over year $
Unrealized Loss from investments at fair value	(990,000)	-	(990,000)
Operating expenses	(595,106)	(2,273,317)	1,678,211
Other income	8,802,174	16,593,873	(7,791,699)
Net income for the year	7,217,068	14,320,556	(7,103,488)

The Company was an exploration company until November 11, 2016 when the Company changed its business to investing in privately and publicly traded companies. As a result, the gain and loss from its investments at fair value was highest in 2017 and $Nil in 2015.

The amount of gain and loss of the investments depends on the performance of the entities the Company invests in and will fluctuate from time to time depending on many factors, including but not limited to the overall economy, foreign exchange rate, metal prices, which are not controlled by the Company.

The movement in connection with the operating expenses and other income (expenses) are discussed in section 3.2.1 and 3.2.2 respectively.

3.2.1 Operating Expenses for the year ended December 31, 2017, 2016 and 2015

The Company's operating expenses for the years ended December 31, 2017, 2016 and 2015 are as follows:

					Year to year change	
	ref	2017	2016	2015	2017 - 2016	2016 - 2015
		$	$	$	$	$
Accounting and audit	a	88,646	99,959	152,777	(11,313)	(52,818)
Amortization		2,951	3,362	34,781	(411)	(31,419)
Consulting		76,767	61,537	78,267	15,230	(16,730)
Directors' fees		64,500	59,138	73,124	5,362	(13,986)
Exploration cost	b	-	217,110	793,081	(217,110)	(575,971)
Gain on legal settlement	c	-	(530,789)	(51,745)	530,789	(479,044)
Gain on sale of exploration permit	c	-	(159,502)	-	159,502	(159,502)
Investor relations		11,129	12,048	37,051	(919)	(25,003)
Legal and regulatory	d	117,697	183,497	144,844	(65,800)	38,653
Office and administration	e	160,003	236,626	384,804	(76,623)	(148,178)
Property and Investment evaluation	f	126,791	179,453	81,407	(52,662)	98,046
Salaries and benefits	g	263,042	116,227	388,887	146,815	(272,660)
Share-based compensation	h	308,803	100,693	80,248	208,110	20,445
Travel and transportation		20,611	15,747	75,791	4,864	(60,044)
		1,240,940	595,106	2,273,317	645,834	(1,678,211)

Significant year to year changes are as follows:

(a) Accounting and auditing expenses decreased after 2015. The Company disposed all of its subsidiaries in in 2015 resulting in a decrease in accounting and auditing expenditures.

(b) The Company disposed all of its subsidiaries and kept only three mineral interests (part of the Retained Assets) in 2015. The Company further disposed all the Retained Assets in 2016. Consequently the exploration expense was highest in 2015 and was $nil in the current year.

(c) The gain on legal settlement and sale of exploration permit recorded in 2015 and 2016 are the proceeds from the disposition of the Retained Assets. There were no gain and losses reported in 2017 as all the Retained Assets were disposed in 2016.

(d) Legal and regulatory was higher in 2016 as the Company incurred additional cost in connection with the COB.

(e) Office and administration was lower in 2017 and 2016 as the Company disposed all of its operating subsidiaries in the third quarter of 2015.

(f) The Company engaged a consultant (Ken Leigh) in late 2015 to look for the new properties and investment opportunities. As a result, property and investment evaluation expenses were higher in 2016 compared to 2015. Mr. Leigh was hired as President for the Company in June 2017, resulting in a re-classification of his remuneration to Salaries and Benefits. As a result, the Company's property investigation fees in 2017 were lower compared to 2016.

(g) Salaries and benefit in 2016 was lower than 2015 as the Company disposed all subsidiaries in the July 2015. Salaries and benefit in 2017 was higher than 2016 as the Company had a new President commencing June 2017 as noted in (f).

(h) Share-based compensation fluctuate from year to year depending on the timing and fair value of options vested in each year. The number of options granted in 2017 and 2016 were 2,400,000 and nil respectively.

3.2.2 Finance and Other Income (Expense)

The following table is a summary of the Company's other income (expenses) for the year ended December 31, 2017, 2016 and 2015:

				Year over year changes	
	2017	2016	2015	2017 - 2016	2016 - 2015
	$	$	$	$	$
Share of gain (loss) from equity investment in Minco Silver *(i)*	-	(408,225)	1,259,391	408,225	(1,667,616)
Gain on investment at fair value *(ii)*	-	9,399,970	-	(9,399,970)	9,399,970
Finance income	39,390	62,394	64,819	(23,004)	(2,425)
Gain on sale of Minco Resources (iii)	-	-	15,060,170	-	(15,060,170)
Foreign exchange gain (loss) *(iv)*	(282,834)	(153,066)	209,493	(129,768)	(362,559)
Dilution loss	-	(98,899)	-	98,899	(98,899)
Total other income	(243,444)	8,802,174	16,593,873	(9,045,618)	(7,791,699)

(i) Before the COB, the Company accounted for its investment in Minco Silver using the equity method throughout 2015 and from January 1 to November 11, 2016. Thus, Minco Gold included ($408,225), and $1,259,391 in 2016 and 2015 respectively to account for the sharing of Minco Silver's after tax (loss) income on a pro-rata (per the percentage ownership) basis. The Company ceased to apply the equity method as of November 11, 2016 and as such, no shared income or loss from Minco Silver was included in the current year.

(ii) As discussed in the above, the Company started to measure its investment in Minco Silver at fair value on November 11, 2016. As a result, the Company recognized a one-time gain of $9,399,970 to account for the difference between the fair value of this investment at the year end and the carrying value of this investment on November 11, 2016.

(iii) The Company sold all its subsidiaries in 2015 and recorded a gain of $15,060,170 in 2015. There was no similar disposition in 2017 and 2016.

(iv) The Company had foreign exchange gain (loss) in 2017, 2016 and 2015. Some of the Company's cash and short-term investment are denominated in US dollar. Appreciation/depreciation of US dollar against Canadian dollar results in foreign exchange gain (loss) from time to time.

3.3 Fourth Quarter

For the three months ended December 31, 2017 and 2016

Quarter ended December 31,	**2017**	**2016**
	$	$
Gain (loss) from investments at fair value (i)	337,865	(990,000)
Operating expenses (ii)	(330,688)	(199,525)
Operating gain (loss)	7,177	(1,189,525)
Foreign exchange gain	24,522	100,473
Gain on becoming an investment entity (iii)	-	9,399,970
Others	12,640	46,044
Net income	44,339	8,356,962

(i) The amount of gain and loss of the investments depends on the performance of the entities the Company invests in and will fluctuate from time to time depends on many factors, including but not limited to the overall economy, foreign exchange rate, metal price, that are not controlled by the Company.

(ii) Changes in operating expenses refer to the section 3.3.1

(iii) The $9,399,970 gain reported in the fourth quarter in 2016 is discussed in the section 3.2.2

3.3.1 Operating Expenses for the Three months ended December 31, 2017, and 2016.

The following table is a summary of the Company's operating expenses for the three months ended December 31, 2017, and 2016:

	ref	2017	2016	Fourth quarter changes 2017- 2016
		$	$	$
Accounting and audit		16,901	32,736	(15,835)
Amortization		331	873	(542)
Exploration cost	b	-	47,554	(47,554)
Consulting		22,338	23,908	(1,570)
Directors' fees		22,000	20,500	1,500
Gain on legal settlement	c	-	(3,132)	3,132
Gain on sale of exploration permit	c	-	(159,502)	159,502
Investor relations		622	635	(13)
Legal and regulatory	d	29,374	76,624	(47,250)
Office and administration		27,548	53,939	(26,391)
Property and investment evaluation	f	27,696	67,607	(39,911)
Salaries and benefits	g	111,943	25,409	86,534
Share-based compensation	h	68,517	11,368	57,149
Travel and transportation		3,418	1,007	2,411
		330,688	199,526	131,162

The movements of the expenses between the fourth quarter of 2017 and 2016 are similar to the annual movements between fiscal 2017 and 2016 and the discussion are available in the section 3.2.1.

4. Summary of Quarterly Results

Period ended	Net loss attributable to shareholders	Loss per share Basic	Loss per share Diluted
12-31-2017	44,339	0.00	0.00
09-30-2017	(3,647,059)	(0.07)	(0.07)
06-30-2017	(3,055,295)	(0.06)	(0.06)
03-31-2017	3,360,437	0.07	0.06
12-31-2016	8,356,962	0.16	0.16
09-30-2016	(214,168)	0.00	0.00
06-30-2016	154,995	0.00	0.00
03-31-2016 (i)	(1,080,721)	(0.02)	(0.02)

Variations in quarterly performance from the quarter ended December 31, 2016 to the quarter ended December 31, 2017 were mainly attributed to gain (loss) from the Company's investments at fair values.

Variations in quarterly performance from the quarter ended March 31, 2016 to the quarter ended September 30, 2016 were mainly attributed to the amount of share-based compensation recognized in each period and foreign exchange gain or loss and the amount of shared earnings or loss from Minco Silver.

(i) The Company had a loss of $1.08 million during the period ended March 31, 2016. The Company recorded a higher than average shared loss from Minco Silver, as it was still equity accounting for the investment in that quarter.

5. Liquidity and Capital Resources

5.1 Cash Flows

	Year ended December 31,	
	2017	**2016**
	$	$
Operating activities	(648,874)	(1,419,468)
Investing activities	(1,082)	530,000
Financing activities	-	38,787

Operating activities investing activities

Before the Company became an investment issuer in November 2016, the Company received $550,000 from redemption of short-term investment and this transaction was classified as investing activities.

In 2017, as purchase and disposition of investments has become the Company's' principal activities, purchases and redemption of short-term investments were classified as the Company's operating activities in 2017.

After adding back $550,000 to the use of cash in operating activities in 2016 for comparison purpose, the Company used $648,874 and $869,468 in 2017 and 2016, respectively. The smaller use of cash reflects the management's efforts in controlling the operating cost of the Company.

Financing activities

The Company did not have significant financing activities in either of years.

5.2 Capital Resources and Liquidity Risk

As at December 31, 2017, the Company's working capital was $17,526,777 compared to $20,488,701 on December 31, 2016. The Company's operations were financed by its working capital during the year.

As at December 31, 2017, the Company believes there is sufficient working capital available to meet its current operational requirements.

5.3 Contractual Obligations

The Company's contractual obligations are related to rental expenses for its office in Canada.

Contractual obligations	Total	Within 1 year	2 to 3 years	4 to 6 years
	$	$	$	$
Operating leases	258,045	53,429	91,798	112,818

6. Off -Balance Sheet Arrangements

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

7. Related Party Transactions

Investments at fair value

Refer to the section 2.1 for description of the Company's relationship and transaction with El Olivar, a private company of which the Company has invested in.

Trust agreement with Minco China

When the Company disposed of its Chinese subsidiaries on July 31, 2015, the Company ceased to have subsidiaries in China. As a result, the Company entered into a trust agreement with Minco China, a subsidiary of Minco Silver, to hold the interest of the Retained Assets (section 2.2) on behalf of the Company. This trust agreement was eliminated on June 30, 2017 after net proceeds from the disposition of the Retained Assets in 2016 (previously held by Minco Silver under this trust agreement), were received by the Company.

Shared office expenses

The Company shared offices and certain administrative expenses in Vancouver with Minco Silver, and Minco Base Metals Corporation ("MBM"), companies over which the Company's CEO has significant influence.

Due from related parties

As at December 31, 2017, the following amounts were due to the Company from related parties:

- $27,523 due from Minco Silver (December 31, 2016 – 205,145), in relation to share office expenses.
- $11,422 due from MBM (December 31, 2016 - $18,527), in relation to shared office expenses

The amounts due to and due from related parties are unsecured, non-interest bearing and payable on demand.

Key management compensation

Key management includes the Company's directors and senior management. This compensation has been included in exploration costs and operating expenses.

For the years ended December 31, 2017, 2016 and 2015, the following compensation was paid and accrued for compensation to key management:

	2017	2016	2015
	$	$	$
Cash remuneration	347,686	313,016	333,729
Share-based compensation	269,737	80,702	67,405
Total	617,423	393,717	401,134

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 in the circumstances. The following discusses the most significant accounting judgments and estimates that the Company has made in the preparation of the financial statements:

Determination of investment entity status

The Company monitor the following from time to time since the COB commencing November 11, 2016 to ensure the Company has met all the three criteria set forth in IFRS 10.27 as an investment entity as defined in IFRS 10:

- Obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

In addition, management considers the Company has all of the typical characteristics of an investment entity set forth in IFRS 10.28 because it:

- has more than one investment;
- has more than one investor ;
- has investors that are not related parties of the entity; and
- has ownership interests in the form of equity.

Fair value of investments measured at FVTPL

The Company's investments are recorded in the Consolidated Statements of Financial Position at fair value. Management uses their judgment to select a variety of methods and make assumptions that are not always supported by quantifiable market prices or rates. Judgment is required in order to determine the appropriate valuation methodology under this standard and subsequently in determining the inputs into the valuation model used. These judgments include assessing the future earnings potential of investee companies, appropriate earnings multiples to apply, adjustments to comparable multiples, liquidity and net assets. In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates have been applied in a manner consistently and there are no known trends, commitments, events or uncertainties that the Company believes will materially affect the methodology or assumptions utilized in making these estimates in these Financial Statements. Accordingly, actual values realized in future market transactions may differ from the estimates presented in these Financial Statements and the differences may be material. The use of different market assumptions and/or valuation methodologies may have a material effect on the estimated fair values of various assets and liabilities.

The fair values of financial instruments with quoted bid and ask prices are based on the price within the bid-ask spread that are most representative of fair value and may include closing prices in exchange markets. The fair value of the other financial instruments is determined using the valuation techniques considered appropriate.

9. Accounting Standards Issued but Not Yet Applied

IFRS 9, Financial Instruments, 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 are largely carried forward from the 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. The effective date of this new standard will be for periods beginning on or after January 1, 2018 with early adoption permitted. We do not expect there are significant impacts of the adoption of IFRS 9.

IFRS 16, Leases, replaces the previous leases standard IAS 17, Leases, and Related Interpretations, and sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). Effective January 1, 2019, an entity can choose to apply IFRS 16, but only if it also applies IFRS 15, Revenue from Contracts with Customers. We do not expect there are significant impacts of the adoption of IFRS 16.

10. Financial Instruments

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: loans and receivables, other financial liabilities and financial assets measured at fair value through profit or loss.

Following is a summary of the Company's financial assets and liabilities as at December 31, 2017 and 2016:

December 31,	**2017**	**2016**
	$	**$**
Fair value through profit and loss:		
Investments at fair value	13,614,050	12,307,860
Loans and receivables:		
Cash	3,642,328	4,575,119
Short-term investment	271,455	3,352,062
Receivables	25,713	169,380
Due from related parties	38,945	223,672
Other Financial Liabilities		
Accounts payables	186,635	211,424

Fair value measurement

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

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

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

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

As at December 31, 2017 and 2016, financial instruments that are not measured at fair value on the balance sheet are represented by cash and cash equivalents, short-term investments, receivable, due from related parties, account payable and accrued liabilities, and due to related parties. The fair values of these financial instruments approximate their carrying value due to their short-term nature.

The Company's financial assets measured at fair values through profit or loss are as follows:

December 31, 2017	Level 1	Level 2	Level 3
	$	$	$
Investment at fair value	12,866,912	-	747,138

Fair value of investments classified as level 3 is reconciled as follows:

	December 31, 2016	Additions	December 31, 2017	Unrealized gain (loss) recognized in profit or loss
	$	$	$	$
400,000 units of EI Olivar (Note 7)	537,860	-	502,138	(35,722)
1,071,428 share purchase warrants of Hudson Resources Inc.("HUD"), a Canadian public company	-	150,000	245,000	95,000

During 2017, the amount of unrealized gain associated with level 3 financial instrument that have been recognized in the profit and loss, the gain or loss recognized in other comprehensive income (loss), and the amounts transfer in and out of level 3 financial instruments were $95,000, $Nil and $Nil respectively.

The fair value of the investment in EI Olivar on December 31, 2016 was US$400,000 ($502,138) which was estimated based on latest market transaction value of this investment.

The fair value of this the investment on December 31, 2016 approximates the fair value at December 31, 2017 as there are no significant events that change the fair value of EI Olivar are identified in 2017. The principal business of EI Olivar is to construct and operate a processing manufacturing plant of gold mining ores and tailings in Peru. An appreciation of Peru currency to Canadian dollars, an increase of gold's price, and a positive of receiving all the required permits for the construction and operation of the processing plant will have positive impacts to the fair value of this investment.

The Company has used Black-Scholes option pricing models to value those 1,071,428 share purchase warrant of HUD with the following assumptions applied: Annual volatility of 85%; risk free rate of 1.66% per annum; exercise price of $0.25 per share; expected dividend of 0%, and expected life of 2.2 years. The share price of HUD, and the above factors will have significant impacts to the fair value of the share purchase warrants.

Financial risk factors

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, foreign exchange risk, currency risk, interest rate risk, and price risk. Management reviews these risks monthly 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 includes the fair value contracts with individual counterparties which are recorded in the consolidated financial statements. The Company considers the following financial assets to be exposed to credit risk:

- Cash and cash equivalents– To manage credit and liquidity risk the Company places its cash with major financial institutions in two major financial institutions in Canada (subject to deposit insurance up to $100,000).
- Short-term investment – The Company places its short-term investment with a high creditworthy financial institution.

Foreign exchange risk

The Company's functional currency is the Canadian dollar in Canada. The foreign currency risk is related to the Company's cash and cash equivalent, marketable securities and investments that may be denominated in US dollar. The following tables present the impacts to the Company's operating results due to a change in relevant foreign currency exchange rate.

As at December 31, 2017, the Company had investments in fair value of $1.0 million and cash and cash equivalent of $4.4 million denominated in US dollar. A 10% change in the currency exchange rate (US$ to C$) will affect the Company's net loss in a given period by approximately $0.54 million. The Company does not have currency hedge for its foreign exchange exposure.

Interest rate risk

Financial instruments that expose the Company to interest rate risk are cash and cash equivalents and short-term investments.

The Company holds short-term investments such as guaranteed investment certificates at fixed interest rates. As a result, the Company is not exposed to significant interest rate risk.

A comprehensive discussion of risk factors is included in the Company's annual report on Form 20-F for the year ended December 31, 2017, which is available on SEDAR at www.sedar.com.

Price Risk

Price risk is the risk that the fair value of an investment measured at FVTPL will fluctuate because of changes in market prices (other than those arising from foreign currency risk or interest rate risk). The Company is subject to price risk through its public equity investments.

The Company's private market investments are also subject to price risk as they are impacted by many general and specific market variables.

A 10% increase/decrease in the value of all public equity and private market investments would result in an approximate increase/decrease in the value of public and private market exposure and unrealized gain/loss in the amount of approximately $1.36 million.

12. Internal Controls over Financial Reporting

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. The Company's certifying officers, based on their knowledge, having exercised reasonable diligence, are also responsible to ensure that these filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by these filings, and these consolidated financial statements together with the other financial information included in these filings fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented in these filings. The Board of Directors approves the consolidated financial statements and MD&A and ensures that management has discharged its financial responsibilities. The Board's review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports, prior to filing. .

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, assumptions, and beliefs of the Company as of the date of such information or statements. 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.

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: but are not limited to, statements with respect to: the Company's future growth, results of operations, performance and business prospects, opportunities, the Company's investment strategy, investment process, and competitive advantage, growth expectation and opportunities, the availability of future acquisition opportunities and use of the proceeds from financing.

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 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.