

MINCO CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

This Management's Discussion and Analysis ("MD&A") of Minco Capital Corp., formerly Gold Corporation ("we", "our", "us", "Minco Capital" or the "Company") has been prepared on the basis of available information up to April 15, 2019, and should be read in conjunction with the audited financial statements and notes thereto prepared by management for the years ended December 31, 2018 and 2017. 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 and all references to "US\$" are United States dollars. Refer to Note 3 of the December 31, 2018 audited financial statements for disclosure of the Company's significant accounting policies.

The Company's audit committee reviews the financial statements and MD&A, and recommends approval to the Company's board of directors.

Minco Capital was incorporated in 1982 under the laws of British Columbia, Canada. The Company changed its name from Minco Gold Corporation to Minco Capital Corp. on February 25, 2019.

The Company's common shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "MMM" and on the OTC Market in the USA ("OTCQX") under the symbol MGHCF.

On August 14, 2018, the Company was informed by the OTC Markets that the Company's OTCQX bid price and market capitalization had closed below US\$0.10 and US\$5 million, respectively, for more than 30 consecutive calendar days. On this basis, the OTC Markets advised the Company that it no longer meets the Standards for Continued Qualification for the OTCQX International tier as per the OTCQX Rules for International Companies section 3.2.b.1. A cure period of 180 calendar days, granted to regain compliance, expired on February 11, 2019. During this period, the Company was required to meet the applicable criteria for 10 consecutive trading days or be moved from OTCQX International to OTC Pink. The Company also has the option to apply for listing on the OTCQB marketplace. As of the date of this report, the Company has received no further notice from the OTC Markets and continues to trade on the OTCQX.

On October 16, 2018 the Company announced its intention to voluntarily file a Form 15 with the United States Securities and Exchange Commission (the "SEC") to terminate the registration of its common shares under Section 12(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Form 15 was filed with the SEC on October 19th, 2018, which immediately suspended the Company's reporting requirements under the Exchange Act. Termination became effective 90 days after the date of filing. The Company's common shares continue to trade on the TSX Venture Exchange, the OTCQX Market: MGHCF.

The Company will continue to meet its Canadian continuous disclosure obligations through filings with applicable Canadian securities regulators. All of the Company's filings can be found on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com and also on the Company's website www.mincocapitalcorp.com.

As at the date of this MD&A, the Company had 50,733,381 common shares and 7,773,334 stock options outstanding, for a total of 58,506,715 common shares outstanding, on a fully diluted basis.

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1. Highlights for the Year

During the year ended December 31, 2018, the Company:

- (1) Acquired common shares/share purchases warrants/partnership units and convertible debentures of public companies for a total cost of \$3,434,708.
- (2) Disposed of common shares of public companies for proceeds of \$1,779,294 and a realized gain of \$98,641.
- (3) Earned investment income of \$95,436 from dividends, fund distributions, and interest.
- (4) 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 issuance and will expire in five years from the grant date.

1.1. Subsequent events

On January 29, 2019, the Company initiated a Normal Course Issuer Bid to purchase for cancellation, during the 12-month period starting February 1, 2019, up to 2,538,244 or 5% of the current issued and outstanding common shares of the Company. The program will end on January 31, 2020 unless the maximum amount of Common Shares is purchased before then or the Company provides earlier notice of termination. Purchases will be made on the TSX Venture Exchange (TSXV) and alternative exchanges at the market price at the time of acquisition. As of the date of this report, the Company has acquired 107,000 common shares on the TSXV.

Subsequent to the year ended December 31, 2018, the Company acquired publicly traded common shares/fund units/ partnership units for a net cost of \$186,015 and disposed of common shares/ fund units for net proceeds of \$572,941 and realized gains of \$77,511.

The Company received written notification of the warrant exercise from EI Olivar on February 28th, 2019 (section 2.1), the Company elected not to exercise the warrants.

2. Investments at Fair Value and Mineral Properties Update

2.1 Investments at Fair Value

Investments at fair value held as at December 31, 2018

The Company has the following investments as at December 31, 2018:

Number of Shares/Units Held	Fair value
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Equities of public Resource Companies:		\$
Top ten resource companies by fair value		
-Minco Silver Corp.	11,000,000	4,895,000
-Hudson Resources Inc.	2,142,857	792,857
-Equinox Gold Corp.	324,600	331,092
-RoxGold Inc.	406,800	329,508
-Continental Gold Inc.	120,025	270,056
-Amarillo Gold	715,000	193,050
-Amerigo Resources	209,000	186,010
-NEO Performance Materials Inc.	11,000	169,400
-FMC Inc.	1,600	161,320
-Global X Lithium & Battery ETF	3,500	128,730
Other Resource Companies and Funds	various	783,960
Equities of Public dividend-paying Non-Resource Companies and Funds	various	642,640
Equities of a Private Company (EI Olivar Imperial)	400,000	545,293
Debentures:		
-Convertible debenture: IBC Advanced Alloys 8.25%	100	99,000
Subtotal		9,527,916
Warrants held	Number held	\$
- Almaden Minerals Ltd.	50,000	13,650
- Amarillo Gold	357,500	47,000
- EI Olivar	600,000	-
- IBC Advanced Alloys	230,000	49,680
- Mexican Gold	335,000	32,000
- Hudson Resources Inc.	1,071,428	104,000
Subtotal		246,330
Total investment		9,774,246

Continuity of the Company's investments is as follows:

	December 31, 2017	Additions	Dispositions	Realized gain	Unrealized gain (losses) (v)	December 31, 2018
Investment in public entities:	\$	\$	\$	\$	\$	\$
- Shares and partnership units (i)	12,866,912	3,231,108	(1,779,294)	98,641	(5,533,744)	8,883,623
- Share purchase warrants (ii)	245,000	103,600	-		(102,270)	246,330
Investment in a EI Olivar Imperial						
- Shares and warrants (iii)	502,138	-	-		43,155	545,293
Investment in convertible debenture:						
- IBC Advanced Alloys Corp. (iv)	-	100,000	-		(1,000)	99,000
Total	13,614,050	3,434,708	(1,779,294)	98,641	(5,593,859)	9,774,246

During the year ended December 31, 2018, the Company acquired common shares/share purchases warrants/partnership units and convertible debentures of public companies for a total cost of \$3,434,708. The Company disposed of common shares of public companies for net proceeds of \$1,779,294 and a realized gain of \$98,641.

(i) Included in the Company's Investment in public entities are 11,000,000 common shares of Minco Silver Corporation ("Minco Silver"), representing approximately 18% of Minco Silver's outstanding shares, which is unchanged from December 31, 2017.

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

At December 31, 2018, Minco Silver accounted for 51% of the Company's investment portfolio by fair value (2017: 69%). The change in share price of Minco Silver has a greater impact on the Company's performance than the balance of the portfolio. Of the total \$5,593,862 in unrealized losses reported for the year ending 2018, \$4,450,000 was attributable to Minco Silver, with the balance of \$1,138,862 attributable to the remainder of the investment holdings. Minco's share price declined from \$0.96 per share on January 2, 2018 to \$0.445 on December 31, 2018. As of the date of this report, Minco Silver's share price had recovered to \$0.57 per share.

The unrealized losses reported in 2018 were mainly due to deteriorating commodity markets starting in June and continuing through the remainder of the year as global economic uncertainty and a trade war between the United States and China led to a sharp decline in metal prices. The price of gold and gold equities started to recover late in the third quarter.

(ii) The Company considers the closing share price of investments issued by public entities at each reporting date as the fair value. The Company applies the Black Scholes option pricing model to value public company's share purchase warrants at the reporting date.

(iii) On December 22, 2016, the Company acquired 5.90% or 400,000 units ("Unit") of El Olivar Imperial SAC ("El Olivar"), a privately held Peruvian corporation, at US\$1.00 per unit through a private placement. El Olivar's principal asset is the wholly owned Planta Sol de Oro gold tailings, toll milling and processing project located near Nasca, Peru, 445 kilometers south of Lima. Each Unit consists of one Class A voting preferred share and 1.5 Class A share purchase warrants (the "EO Warrant"), with each full warrant entitling the holder to purchase one additional Class A voting share at a price of US\$1.00. The expiry date of the EO Warrant, initially set on July 18, 2017, was subsequently revised to the date that is twenty business days following notification in writing by El Olivar that it had received all permits necessary to build its mining and processing facilities.

As part of the consideration for the investment in El Olivar, Minco Capital shall receive an annual cash dividend in U.S. dollars equal to 6% of the total invested amount, calculated from the closing date of investment (December 22, 2016) and payable starting on June 22, 2018. Due to delays in permitting and project construction, no dividends have been paid. The Company has not accrued the dividend receivable (US\$36,000) given El Olivar has not started its operations and the timing and structure of the initial dividend payment is uncertain. As of the date of this report, El Olivar had received the permits to commence construction on the processing plant for the project. El Olivar also reported that it had successfully exercised the majority of the EO Warrants to complete construction.

One Director of the Company is also a Director, Officer, and controlling shareholder of El Olivar.

The cost of the investment in El Olivar was USD\$400,000, which approximated its fair value as at December 31, 2018. The carrying value has changed due only to the appreciation of the U.S. Dollar against the Canadian Dollar during 2018.

(iv) The Company invested \$100,000 in a Convertible Debenture ("CD") issued by IBC Advanced Alloys, a beryllium and copper advanced alloys company serving a variety of industries such as defense, aerospace, automotive, telecommunications and precision manufacturing with shares listed on the TSX Venture Exchange. Details of the investment follow:

The Company acquired 100 units of 5-year convertible debentures units at \$1,000 per unit. Each unit consists of one \$1,000 principal amount convertible debenture and 2,300 common share purchase warrants. The debentures are convertible into shares of IBC Advanced Alloys at any time prior to the

maturity date (June 23, 2023) at a conversion price of \$0.31 per share, have an interest of 8.25% per annum payable semi-annually either in cash or shares of IBC Advance Alloys.

Each warrant entitles holder to acquire one common share at \$0.37 at any time up to 60 months (June 23, 2023).

Details of the Company's net gain (loss) on investments are as follows:

Year ended December 31,	2018	2017
	\$	\$
Net realized gain on investments	162,774	46,994
Previously recorded unrealized gain on investments	(64,133)	-
Realized gain in 2018	98,641	46,994
Change in unrealized gain (loss) on investments	(5,593,859)	(1,860,188)
Net gain (loss) from investments	(5,495,218)	(1,813,194)

3. Results of Operations

3.1 Selected Annual Information

Selected information for fiscal 2018, 2017 and 2016 is as follows:

	2018	2017	2016
	\$	\$	\$
Loss from investments at fair value	(5,399,782)	(1,813,194)	(990,000)
Total assets	11,698,382	17,744,904	20,758,471
Long term liabilities	-	-	-
Cash dividend	-	-	-
Net income (loss) for the year	(6,398,948)	(3,297,578)	7,217,068
Income (loss) per share – basic and diluted	(0.13)	(0.06)	0.14

3.2 Operating result comparison, year to year

For the year ended December 31, 2018 and 2017

Year ended December 31,	2018	2017	Change year over year
	\$	\$	\$
Dividend, fund distribution, and interest income	95,436	39,390	121,326
Realized gain from investments	98,641	46,991	51,653
Unrealized Loss from investments	(5,593,859)	(1,860,185)	(3,733,677)
Operating expenses	(1,213,444)	(1,240,940)	57,496
Other income (expenses)	214,278	(282,834)	497,112
	(6,398,948)	(3,297,578)	(3,036,090)

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, 2018 and 2017

The Company's operating expenses for the years ended December 31, 2018 and 2017 are as follows:

	ref	2018	2017	2018 – 2017
		\$	\$	\$
Accounting and audit	a	19,728	88,646	(68,918)
Amortization		5,048	2,951	2,097
Consulting		66,838	76,767	(9,929)
Directors' fees		55,500	64,500	(9,000)
Investor relations		10,717	11,129	(412)
Legal and regulatory	b	84,296	117,697	(33,401)
Office and administration	c	132,720	160,003	(27,283)
Property and Investment evaluation	d	80,997	126,791	(45,794)
Salaries and benefits		266,680	263,042	3,638
Share-based compensation	e	466,440	308,803	157,637
Travel and transportation		24,480	20,611	3,869
		<u>1,213,444</u>	<u>1,240,940</u>	<u>(27,496)</u>

Significant year to year changes are as follows:

(a) The Company's 2017's actual audit fees were lower than the accrual made. The excess was reversed in 2018. As a result, accounting and audit decreased.

(b) Legal and regulatory expenses decreased as the Company delisted from the NYSE.

(c) The Company entered into a new office shared expense agreement with Minco Silver Corp. and Minco Base Metals Corp., with a smaller sharing ratio in 2018. Consequently, office and administration expenses decreased.

(d) The Company engaged Ken Leigh as a consultant to look for the new properties and investment opportunities in late 2015. Mr. Leigh was hired as the President of the Company in June 2017, resulting in a re-classification of his remuneration to salaries and benefits thereafter. As a result, the Company has a lower property and investment evaluation expenditures and higher salaries and benefits in 2018.

(e) 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 2018 and 2017 were 3,580,000 and 2,400,000 respectively.

3.2.2 Other Income (Expense)

The following table is a summary of the Company's other income (expenses) for the year ended December 31, 2018, and 2017:

	2018	2017	2018 - 2017
	\$	\$	\$
Foreign exchange gain (loss) (i)	162,646	(282,834)	445,480
Gain on write-off of account payable (ii)	51,632	-	51,632
Total other income	<u>374,994</u>	<u>(243,444)</u>	<u>618,438</u>

(i) The Company had foreign exchange gain of \$162,646 for the year ended December 31, 2018 and a loss of \$282,834 for the same period in 2017. The Company holds cash and short term investment denominated in USD from time to time. USD appreciated against Canadian dollars of roughly 8% during 2018 (2017 – depreciation of 7%). As a result, the Company had a foreign exchange gain in 2018.

(ii) The Company considers an account payable of \$51,632 that has been carried forward for about 10 years settled and has recorded a gain in 2018.

3.3 Fourth Quarter

For the three months ended December 31, 2018 and 2017

Quarter ended December 31,	2018	2017
	\$	\$
Gain (loss) from investments at fair value (i)	(1,872,489)	350,505
Operating expenses (ii)	(265,049)	(330,688)
Operating gain (loss)	(2,137,538)	19,817
Foreign exchange gain	66,576	24,522
Gain on write-off of account payable	51,632	-
Net income (loss)	(2,019,330)	44,339

(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

3.3.1 Operating Expenses for the Three months ended December 31, 2018, and 2017.

The following table is a summary of the Company's operating expenses for the three months ended December 31, 2018, and 2017:

	2018	2017	Fourth quarter changes 2018- 2017
	\$	\$	\$
Accounting and audit	10,408	16,901	(6,493)
Amortization	2,778	331	2,447
Consulting	18,309	22,338	(4,029)
Directors' fees	12,000	22,000	(10,000)
Investor relations	818	622	196
Legal and regulatory	12,519	29,374	(16,855)
Office and administration	37,618	27,548	10,070
Property and investment evaluation	23,055	27,696	(4,641)
Salaries and benefits	70,776	111,943	(41,167)
Share-based compensation	70,935	68,517	2,418
Travel and transportation	5,833	3,418	2,415
	265,049	330,688	(65,639)

The movements of the expenses between the fourth quarter of 2018 and 2017 are similar to the annual movements between fiscal 2018 and 2017 and the discussion are available in the section 3.2.1.

4. Summary of Quarterly Results

Period ended	Net loss	Loss per share	
		Basic	Diluted

12-31-2018	(2,019,330)	(0.04)	(0.04)
09-30-2018	(1,586,650)	(0.03)	(0.03)
06-30-2018	(69,945)	(0.00)	(0.00)
03-31-2018	(2,723,023)	(0.05)	(0.05)
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

Variations in quarterly performance among recent eight quarters were mainly a combined result of the gain (loss) from investments at fair values held by the Company, the amount of share-based compensation recognized in each period, the foreign exchange gain or loss earned by the Company. The Company's performance is not subject to seasonality.

5. Liquidity and Capital Resources

5.1 Cash Flows

	Year ended December 31,	
	2018	2017
	\$	\$
Operating activities	(2,171,437)	(648,874)
Investing activities	(37,064)	(1,082)

Operating activities

During the year ended December 31, 2018, the Company used more cash in operating activities. Main components of the operating activities are as follows:

Year ended December 31,	2018	2017
Purchase of short-term investment	(384,821)	(1,049,468)
Redemption of short-term investment	636,275	4,130,075
Purchase of investments	(3,434,710)	(3,250,608)
Disposition of investments	1,779,294	131,224

Investing activities

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

5.2 Capital Resources and Liquidity Risk

As at December 31, 2018, the Company's working capital was \$11,562,253 compared to \$17,526,777 on December 31, 2017. The Company's operations were financed by its working capital during the year.

As at December 31, 2018, the Company believes there is sufficient working capital available to meet its current operational requirements in the next twelve months.

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	211,092	51,788	94,157	65,143

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 its investees, El Olivar and Minco Silver.

Shared office expenses

The Company, Minco Silver, and Minco Base Metals Corporation ("MBM") have common directors and management. All three companies shared office rental and other administration expenditures.

Due from related parties

As at December 31, 2018, the Company had the following amounts due from related parties:

- \$1,054 due to Minco Silver (December 31, 2017 – due from Minco Silver \$27,523), in relation to share office expenses.
- \$2,403 due from MBM (December 31, 2017 - \$11,422), 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, 2018, and 2017, the following compensation was paid and accrued for compensation to key management:

	2018	2017
	\$	\$
Cash remuneration	328,725	347,686
Share-based compensation	416,311	269,737
Total	745,036	617,423

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 considered all the available facts and concluded that the Company met all of three criteria set forth in IFRS 10.27 to meet the definition of an investment entity as defined in IFRS 10 from time to time:

- 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 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. New Accounting Standards

Adoption of new accounting standards

Commencing January 1, 2018 the Company adopted IFRS 9, which will not have a material impact on the Company's financial statements.

IFRS 9 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.

Following is the new accounting policy for instrument instruments under IFRS 9:

Financial assets

- (a) Recognition and measurement of financial assets

The Company recognizes a financial asset when it became a party to the contractual provisions of the instrument.

(b) Classification of financial assets

The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income (“FVTOCI”) or measured at fair value through profit or loss (“FVTPL”).

(i) Financial assets measured at amortized cost

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

- The Company’s business model for such financial assets, is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

The Company’s cash and cash equivalents, short-term investments, receivables and due from related parties are amortized cost financial instruments.

(ii) Financial assets measured at FVTPL

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

The Company’s investments at fair value are FVTPL financial instruments.

(c) Derecognition of financial assets

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in the statement of loss and comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive loss.

Financial liabilities

(a) Recognition and measurement of financial liabilities

The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments.

(b) Classification of financial liabilities

The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments.

(i) Financial liabilities measured at amortized cost

A financial liability at amortized cost is initially measured at fair value less transaction cost directly attributable to the issuance of the financial liability. Subsequently, the financial liability is measured at amortized cost based on the effective interest rate method.

The Company liability at amortized cost is initially measured are amortized cost financial liabilities

(ii) Financial liabilities measured at fair value through profit or loss

A financial liability measured at fair value through profit or loss is initially measured at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial liability is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

The Company does not have any liabilities classified as financial liabilities measured at fair value through profit or loss.

(c) Derecognition of financial liabilities

The Company derecognizes a financial liability when the financial liability is discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of loss and comprehensive loss.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Impairment of financial asset

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Accounting standards and amendments issued but not yet effective

The IASB has replaced IAS 17, Leases in its entirety with IFRS 16, Leases, which will require lessees to recognize nearly all leases on the balance sheet to reflect their right to use an asset for a period of time and the associated lease liability. IFRS 16 is effective for annual periods commencing on or after January 1, 2019.

The Company will adopt IFRS 16 on January 1, 2019 and management believes that the adoption will not have an impact on the Company's financial statements.

10. Financial Instruments

Following is a summary of the Company's financial assets and liabilities as at December 31, 2018 and 2017:

December 31,	2018	2017
	\$	\$
Fair value through profit and loss:		
Investments at fair value	9,774,246	13,614,050
Amortized cost:		
Cash	1,642,697	3,642,328
Short-term investment	20,000	271,455
Receivables	65,937	25,713
Due from related parties	1,349	38,945
Accounts payables	72,621	186,635

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, 2018 and 2017, 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, 2018	Level 1	Level 2	Level 3
	\$	\$	\$
Investments at fair value,	8,883,623	345,330	545,293

Fair value of investments classified as level 2 are reconciled as follows:

	December 31, 2017	Additions/ disposition	December 31, 2018	Unrealized gain (loss) recognized in profit or loss
	\$	\$	\$	\$
Share purchase warrants:	245,000	103,600	246,330	(102,270)

The fair value of US\$400,000 (\$545,293) for the Company's investment in EI Olivar on December 31, 2018 was unchanged from December 2017 (US\$400,000 or \$502,138). The fair value of this investment on December 31, 2018 only changed as a result of movements in foreign exchange as there were no significant events identified during 2018.

The principal business of EI Olivar is to construct and operate a processing manufacturing plant of gold mining ores and tailings in Peru. A change in the strength of Peru's currency relative to the Canadian dollar, a change in the price of gold, and the completion of construction and operation of the processing plant will impact the fair value of this investment. The project is fully permitted and construction is underway.

The Company uses the Black-Scholes option pricing model to determine the fair value of those shares purchase warrants with the use of assumptions.

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 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, 2018, the Company had investments in fair value of \$0.9 million and cash and cash equivalent of \$0.7 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 \$0.16 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.

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 \$0.98 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 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 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 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 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.