

# MINCO plc

## CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

*Unaudited – prepared by management*

**For the three month period ended March 31, 2014**

(Expressed in US\$000's)

### **NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

## CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

*Unaudited – prepared by management*

**For the three month period ended March 31, 2014**

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## MINCO PLC

### Condensed Interim Consolidated Statements of Financial Position

As at 31 March 2014

*Unaudited - prepared by management*

Expressed in US\$000's	Notes	31 March 2014 (unaudited) \$	31 December 2013 (audited) \$
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	10	12,427	11,410
Investment in associate	11	2,162	2,174
Prepaid expenses and other non-current assets	10	120	86
Total non-current assets		14,709	13,670
<b>Current assets</b>			
Trade and other receivables	12	179	185
Notes receivable	11	253	120
Cash and cash equivalents	13	8,867	10,363
Total current assets		9,299	10,668
<b>Total assets</b>		<b>24,008</b>	<b>24,338</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	15	9,767	9,767
Share premium		29,790	29,790
Capital conversion reserve fund		39	39
Foreign currency translation reserve		1,221	1,262
Share-based payment reserve	16	508	493
Retained deficit		(18,199)	(17,942)
Total equity		23,126	23,409
<b>Current liabilities</b>			
Trade and other payables	14	876	922
Income taxes payable		6	7
Total current liabilities		882	929
<b>Total equity and liabilities</b>		<b>24,008</b>	<b>24,338</b>

### COMMITMENTS AND CONTINGENCIES (Notes 10, 17)

The financial statements were approved by the Board of Directors on May 27, 2014 and signed on its behalf by:

Signed “John F. Kearney” , Director

Signed “Danesh K. Varma” , Director

See accompanying notes to the condensed interim consolidated financial statements

# MINCO PLC

## Condensed Interim Consolidated Statements of Operations and Comprehensive Loss

For the three month period ended 31 March 2014

*Unaudited - prepared by management*

	Notes	Three months ended March 31,	
		2014	2013
		\$	\$
<b>Continuing operations</b>			
General and administrative expenses	7	(292)	(224)
Foreign exchange gain		17	404
Operating (loss)/profit	7	(275)	180
Finance income	8	17	47
Share of loss of associate	11	(13)	(4)
Group (loss)/profit for the period		(271)	223
<b>Other Comprehensive Income</b>			
Exchange differences on translation of foreign operations		(41)	(135)
Total comprehensive (loss)/profit for the period		(312)	88
		<b>US Cents</b>	<b>US Cents</b>
		<b>per share</b>	<b>per share</b>
<b>(Loss)/earnings per share</b>			
Basic	9	(0.06)	0.06
Diluted	9	(0.06)	0.06

The financial statements were approved by the Board of Directors on May 27, 2014 and signed on its behalf by:

Signed “John F. Kearney” , Director

Signed “Danesh K. Varma” , Director

See accompanying notes to the condensed interim consolidated financial statements

# MINCO PLC

## Condensed Interim Consolidated Statements of Changes in Equity For the three month period ended 31 March 2014

*Unaudited - prepared by management*

Expressed in US\$000's	Share Capital \$	Share Premium \$	Capital Conversion Reserve Fund \$	Foreign Currency Translation Reserve \$	Share based payment Reserve \$	Retained Deficit \$	Total \$
<b>Balance as at 1 January 2013</b>	<b>7,675</b>	<b>27,669</b>	<b>39</b>	<b>1,220</b>	<b>216</b>	<b>(13,520)</b>	<b>23,299</b>
Acquisition of Buchans	2,034	1,964	-	-	158	-	4,156
Shares issued for cash	58	157	-	-	-	-	215
Recognition of share-based payments	-	-	-	-	119	-	119
Total comprehensive loss for year	-	-	-	42	-	(4,422)	(4,380)
<b>Balance as at 31 December 2013</b>	<b>9,767</b>	<b>29,790</b>	<b>39</b>	<b>1,262</b>	<b>493</b>	<b>(17,942)</b>	<b>23,409</b>
Recognition of share-based payments	-	-	-	-	29	-	29
Stock options terminated	-	-	-	-	(14)	14	-
Total comprehensive loss for period	-	-	-	(41)	-	(271)	(312)
<b>Balance as at 31 March 2014</b>	<b>9,767</b>	<b>29,790</b>	<b>39</b>	<b>1,221</b>	<b>508</b>	<b>(18,199)</b>	<b>23,126</b>

### *Share Capital*

The share capital is comprised of share capital issued for cash and non-cash considerations.

### *Share premium reserve*

The share premium reserve is comprised of the excess of monies received in respect of share capital over the nominal value of shares issued less cost of issue.

### *Capital conversion reserve fund*

The ordinary shares of the company were renominialised from €0.0126774 each in 2002 and the amount by which the issued share capital of the company was reduced was transferred to the capital conversion reserve fund.

### *Foreign currency translation reserve*

Exchange differences arising on the re-translation of monetary items are included in the statement of comprehensive income for the period except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. Income statement items have been re-translated at the average rate for the period and balance sheet items re-translated at the rate prevailing at the balance sheet date.

### *Share-based payment reserve*

The share-based payment reserve represents the amount expensed to income statement of share based payments granted which are not yet exercised and issued as shares.

### *Retained losses*

Retained losses comprise accumulated profit and loss in the current and prior years.

See accompanying notes to the condensed interim consolidated financial statements

**MINCO PLC****Condensed Interim Consolidated Statements of Cash Flows****For the three month period ended 31 March 2014***Unaudited - prepared by management*

Expressed in US\$000's	<b>Period ended 31 March 2014</b>	<b>Period ended 31 March 2013</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flow from operating activities</b>		
(Loss)/profit for the period	(271)	223
Share-based payments expense	29	29
Share of loss of associate	13	4
Currency translation movements	(45)	130
Interest income	(17)	(47)
	<b>(291)</b>	<b>339</b>
<b>Movements in working capital</b>		
Increase in trade and other receivables	6	-
Increase / (decrease) in trade and other payables	(46)	-
Net cash (used)/generated in operating activities	<b>(331)</b>	<b>339</b>
<b>Cash flows from investing activities</b>		
Interest income	17	47
Investment in financial assets	(130)	-
Payments for intangible assets	(1,052)	(1,102)
Net cash used in investing activities	<b>(1,165)</b>	<b>(1,055)</b>
Net decrease in cash and cash equivalents	<b>(1,496)</b>	<b>(716)</b>
Translation adjustment	-	-
Cash and cash equivalents at the beginning of the period	<b>10,363</b>	<b>15,124</b>
Cash and cash equivalent at the end of the period	<b>13</b>	<b>14,408</b>

See accompanying notes to the condensed interim consolidated financial statements

# MINCO PLC

## Notes to the Condensed Consolidated Financial Statements For the Three Month Period ended 31 March 2014

### 1. NATURE OF OPERATIONS

Minco plc. ("the Company" or "Minco") is a mineral exploration and development group focused on exploration in Canada, Ireland, and the United Kingdom, and indirectly on base metal and silver projects in Mexico. Minco is listed on the AIM Market ("AIM") of the London Stock Exchange. Substantially all of the Company's efforts are devoted to financing and developing these properties. There has been no determination whether the Company's interests in exploration properties contain mineral reserves which are economically recoverable.

The Company's registered office is located at 27 Hatch Street Lower, Dublin 2, Ireland.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of mineral property interests and the Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write downs of the carrying values. Most of the Company's mining assets are located outside of Ireland and are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. The Company's properties may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and regulatory and environmental requirements.

#### **Basis of measurement and going concern**

The Company is in the process of exploring its exploration and evaluation properties and has not yet determined whether its exploration and evaluation properties contain economically recoverable mineral reserves. The underlying value and the recoverability of the exploration and evaluation properties is entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the exploration and evaluation properties, and the generation of future profitable production or proceeds from the disposition of the exploration and evaluation properties.

These condensed interim consolidated financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for the current fiscal year.

For the three months ended 31 March 2014, the Company recorded net loss of US\$271,000 and, at that date, had positive cash balances of US\$8,867,000. Accordingly, the Directors are satisfied that it is appropriate to prepare the financial statements of the Company on a going concern basis.

### 2. BASIS OF PREPARATION

These condensed interim consolidated financial statements of the Company were prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the year ended 31 December 2013 prepared in accordance with IFRS.

These condensed consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as fair value through profit and loss which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except cash flow information. These condensed interim financial statements are expressed in United States Dollars ("US\$").

# MINCO PLC

## Notes to the Condensed Consolidated Financial Statements For the Three Month Period ended 31 March 2014

### 3. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

#### (a) Basis of consolidation

The condensed consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of operations from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Company. All material intra-Company transactions, balances, income and expenses are eliminated on consolidation.

The standards and interpretations within IFRS are subject to change and accordingly, the accounting policies for the annual report that are relevant to these condensed interim financial statements will be finalized only when the annual IFRS financial statements are prepared for the year ending 31 December 2014. The accounting policies chosen by the Company have been applied consistently to all periods presented.

#### (b) Accounting Changes

The Company did not adopt any new International Financial Reporting Standards (IFRSs) or Interpretations in the period that had a material impact on the Company's Financial Statements.

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2014 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS Standards issued but not yet effective:

IFRS 9	Financial Instruments
IAS 19	Employee Benefits
IAS 32	Financial Instruments: Presentation
IAS 36	Impairment of Assets
IAS 39	Financial Instruments: Recognition and Measurement
IFRIC 21	Levies

The Company has not yet determined the impact of these amendments on its financial statements.

### 4. EMPLOYEE INFORMATION

	31 March 2014	31 March 2013
	Number of employees	Number of employees
Management and administration	10	7
Operatives	7	2
	<hr/> 17	<hr/> 9
Staff costs for the above persons:	US \$'000	US\$'000
Wages and salaries	281	52
Social security costs	16	3
Share-based payments	29	29
	<hr/> 326	<hr/> 84
Capitalised as exploration and evaluation assets	203	14
Charged to the statement of comprehensive income	123	70
	<hr/> 326	<hr/> 84



# MINCO PLC

## Notes to the Condensed Consolidated Financial Statements For the Three Month Period ended 31 March 2014

### 5. RELATED PARTY TRANSACTIONS

#### Remuneration of key management personnel

The remuneration of Directors, who are the key management personnel of the Company, is set out below in accordance with IAS 24 'Related Party Disclosures'.

<b>Directors' Remuneration</b>	<b>Salaries in cash US\$'000</b>	<b>Fees in cash US\$'000</b>	<b>Options US\$'000</b>	<b>Total 2014 US\$'000</b>	<b>Salaries in cash US\$'000</b>	<b>Fees in cash US\$'000</b>	<b>Options US\$'000</b>	<b>Total 2013 US\$'000</b>
John Kearney	-	-	1	1	-	-	1	1
Terence McKillen	-	-	2	2	-	-	2	2
Danesh Varma	22	-	2	24	22	-	2	24
Patrick D. Downey	-	-	5	5	-	-	5	5
Rowan N. Maule	-	15	9	24	-	16	9	25
Peter McParland	-	-	5	5	-	-	5	5
Michael Power	-	-	5	5	-	-	5	5
Dennis MacLeod	-	8	-	8	-	-	-	-
Warren MacLeod	48	-	-	48	-	-	-	-
<b>Total</b>	<b>70</b>	<b>23</b>	<b>29</b>	<b>122</b>	<b>22</b>	<b>16</b>	<b>29</b>	<b>67</b>

No fees were paid by the Group to directors for their services as directors of the Company in the three months ended 31 March 2014 or 2013.

In the three months period ended 31 March 2014, Danesh Varma, Finance Director and Secretary of the Company was paid an amount of £4,500 (US\$7,300) per month, or US\$22,000 (2013 – US\$22,000), and Warren MacLeod, President of Buchans Minerals Corp., who was paid an amount of Cdn\$17,500 per month, or US\$48,000.

Professional fees in the amount of US\$15,000 were paid to Rowan N. Maule for management and consulting services, and have been capitalised within intangible assets as exploration and evaluation assets. Professional fees in the amount of US\$8,000 were paid to Dennis MacLeod for consulting services and have been capitalised within intangible assets as exploration and evaluation assets.

The option vesting expense for the three months ended 30 31 March 2014 was US\$29,000 (2013 – US\$29,000) in respect of 11,500,000 options previously granted outstanding at 31 March 2014. See Note 16.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed.

The subsidiaries of the Company at March 31, 2014 were as follows:

<b>Name of Company</b>	<b>Registered office</b>	<b>Effective Holding</b>	<b>Principal Activity</b>
Minco Ireland Limited	162 Clontarf Road, Dublin 3, Ireland	100%	Exploration
Westland Exploration Limited	162 Clontarf Road, Dublin 3, Ireland	100%	Exploration
Norsub Limited	1 Le Marchant Street St. Peter Port, Guernsey, GY1 4HP	100%	Investment
Minco Mining Limited	Painters' Hall Chambers,	100%	Exploration
Zacatecas Exploration Limited	8 Little Trinity Lane, London EC4V 2AN	100%	Management services
Centrerock Mining Limited	220 Bay Street, Suite 700 Toronto, ON M5J 2W4, Canada	100%	Exploration
Buchans Minerals Corporation		100%	Exploration
Canadian Manganese Company Inc.	220 Bay Street, Suite 700	100%	Exploration
7980736 Canada Inc.	Toronto, ON M5J 2W4, Canada	100%	Exploration

# MINCO PLC

## Notes to the Condensed Consolidated Financial Statements For the Three Month Period ended 31 March 2014

### 6. SEGMENTAL ANALYSIS

#### Segment Result

	Segment result	
	31 March 2014 US\$'000	31 March 2013 US\$'000
<b>Continuing Operations</b>		
Ireland	(96)	297
Canada	(63)	-
U.K.	(99)	(70)
Mexico	(13)	(4)
Total for continuing operations	(271)	223
Income tax expense	-	-
Loss for the period	(271)	223
Consolidated loss	(271)	223

There was no revenue from operations earned during the period.

#### Segment assets and segment liabilities

	Assets		Liabilities	
	31 March 2014 US\$'000	31 December 2013 US\$'000	31 March 2014 US\$'000	31 December 2013 US\$'000
Ireland	958	949	(516)	(581)
Canada	9,952	9,202	(158)	(97)
U.K.	686	1,529	(208)	(251)
Mexico (investment in associate)	2,415	2,295	-	-
	14,011	13,975	(882)	(929)
Cash and cash equivalents	8,867	10,363	-	-
Consolidated	24,008	24,338	(882)	(929)

	Depreciation and amortisation		Additions to non-current assets	
	31 March 2014 US\$'000	31 March 2013 US\$'000	31 March 2014 US\$'000	31 March 2013 US\$'000
Ireland	-	-	-	-
Canada	-	-	727	826
U.K.	-	-	290	276
	-	-	1,017	1,102

	Impairment of intangible assets		Impairment on receivables	
	31 March 2014 US\$'000	31 March 2013 US\$'000	31 March 2014 US\$'000	31 March 2013 US\$'000
Mexico	-	-	-	-
	-	-	-	-

# MINCO PLC

## Notes to the Condensed Consolidated Financial Statements For the Three Month Period ended 31 March 2014

### 7. OPERATING LOSS

Operating (loss)/profit is stated after charging/(crediting) the following items:	<b>31 March 2014</b> US\$'000	31 March 2013 US\$'000
<b>General and administrative expenses of the Group comprise:</b>		
Professional fees including audit and legal	(67)	(70)
Company Directors' remuneration	(32)	(22)
Share-based payments expense	(29)	(29)
Office expenses	(54)	(40)
Investor and public relations	(67)	(32)
Sundry expense	(43)	(31)
	<hr/>	<hr/>
	(292)	(224)
	<hr/>	<hr/>
<b>Foreign exchange gain</b>	17	404
	<hr/>	<hr/>
<b>Operating (loss)/profit before taxes</b>	(275)	180

### 8. FINANCE INCOME

	<b>31 March 2014</b> US\$'000	31 March 2013 US\$'000
Interest income	17	47
	<hr/>	<hr/>

### 9. EARNINGS / (LOSS) PER SHARE

Basic loss per share is computed by dividing the loss after taxation for the period available to ordinary shareholders by the sum of the weighted average number of ordinary shares in issue and ranking for dividend during the period. Diluted loss per share is computed by dividing the loss after taxation for the period by the weighted average number of ordinary shares in issue, adjusted for the effect of all potential dilutive ordinary shares that were outstanding during the period. Basic and diluted losses per share are the same, as the effect of the outstanding share options is anti-dilutive, and is therefore excluded. The computation for basic and diluted loss per share is as follows:

	<b>31 March 2014</b> US\$'000	31 March 2013 US\$'000
<b>Numerator</b>		
(Loss)/earnings for the period	(271)	223
<b>Denominator</b>	<b>31 March 2014</b> <b>No. of Shares</b>	31 March 2013 No. of Shares
Weighted average number of shares - basic	478,142,184	349,999,988
Weighted average number of shares - diluted	478,142,184	349,999,988
	<hr/>	<hr/>
Basic loss per share (US cents per share)	(0.06)	0.06
Diluted loss per share (US cents per share)	(0.06)	0.06

# MINCO PLC

## Notes to the Condensed Consolidated Financial Statements For the Three Month Period ended 31 March 2014

### 10. INTANGIBLE ASSETS

	March 31 2014	Additions	December 31 2013	Foreign Exchange	Additions	Acquisitions	December 31 2012
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Ireland	877	-	877	(14)	-	-	891
Woodstock	2,769	321	2,448	-	1,239	129	1,080
Buchans	6,535	406	6,129	(7)	787	3,833	1,516
Bobby's Pond	451	-	451	-	20	431	-
Pennines	1,795	290	1,505	(3)	1,130	-	378
Total	12,427	1,017	11,410	(7)	82	4,393	3,865

All exploration and evaluation assets are carried at cost less any applicable impairment provision. The Directors have reviewed the exploration and evaluation assets at 31 March 2014 and are satisfied that the fair value is not less than the carrying amount and that the exploration projects have potential to achieve mine production and positive cash flows. No impairment provision has been recognised.

Exploration and evaluation activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company/Group believe its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations. The Group's activities are also subject to a number of significant potential risks, see Note 2(p) of the audited consolidated financial statements dated 31 December 2013.

The realisation of the intangible assets is dependent on the successful development of economic resources, including the ability to raise finance to develop the projects. Should this prove unsuccessful the value included in the balance sheet would be written off. The Directors are aware that by its nature there is an inherent uncertainty in such expenditure as to the value of the asset.

#### Ireland

Minco holds a 21.5% interest in Prospecting License 1440R in Tatestown, Ireland, the subject of a joint venture between Westland Exploration Ltd. (100% Minco subsidiary) and Tara-Boliden Mines Limited. The Company also holds a 2% net smelter royalty on the Curraghinalt gold deposit in Northern Ireland.

#### Pennines - UK

During 2012, the Company commenced a new exploration initiative in the North Pennine Orefield located in the counties of Cumbria, Northumberland and Durham in northern England and has entered into various agreements, licences and options with certain owners of minerals rights in the area.

The Company, through its wholly owned subsidiary Minco Mining Limited, has entered into an Option Agreement with the Crown Commissioners on behalf of the Crown Estates pursuant to which, in consideration of the payment of an option fee of £5,000, the Company has been granted the option to take a lease of Crown Minerals, subject to having obtained planning permission, on any part of the option area which covers approximately 20,000 hectares in Northumberland and County Durham. The Lease would be subject to an annual rent of £20,000 pounds sterling and subject to a royalty of 4% of the Net Realisable Value of gold or silver mined from the area.

The Company, through its wholly owned subsidiary Minco Mining Limited, has entered into an Option Agreement and Prospecting Licence to take a Lease with the Church Commissioners for England on Demised Minerals, (including lead, zinc, pyrite, copper, fluorspar, barytes and associated any intermingled minerals) owned by the Church Commissioners at West Weardale in County Durham subject to the rights of the surface owners. The Option is for a period of five years and subject to extension. The Lease would be subject to planning permission and subject to an annual rent of £25,000 and a royalty of 2.5% of the Net Smelter Return earned on the Demised Minerals.

# MINCO PLC

## Notes to the Condensed Consolidated Financial Statements For the Three Month Period ended 31 March 2014

### 10. INTANGIBLE ASSETS (CONTINUED)

The Company, through its wholly owned subsidiary Minco Mining Limited, has been granted mineral exploration licences or permissions by the Trustees of the Allendale Settled Estates in Northumberland and by the Trustees for Roman Catholic Purposes on the Alston Estate in Cumbria. Under these mineral exploration licences the Company has been granted the right to explore and test for minerals, subject to the rights of the surface owners, for various terms. The Company expects to enter into Option Agreements to take Mineral Leases with the Allendale Estate in Northumberland and with the Alston Estate in Cumbria which are expected to be on similar terms to the Option Agreement with the Church Commissioners in Durham.

#### **Woodstock – Canada**

The Company holds a 100% interest in the Woodstock project located northwest of the town of Woodstock, New Brunswick. A portion of the project is subject to a 1% gross sales royalty upon commencement of commercial production, with the Company retaining certain rights to buy back one half of the royalty. The Woodstock project was acquired during 2013 as part of the Buchan's transaction.

#### **Buchans – Canada**

Buchans is located in central Newfoundland and covers the former producing Buchans Mine. Certain of the claims and portions thereof are subject to net smelter royalties ranging from 1% to 3%, certain of which are subject to buy-back agreements. The Company was granted two mining leases during 2013 each with a 25 year term, and requiring total annual lease payments of Cdn\$103,000. The Buchans project was acquired during 2013 as part of the Buchan's transaction.

The Tulks North project is 100% owned by the Company and is located in the Victoria Lake Mining district of west-central Newfoundland. The property is subject to a 1.5% net smelter royalty.

The Company has a 49% interest in the Tulks Hill project in central Newfoundland which is held under a joint exploration agreement with Prominex Resource Corp. which is the project operator. The property is subject to a 2% net smelter royalty.

The Long Range project is under a 50/50 joint exploration agreement with Benton Resources Inc. ("Benton") and is located in central Newfoundland and Labrador. The Company is the project operator. Benton elected to not participate in certain work programs on the Long Range Property and Benton and are subject to dilution. The property is subject to net smelter royalties of up to 2% of which 1% can be purchased for \$1.0 million.

#### **Bobbys Pond – Canada**

During 2013, the Company acquired a 75% interest in the Bobbys Pond project for a cash payment of US\$431,000 (Cdn\$450,000) and a 1% net smelter return royalty due to the vendors. The project is also subject to an underlying 2% net smelter royalty. To earn the remaining 25% interest, the Company is required to make an additional Cdn\$175,000 payment and incur Cdn\$150,000 in exploration expenditures by July 31, 2014. See Subsequent Events Note 19.

The Company paid deposits to contractors in the amount of US\$120,000.

# MINCO PLC

## Notes to the Condensed Consolidated Financial Statements For the Three Month Period ended 31 March 2014

### 11. INVESTMENT IN ASSOCIATE

	<b>March 31, 2014</b>	December 31, 2013
	<b>US\$'000</b>	US\$'000
<b>Investment in associate as at 1 January</b>	<b>2,174</b>	4,106
Foreign exchange movement	-	(92)
Group share of loss in Xtierra for the period	<b>(13)</b>	(1,840)
<b>Value of Group share of net assets of the associate at the end of the period</b>	<b>2,162</b>	2,174
	<b>March 31, 2014</b>	December 31, 2013
	<b>US\$'000</b>	US\$'000
Fair value of Group's interest based on market price of associate's quoted shares at 31 March 2014 and 31 December 2013		
Share price as per Toronto Stock Exchange (TMX) in Canadian dollars	<b>Cdn\$0.11</b>	Cdn\$0.10
US Dollar foreign exchange value per share	<b>US\$0.904</b>	US\$0.935
30,000,003 shares fair value	<b>2,984</b>	2,805
Values as shown in the accounts of the associate at 31 March 2014 and 31 December 2013:		
Total assets	<b>21,406</b>	21,358
Total liabilities	<b>(3,164)</b>	(3,071)
Total net assets	<b>18,242</b>	18,287
Total loss of associate for the period	<b>(45)</b>	(6,339)

At 31 March 2014, the Group held a 29.0% interest, in Xtierra Inc. ("Xtierra"), a company registered in Ontario, Canada, and listed on the TSX Venture Exchange which is independently managed and is accounted for in these financial statements as an associate company. Xtierra is the 100% owner and operator of exploration and evaluation properties in Mexico. At 27 May 2014, the market value of the investment in the associate was US\$1,795,000.

In December 2013, the Company agreed to provide working capital financing to Xtierra, and agreed to purchase \$250,000 principal amount of 5% working capital notes due March 31, 2014. At 31 March 2014, the amount receivable on the notes was \$253,000 including \$3,000 interest.

See Subsequent Events Note 19.

Xtierra's loss for the year ended 31 December 2013 included impairment and write down of exploration and evaluation assets in the amount of \$6,245,000.

The recovery of the investment in associate is dependent on the successful realisation of intangible assets through the development of economic ore reserves.

### 12. RECEIVABLES AND OTHER

	<b>31 March 2014</b>	31 December 2013
	<b>US\$'000</b>	US\$'000
Trade receivables and prepayments	<b>105</b>	32
Sales taxes receivable	<b>74</b>	153
	<b>179</b>	185

The carrying value of the receivables approximates to their fair value. In the opinion of Directors the amounts above are considered to be fully recoverable.

# MINCO PLC

## Notes to the Condensed Consolidated Financial Statements For the Three Month Period ended 31 March 2014

### 13. CASH AND CASH EQUIVALENTS

	31 March 2014	31 December 2013
	US\$'000	US\$'000
Cash	424	369
Cash equivalents	8,443	9,994
Immediately available without restriction	8,867	10,363

Cash and cash equivalents comprise cash balances held for the purposes of meeting short-term cash commitments and investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. Where investments are categorised as cash equivalents, the related balances have a maturity of three months or less from the date of investment. Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the cash requirements of the Company, and earn interest at the respective short-term deposit rates at floating rates.

The currency profile of cash and cash equivalents at the end of the period was as follows:

The currency profile of cash and cash equivalents at the end of the period is as follows:

Group	31 March 2014	31 December 2013
	US\$'000	US\$'000
Euro	67	66
US Dollars	8,507	10,101
Canadian Dollars	284	86
Sterling	9	110
	8,867	10,363

### 14. TRADE AND OTHER PAYABLES

	31 March 2014	31 December 2013
	US\$'000	US\$'000
Trade creditors and accruals	785	700
Amounts due to related parties (Note 5)	91	222
	876	922

It is the Group's normal practice to agree terms of transactions, including payment terms, with suppliers and provided suppliers perform in accordance with the agreed terms, it is the Group's policy that payment is made as they fall due. The carrying value of the trade creditors and accruals approximates to their fair value. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The amounts due to related parties are due on demand, unsecured and non-interest bearing.

# MINCO PLC

## Notes to the Condensed Consolidated Financial Statements For the Three Month Period ended 31 March 2014

### 15. SHARE CAPITAL

	Ordinary shares of €0.0125 each		Deferred shares of €0.0625 each		Total
	Number '000	Nominal value '000	Number '000	Nominal value '000	Nominal value '000
<b>Authorised share capital</b>					
At 31 December 2013	700,000	€ 8,750	38,000	€ 2,375	€ 11,125
At 1 January 2014 and 31 March 2014	<b>700,000</b>	<b>€ 8,750</b>	<b>38,000</b>	<b>€ 2,375</b>	<b>€ 11,125</b>
<b>Issued share capital</b>					
At 1 January 2014 and 31 March 2014	<b>478,142</b>	<b>US\$7,761</b>	<b>38,000</b>	<b>US\$2,106</b>	<b>US\$9,767</b>

### 16. SHARE-BASED PAYMENTS

#### Equity-settled share options

The board of directors has granted share options to directors, officers, employees, consultants and service providers who perform ongoing services for the Group. The purpose of the options is to attract, retain and motivate these parties by providing them with the opportunity to acquire a proprietary interest in the Company and to benefit from its growth. The options are non-assignable and may be granted for a term not exceeding ten years. The exercise price of the options is fixed by the board of directors at the market price of the shares at the time of grant, subject to all applicable regulatory requirements. Options are forfeited if the optionee ceases to be associated with the Company before the options vest.

In accordance with IFRS 2, the share-based payment charge for the period has been charged to the statement of comprehensive income.

On 20 December 2012, the Company granted 8,250,000 share options at an exercise price of £0.05p per share, with a five year term expiring 20 December 2017, vesting as to one third on issue, one third on 2 July 2013 and one third on 2 January 2014, to directors and consultants. The grant date fair value of these options was estimated at US\$269,000 (£165,000).

On 17 July 2013, pursuant to the Arrangement referred to in Note 5, 12,336,500 outstanding fully vested stock options of Buchans became exercisable to purchase 10,189,949 ordinary shares of Minco upon the basis of 0.826 ordinary shares of Minco for each common share of Buchans. The exercise price of these Buchans stock options is CDN\$0.10 per Buchans share or CDN\$0.121 per Minco share, and these may be exercised prior to the expiry dates as shown in the schedule below. For presentation purposes, the exercise price has been recorded as £0.078 per Minco share. The fair value of these options was estimated at \$154,000 using the Black Scholes option pricing model and was recorded as part of the \$4,560,000 acquisition price of Buchans.

As at 31 March 2014, the Company had the following outstanding share options:

Number of Options Granted and Exercisable at 31 March 2014	Share-based Payment		Expiry Date
	Reserve \$	Exercise Price	
3,250,000	171	£0.055	14 December 2014
3,824,380	58	£0.078	09 May 2015
330,400	5	£0.078	22 September 2015
3,138,800	47	£0.078	19 December 2016
804,524	12	£0.078	21 June 2017
8,250,000	204	£0.050	20 December 2017
665,756	10	£0.078	07 January 2018
<b>Total</b>	<b>20,263,860</b>	<b>507</b>	



# MINCO PLC

## Notes to the Condensed Consolidated Financial Statements For the Three Month Period ended 31 March 2014

### 16. SHARE-BASED PAYMENTS (continued)

Share Options transactions for the respective periods were as follows:

	31 March 2014		31 December 2013	
	Number of share options	Weighted average exercise price (in Stg pence)	Number of share options	Weighted average exercise price (in Stg pence)
Outstanding at beginning of the year	21,111,749	6.56	11,500,000	5.14
Granted during the period:				
Directors	-	-	3,824,380	7.80
Consultants and employees	-	-	6,365,569	7.80
Terminated	(847,889)	7.80	(578,200)	7.80
Outstanding at end of the period	20,263,860	6.51	21,111,749	6.56
Exercisable at the end of the period	20,263,860	6.51	18,361,749	4.66

The current period share based payment expense in respect of previously granted options amounted to US\$29,000 (2013: US\$29,000).

The options outstanding at 31 March 2014 had a weighted average exercise price of £0.0651, and a weighted average remaining contractual life of 2.5 years.

### 17. LEGAL PROCEEDINGS

In November 2013, the Company and two of its directors (Terence McKillen and Danesh Varma) were served with a Claim in the English High Court of Justice, Chancery Division, by John Bennington Sears of Maidenhead, England and Sippdeal Trustees Limited of Chester Road, Manchester, England on behalf of the legal holder of some of the shares held by that shareholder ("Sears") claiming damages for misrepresentation. Sears alleges that he caused shares in the Company to be purchased or retained for his benefit induced by alleged misrepresentations made by the Company and the two directors about the terms of the Joint Venture Agreement between the Company and Xstrata regarding the Pallas Green project near Limerick Ireland and the 2011 exploration budget for Pallas Green. Sears had participated in two share placements completed by the Company in 2010 and 2011, with such placements made by Barclays on his behalf, and alleges that he suffered loss and damage because the shares that he purchased, or were purchased by Barclays on his behalf in such share placements, were overvalued. During the period April 2010 to April 2011 Sears claims to have purchased a total of 7,965,157 shares at various times for a total investment of £344,433. He claims to have subsequently sold 5,780,156 shares for a total of £222,513. Sears claims that nonetheless he has suffered losses amounting to approximately £500,000 (consisting of lost capital and profits thereon that he would have obtained had those monies which he invested in the Company been available to make alternative investments), the precise quantum of loss will be a matter of evidence to be adduced at trial. The Company and the two directors consider such claims to be wholly without merit, have filed a Defence and intend to vigorously defend this action. The Company has determined, based on legal advice, that the likelihood of any potential damages being awarded against the Company is remote and no provision has been made in these consolidated financial statements.

### 18. FINANCIAL INSTRUMENTS

The Group's financial instruments comprise cash balances and various items such as trade receivables and trade payables which arise directly from trading operations. The Group also enters into derivative transactions, primarily warrants and convertible notes. The main purpose of these financial instruments is to provide working capital to finance Group operations. The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The Group's cash balances are held in Euro, Sterling and in US and Canadian Dollars.

The Group's strategy for managing cash is to maximise interest income whilst ensuring its availability to match the profile of the Group's expenditure. This is achieved by regular monitoring of interest rates and monthly review of expenditure. The Group has a policy of not hedging and therefore takes market rates in respect of foreign exchange risk; however, it does review its currency exposures regularly and may consider the use of currency hedges in the future.

# MINCO PLC

## Notes to the Condensed Consolidated Financial Statements For the Three Month Period ended 31 March 2014

### 18. FINANCIAL INSTRUMENTS (Continued)

#### Interest rate risk

The Group finances its operations through the issue of equity shares, and has no fixed interest rate agreements. The Group had US\$8,708,000 in cash and cash equivalents at 31 March 2014. A one percent change in interest rates will result in a corresponding change in interest income of approximately US\$87,080 based on cash equivalent balances existing at 31 March 2014.

#### Liquidity risk

The Group's liquidity exposure is confined to meeting obligations under short term trade creditor agreements. This exposure is financed from a combination of cash, additional issues of ordinary equity shares and other financing arrangements.

#### Capital management

The primary objective of the Group's capital management is to ensure that it maintains an adequate capital ratio in order to support its business and enhance shareholder value. The capital structure of the Group consists of issued share capital and reserves. The Group manages its structure and makes adjustments to it, in light of the changes in economic conditions. No changes were made in the objectives, policies or processes during the period ended 31 March 2014. The Group's only capital requirement is its authorised minimum capital as a plc.

#### Foreign currency risk

Although the Company is incorporated in Ireland, the Group has significant operations in UK, Canada and Mexico, none of which presently generate cash from operations, and holds monies from investors in Euros, Sterling, Canadian or US Dollars. The functional currencies of the majority of the Group's operations are UK Sterling, the Euro and the Canadian Dollar; the reporting currency of the Group is the US Dollar. However, the expenditure is not considered to be a monetary asset, and has been translated to the functional currency at the rates of exchange ruling at the dates of the original transactions. The Group also has transactional currency exposures. Such exposures arise from expenses incurred by the Group in currencies other than the functional currency.

The Group seeks to minimise its exposure to currency risk by closely monitoring exchange rates. The Group does not presently utilise swaps or forward contracts to manage its currency exposures, although such facilities may be used where appropriate in the future. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting dates are set out below. The net currency exposure of the gross monetary assets of the Group was as follows:

The impact of foreign currencies has been determined based on the balances of financial assets and liabilities at 31 March 2014. The sensitivity analysis includes outstanding foreign currency denominated monetary items and largely results from payables and receivables, and adjusts their translation at the period end for a 5% change in foreign currency rates. A five percent change in the US Dollar exchange rate could result in a foreign exchange impact to the net income of approximately US\$425,000 based on monetary assets and liability balances existing at 31 March 2014.

#### Credit risk

With respect to credit risk arising from financial assets of the Group, which comprise of cash and cash equivalents. Cash deposits give rise to credit risks on the amounts due from counter-parties. The Company controls and monitors the distribution of this exposure by ensuring that all financial instruments are held with reputable and financially secure institutions and that exposure to credit risk is distributed across a number of institutions. At 31 March 2014 all cash, short term deposits had a maturity date of 30 days or less. Credit risk is actively managed across the portfolio of institutions by ensuring that material surplus funds are placed with counter-parties that are either covered by Government guarantee schemes or have a credit rating of at least BBB-.

# MINCO PLC

## Notes to the Condensed Consolidated Financial Statements For the Three Month Period ended 31 March 2014

### 19. SUBSEQUENT EVENTS

In April 2014, Minco agreed to provide a further working capital advance to Xtierra of \$125,000, which together with the \$254,000 working capital Notes, including \$4,000 interest, were rolled into new non-convertible 5% secured notes (total \$379,000) due April 30, 2015, secured, pari-passu with Pacific Road, by a pledge by Xtierra of its shares of the Orca Minerals Limited.

In April 2014, Xtierra concluded agreements with its major shareholders to settle a liability of \$1,075,000 due to Pacific Road Group of Funds on April 24, 2014 by the issue to Pacific Road of 11,944,444 shares, roll over \$500,000 in working capital notes due March 31 2014 until April 30, 2015, and secure further advances of \$250,000 to fund its working capital for the balance of 2014.

As result of the issuance of shares to Pacific Road upon its conversion of the Convertible Notes, Minco's shareholding in Xtierra's has been diluted to 26%.

On 4 April 2014, the Company completed the acquisition of Bobbys Pond for a cash payment of Cdn\$175,000 to Mountain Lake.