MINCO SILVER CORPORATION
(A development stage enterprise)

Consolidated Financial Statements
(Expressed in Canadian dollars)

December 31, 2008 and 2007

Index

MINCO 明科银矿公司
SILVER CORPORATION

Management's Responsibility for Financial Reporting

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

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

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

Ken Cai	Ellen Wei
President and CEO	Interim, Chief Financial Officer

Vancouver, Canada
March 31, 2009

Report of Independent Auditor

To the Shareholders of

MINCO SILVER CORPORATION

We have audited the consolidated balance sheets of **Minco Silver Corporation** as at December 31, 2007 and 2007 and the consolidated statements of operations and comprehensive loss and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in conformity with Canadian generally accepted accounting principles.

Vancouver, Canada

Chartered Accountants

MINCO SILVER CORPORATION

(A development stage enterprise)
Consolidated f Balance Sheets
(Expressed in Canadian Dollars)

		December 31, 2008		December 31, 2007
ASSETS				
Current assets				
Cash	$	1,174,021	$	2,647,546
Short-term investments (Note 4)		3,706,506		14,219,920
Receivables		147,262		193,022
Due from Minco Gold (Note 11(a))		-		1,929,893
Prepaid expenses and deposits		370,969		22,704
Total current assets		5,398,758		19,013,085
Loan receivable (Note 5)		6,771,068		-
Mineral interests (Note 2, 6)		5,294,098		-
Plant, property and equipment (Note 7)		265,561		244,084
Total assets	$	17,729,485	$	19,257,169
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$	703,088	$	968,279
Due to Minco China (Note 11(b))		939,806		4,639,788
Due to Minco Gold (Note 11(c))		306,476		-
Total liabilities		1,949,370		5,608,067
Commitments and contingencies (Notes 6, 12 and 13)				
SHAREHOLDERS' EQUITY				
Share capital (Note 8 (a))		25,799,213		21,804,252
Contributed surplus (Note 8 (c))		6,692,188		6,260,998
Deficit		(16,711,286)		(14,416,148)
Total shareholders' equity		15,780,115		13,649,102
Total liabilities and shareholders' equity	$	17,729,485	$	19,257,169

See Subsequent Events Note 16

See accompanying notes to consolidated financial statements

On behalf of the Board:

	"Chan-Seng Lee"	*"William Meyer"*
	Chan-Seng Lee	William Meyer
	Director	Director

See accompanying notes to consolidated financial statements

MINCO SILVER CORPORATION

(A development stage enterprise)
Consolidated Statements of Operations and Comprehensive Loss and Deficit
(Expressed in Canadian Dollars)

	Year ended December 31, 2008	Year ended December 31, 2007
Exploration costs (Note 5)	1,814,641	4,783,545
Total exploration costs	1,814,641	4,783,545
Administrative expenses		
Accounting and audit	76,155	64,094
Amortization	49,147	26,533
Consulting	145,219	66,965
Director's fees (Note 10 (c))	55,250	56,833
Foreign exchange gain	(1,440,314)	(233,629)
Investor relations	545,518	528,349
Legal, regulatory and filing	83,779	98,456
Rent	142,851	101,194
Travel and entertainment	82,975	50,510
Office administration expenses	91,512	126,041
Property investigation	40,016	104,445
Salaries and benefits	253,829	386,792
Stock based compensation (Note7 (d))	1,123,349	1,707,000
Field office expenses	119,996	177,826
	1,369,282	3,261,409
Operating loss	(3,183,923)	(8,044,954)
Interest and sundry income	888,785	769,837
Loss and Comprehensive Loss for the year	(2,295,138)	(7,275,117)
Deficit, beginning of year	(14,416,148)	(7,141,031)
Deficit, end of year	$ (16,711,286)	$ (14,416,148)
Loss per share - basic and diluted	$ (0.07)	$ (0.23)
Weighted average number of common shares outstanding basic and diluted	31,767,488	31,054,523

See accompanying notes to consolidated financial statements

MINCO SILVER CORPORATION

(A development stage enterprise)
Consolidated Statements of Cash Flow
(Expressed in Canadian Dollars)

		Year ended December 31, 2008		Year ended December 31, 2007
Cash flows from (used in) operating activities				
Net loss for the year	$	(2,295,138)	$	(7,275,117)
Adjustment for items not involving cash:				
- stock-based compensation (Note 8(d))		1,123,350		1,707,000
- amortization		49,147		26,533
- foreign exchange gain		(1,440,314)		(233,629)
Changes in non-cash working capital items:				
- decrease (increase) in receivables		45,760		(34,620)
- decrease (increase) in prepaid expense and deposits		(348,264)		11,299
- increase (decrease) in accounts payable and accrued liabilities		(524,085)		(414,043)
		(3,389,544)		(6,212,577)
Cash flows from financing activities				
Proceeds from issuance of shares and warrants (Note 8 (a))		2,942,716		397,681
Due from Minco Gold (Note 11 (a))		1,929,893		-
Advances from (repayments to) to Minco China (Note 11(b))		(3,393,506)		2,267,491
		1,479,103		2,665,172
Cash flows from (used in) investing activities				
Development costs incurred		(4,675,120)		-
Acquisition of plant, property and equipment		(70,624)		(190,098)
Loan receivable (Note 5)		(5,776,068)		-
Decrease (increase) in short-term investments		10,513,414		6,065,656
		(8,398)		5,875,558
Effect of exchange rate changes on cash		445,314		233,629
Increase (decrease) in cash		(1,473,525)		2,561,782
Cash, beginning of year		2,647,546		85,764
Cash, end of year	$	1,174,021	$	2,647,546
Supplemental disclosure of cash flow information				
Interest paid in cash	$	-	$	-
Income taxes paid in cash	$	-	$	-

See accompanying notes to consolidated financial statements

1. Nature of Business and Going Concern

Minco Silver Corporation ("Minco Silver" or the "Company") was incorporated on August 20, 2004 under the laws of British Columbia, Canada. Its principal business activities include the acquisition, exploration and development of silver mineral properties.

At December 31, 2008, Minco Gold Corporation (formerly Minco Mining & Metals Corporation) ("Minco Gold") owned a 40.48% (2007 – 41.75%) equity interest in Minco Silver Corporation.

Minco Silver is exploring, evaluating and developing silver mineral properties and projects in the Peoples' Republic of China ("China") with the aim of bringing properties to production. The ability of the Company to meet its commitments as they become payable, the exploration and development of mineral properties and projects, and the underlying value of the mineral properties are entirely dependent upon the existence of economically recoverable reserves, the ability of the Company to arrange appropriate financing to complete the exploration and development of its properties, the receipt of necessary permits and upon achieving future profitable production or receiving proceeds from the disposition of the properties. The timing of such events occurring, if at all, is not yet determinable. The Company is considered to be a development stage enterprise as it has not yet generated any revenue from operations.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company does not generate revenues and has accumulated losses since inception and is unlikely to generate earnings in the immediate future. The continuation of the Company as a going concern is dependant upon the continued financial support from its shareholders, the ability of the Company to obtain necessary equity financing to achieve its operating and developing objectives, confirmation of the Company's interests in the underlying properties and the attainment of profitable operations. Management has concluded that the Company has sufficient cash and cash equivalents and short-term investments and no debt obligations (outside of normal course accounts payable and accrued liabilities) to continue to meet its operating and development obligations. Accordingly, these financial statements do not reflect the adjustments to the carrying value of assets and liabilities, or the impact on the statement of operations and balance sheet classifications that would be necessary were the going concern assumption not appropriate. Management can not provide assurances that such plans will occur.

2. Change in Accounting Policy

Development of Mineral Interests

Prior to December 31, 2008, the Company's accounting policy was to commence capitalizing mineral property development costs only upon the establishment of proven and probable reserves based on results of final feasibility studies which indicate whether a property is economically feasible. Prior to January 1, 2008, the Company had not previously identified any properties that it would take from exploration to development and through to production.

On December 31, 2008, the Company changed this policy to more appropriately align its policy with those applied by other comparable mineral property exploration and development companies at a similar stage. The Company's new policy to commence capitalization of mineral property development costs until a mineral resource having economic potential is identified on a property, from which time a property is considered to be a development project and such expenditures are capitalized as development costs. A mineral resource is considered to have economic potential when it is expected that documented resources can be legally and economically developed considering long-term metal prices.

Prior to January 1, 2008, the Company capitalized only mineral property and mineral rights acquisition costs. Exploration permit acquisition, exploration and development costs were expensed as incurred, as proven and probable reserves had not been established.

During 2008, management determined that the Fuwan Silver deposit area had met the criteria for treatment as a development property effective March 5, 2008 and as such has capitalized expenditures relating to the Fuwan Silver project. The Company has continued to expense exploration costs associated with other exploration activities including current year regional drilling programs.

The effect of the new policy on the current year financial statements is to capitalize $5.3 million of development related costs to "Mineral Interests". As there had previously been no projects or properties determined to have met the necessary criteria for capitalization, there is no effect of the new policy on prior years.

3. Significant Accounting Policies

a. Basis of Presentation and Consolidation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. These consolidated financial statements include the accounts of Minco Silver Corporation, Minco Silver, Ltd. and Foshan Minco FuWan Mining Co. Ltd ("Foshan Minco") which is subject to a 10% carried interest (note 6).

All material inter-company accounts and transactions have been eliminated upon consolidation.

3. Significant Accounting Policies (continued)

b. Use of Estimates and measurement of uncertainty

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the period reported. By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in such estimates in future periods could be significant. Accounts that require management to make material estimates and significant assumptions in determining the amounts recorded include amortization, mineral interests, accrued liabilities, income taxes and contingencies. Actual results could differ from those estimated.

c. Short-term Investments

Short-term investments comprise marketable securities, highly liquid investment grade bonds, and guaranteed investment certificates with remaining terms to maturity of greater than 90 days when acquired. Short-term investments are classified as held-for-trading financial instruments in accordance with the requirements of Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855 "Financial Instruments", adopted by the Company on January 1, 2007. These investments are recorded at fair value with unrealized gains and losses being recorded in income in the current period.

d. Impairment

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

e. Stock Based Compensation

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The Company applies the fair-value method of accounting in accordance with the recommendations of CICA Handbook Section ("CICA 3870"), "*Stock-based Compensation and Other Stock-based Payments*". Stock-based compensation expense is calculated using the Black-Scholes option pricing model with a corresponding credit to contributed surplus, on a straight-line basis over the vesting period. Warrants granted are recorded at estimated fair values using the Black-Scholes pricing model. If and when the stock options or warrants are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

3. **Significant Accounting Policies** (continued)

f. Acquisition, Exploration and Development of Mineral Interests

During the year ended December 31 2008, the Company changed its accounting policy relating to mineral property development expenditures. The Company now capitalizes development costs identified as associated with the development stage, however, continues to expense as incurred costs during the exploration stage (see note 2).

Costs incurred for the acquisition of mineral property and mineral rights, including option payments under acquisition agreements, are capitalized until such time as the related interest is placed into production, sold, abandoned or where management has determined that conditions of impairment in carrying value have occurred.

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

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

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

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

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

Costs of abandoned projects are charged to operations upon abandonment. Costs relating to any producing mineral interest would be amortized on the unit-of-production method based on the estimated life of the ore reserves, while costs for the prospects abandoned would be written-off. Costs incurred after the property is placed into production that increase production volume or extend the life of the mine are capitalized. Common shares issued for mineral property acquisition are recorded when issued based on the fair value of the shares at the date of issuance.

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

Capitalized costs as reported represent the lesser of actual costs incurred to date or estimated fair value. Ultimate recovery of carrying value is dependent upon future commercial success from participating interests or proceeds from disposition of the mineral property interests. Management evaluates each mineral interest as events and

3. Significant Accounting Policies (continued)

changes in circumstances warrant, and makes a determination based on development activity and results, estimated future cash flows and availability of funding as to whether carrying values have been impaired. Mineral interests, where future cash flows are not reasonably determinable, are evaluated for impairment based on the result of continued delineation of the ore body, management's intentions and determination of the extent to which future exploration programs are warranted and likely to be funded.

Costs incurred for new project evaluation and consulting where no acquisition or future benefits are expected to be derived and no specific mineral interest property development programs has been planned and budgeted by management are expensed as incurred.

g. Plant, Property and Equipment

Plant, property and equipment are recorded at cost less accumulated amortization and depletion.

Amortization is calculated using the following methods based on the asset's estimated useful lives:

Computer Equipment	30% per year declining-balance
Leasehold Improvements	5 year, straight-line basis
Mining Equipment	30% per year declining-balance
Motor Vehicles	30% per year declining-balance
Office Equipment and Furniture	20% per year declining-balance

Amortization is provided at half the annual rate in the year of acquisition.

h. Asset Retirement Obligations

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

As at December 31, 2008 and 2007, the Company did not have any asset retirement obligations.

i. Revenue/Income Recognition

The Company does not currently earn revenue from operations. Interest income on cash, short-term investments and loans are recognized as it is earned.

3. Significant Accounting Policies (continued)

j. Financial instruments

Financial assets

Initial recognition - Financial assets are classified at fair value being receivables, held-for-trading investments, held-to-maturity investments, available-for-sale financial assets, loans receivable or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

Financial assets purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and short-term investments, receivables and loans receivable

Subsequent measurement - The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value - include financial assets held for trading and financial assets designated upon initial recognition at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Financial assets are carried in the balance sheet at fair value with gains or losses recognized in the income statement.

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the loans and receivables are derecognized or impaired, as well as through the amortization process

Financial liabilities

Initial recognition - Financial liabilities are classified as accounts payable and accrued liabilities, loans and borrowings, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value and in the case of loans and borrowings, directly attributable transaction costs.

Loans and borrowings - After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains

3. Significant Accounting Policies (continued)

and losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process.

Fair value of financial instruments - The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For financial instruments where there is no active market, fair value is determined using various valuation techniques.
Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

k. Income Taxes

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

l. Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. Diluted loss per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. If the Company incurred net losses in fiscal year no adjustment to the computation of loss per share is required as their inclusion would be anti-dilutive.

m. Translation of Foreign Currencies

The Company's functional currency is the Canadian dollar as the Company has raised its treasury in Canadian funds and when funds are advanced to Chinese subsidiary, the investment is treated as registered capital. The functional currency within the Chinese operations is the China RMB. The Company follows the temporal method of accounting for the translation of its integrated foreign operations and for foreign currency transactions. Under this method, transactions denominated in foreign currencies are

3. Significant Accounting Policies (continued)

translated into Canadian dollars at the exchange rates prevailing at the transaction dates. At year-end, monetary assets and liabilities are re-measured at the year-end exchange rates, and non-monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at their historical exchange rates. The exchange gains and losses on translation are charged to operations.

n. Comprehensive Income

The Company reports their comprehensive income, which are changes in equity, from transactions and other events and circumstances from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with Canadian GAAP.

o. Adoption of Recent Accounting Pronouncements

On January 1, 2008, the Company adopted six standards that were issued by the Canadian Institute of Chartered Accountants: Handbook Section 1400, General Standards of Financial Statement Disclosure (“Section 1400”), Handbook Section 1506, Accounting Changes (“Section 1506”), Handbook Section 1535, Capital Disclosures ("Section 1535"), Handbook Section 3031, Inventories – (“Section 3031”), Handbook Section 3862, Financial Instruments - Disclosures ("Section 3862") and Handbook Section 3863, Financial Instruments - Presentation ("Section 3863"). These standards were adopted on a prospective basis without restatement of prior periods.

(i) General Standards of Financial Statement Disclosure - Section 1400
Section 1400, General Standards of Financial Statement Disclosure establishes standards for assessing a company’s ability to continue as a going concern and disclosing any material uncertainties that cast doubt upon its ability to continue as a going concern. The Company’s disclosure reflects such assessment and discussion (see Note 1).

(ii) Accounting Changes – Section 1506
Section 1506, Accounting Changes, prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. This Section allows for voluntary changes in accounting policies only if they result in the consolidated financial statements providing reliable and more relevant information. In addition, this Section requires entities to disclose the fact that they did not apply a primary source of GAAP that have been issued but not yet effective. The adoption of this Section has had an impact on the financial position or results of operations for the year ended December 31, 2008 as the change in accounting policy, described in note 2 had to meet the standard of providing reliable and more relevant information of the Company’s financial position and performance..

(iii) Capital disclosures – Section 1535
Section 1535, Capital Disclosures, establishes disclosure requirements regarding an entity’s capital, including (i) an entity’s objectives, policies, and processes of managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the

3. Significant Accounting Policies (continued)

entity has complied with any externally imposed capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The new standard has had no impact on the financial position or results of operations for the year ended December 31, 2008.

(iv) Financial instruments – Sections 3862 and 3863
Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation replace Section 3861 Financial Instruments – Disclosure and Presentation. These new sections revise and enhance disclosure requirements while leaving presentation requirements unchanged. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The new standards have had no impact on the financial position or results of operations for the year ended December 31, 2008.

(v) Inventories – Section 3031
Section 3031, Inventories, provides more guidance on the measurement and disclosure requirements for inventories. Specifically the new pronouncement requires inventories to be measure at the lower of cost or net realizable value, and provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. The new standard has had no impact on the financial position or results of operations for the year ended December 31, 2008.

p. Recent Accounting Pronouncements

(i) Convergence with International Financial Reporting Standards
In 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian GAAP, as used by public companies, being evolved and converged with International Financial Reporting Standards (IFRS) over a transitional period to be complete by 2011. The official changeover date from Canadian GAAP to IFRS is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company has not yet assessed the impact of the ultimate adoption of IFRS on the Company.

(ii) Goodwill and Intangibles – Section 3064
The CICA issued the new Handbook Section 3064, "Goodwill and Intangible Assets", which will replace Section 3062, "Goodwill and Intangible Assets". The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. The new standard applies to the Company's annual and interim financial statements beginning January 1, 2009. The Company does not expect the adoption of this change to have an impact on its consolidated financial statements.

(iii) Sections 1582, Business Combinations, 1601, Consolidations and 1602, Non-controlling Interests
In January 2009, the CICA issued these new sections to replace Section 1581, "Business Combinations" and Section 1600, "Consolidated Financial Statements." Section 1582 will apply to a transaction in which the acquirer obtains control of one or more businesses (as

3. Significant Accounting Policies (continued)

defined in the Section). Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. A bargain purchase will result in the recognition of a gain. Acquisition costs will be expensed. Any non-controlling interest will be recognized as a separate component of shareholders' equity and net income will be allocated between the controlling and noncontrolling interests. These new standards will apply to fiscal years beginning on or after January 1, 2011. The Company does not believe that these new Sections will have an impact on its financial statements unless the Company enters into a business acquisition subsequent to January 1, 2011.

(iv) EIC-173 Credit Risk and the Fair Value of Financial Assets and Liabilities

In January 2009 the Emerging Issues Committee ("EIC") issued EIC-173. In this EIC the Committee reached a consensus that in determining the fair value of financial assets and financial liabilities an entity should take into account the credit risk of the entity and the counterparty. The EIC is effective for periods ending after the issuance date, the Company is evaluating the effect of EIC-173 and will adopt prospectively.

(v) EIC – 174 Mining Exploration Costs

On March 27, 2009 the EIC issued EIC-174. In this EIC the Committee reached a consensus that an enterprise that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The EIC is effective for periods ending after the issuance date and the Company has adopted the EIC-174,

q. Certain comparative figures have been reclassified to conform with the presentation as at and for the year ended December 31, 2008.

4. Short-term Investments

As at December 31, 2008, short-term investments consist of cashable guaranteed investment certificates ($3.5 million) and corporate notes ($0.2 million). The yields on these investments were 1.50% to 4.55%.

As at December 31, 2007, short-term investments consist of bankers' acceptance ($1.5 million) cashable guaranteed investment certificates ($10.0 million) and corporate notes ($2.5 million). The yields on these investments were 3.75% to 6.75% per year.

5. Loan Receivable (also see Note 16 Subsequent Events)

On July 22, 2008 the Company announced that Minco Silver executed a letter of intent with Sterling Mining Company ("Sterling") to acquire 100% of the issued and outstanding common shares of Sterling, at a ratio of 0.51 of a Minco Silver share for each one of Sterling's shares, based upon Minco Silver's July 21, 2008 closing price. The offer valued Sterling at US $62.3 million.

(Expressed in Canadian Dollars)

5. Loan Receivable (continued)

The Company also extended a line of credit in the amount of US$15.0 million ("the facility") to be advanced from time to time to meet general working capital and other operating expenses to carry on Sterling's business, of which US$5.0 million was advanced on July 30, 2008; bearing 10% simple interest plus fees and expenses. It is a term of the facility that any and all subsequent advances be conditional upon the successful completion of an extended due diligence review of Sterling's operations and the execution of a definitive agreement.

The letter of intent also provided for a break fee in the amount of US$2.75 million payable to Minco Silver under certain conditions. This break fee is listed as one of the unsecured creditors and is not recorded in these financial statements.

On August 27, 2008 the Company terminated the obligation to acquire 100% of the outstanding common shares of Sterling and the obligation to advance the additional US$10.0 million under the line of credit, as provided in the facility.

To secure the US$5.0 million advance (plus interest and fees); Minco Silver and Sterling executed the following:

(a) a Secured Promissory Note to secure and evidence the US$5.0 million advance in which Sterling promises to pay to the order of the Company;
(b) an All Assets Security Agreement and a Mortgage, Assignment of Leases and Rents Security Agreement and Fixture Filing in which Sterling agreed to provide a second charge security on all of the assets and properties of Sterling with the exception of the Sunshine Lease
(c) an Assignment and Assumption Agreement in which Sterling assigns the Sunshine Mine under lease to the Company.

The US$5.0 million advance is secured by a perfected secured interest in all of Sterling's, now or future personal and real property, including all mineral leases, rents and mortgages.

The Company's secured interest is seconded to a previous loan in the amount of US$1.4 million, whereby another secured creditor has first priority over this amount. The Company also has a perfected secured interest in the lease of Sterling's main asset, the Sunshine Mine.

Sterling Loan	December 31	
	2008	2007
Principal Amount (US$5.0 million)	$ 5,119,000	$ -
Foreign exchange gain	995,000	-
Interest on principal amount	386,231	-
	6,500,231	-
Expenses	155,916	-
Interest on expenses	7,428	-
	163,344	-
Late payment penalty	107,493	-
Total	$ 6,771,068	$ -

5. Loan Receivable (continued)

Since Minco Silver terminated its obligation to Sterling and prior to December 31, 2008, Sterling has:

1. Ceased mining operations;

2. Delisted from the Toronto Stock Exchange; and

3. Laid off its work force.

The Company believes that the estimated fair value of Sterling's assets in which it holds a security interest is significantly in excess of the carrying value of the loan as at December 31, 2008. However, the note is presented as a non-current asset as the timeframe for realization of the current interest is indeterminate."

6. Mineral Interests

Guangdong Province, China

On August 20, 2004, Minco Gold transferred the following mineral interests to the Company:

(a) The right to earn a 51% interest in the Changkeng Silver Interest;

(b) A preliminary working agreement in relation to the exploration and development of the Fuwan silver deposit (the "Fuwan Silver Project"); and

(c) New exploration permits acquired or to be acquired in respect of certain mineral properties adjoining the Fuwan and Changkeng properties and known as the Guanhuatang, Luoke-Jilinggang, Guyegang-Sanyatang and Dadinggang properties, respectively.

Minco Gold was the sole shareholder of the Company and the two companies had common management at the time of the transaction. As at the date of transfer, Minco Gold had expended $63,331 in preliminary exploration costs. As a result of a series of transactions and agreements between September 2004 and the current year end, the Company is now responsible for all of the exploration and development expenditures on the property.

Fuwan Silver Deposit

On July 20, 2005, the Ministry of Land and Resources, China, approved the transfer of the Fuwan Exploration Permit to Minco Mining (China) Corporation ("Minco China"), a wholly-owned subsidiary of Minco Gold. The total amount of the exploration permit had been fully paid

The exploration permits owned by the Company are held through Minco China for and on behalf of the Company. Although the Company has taken steps to verify the title to

(Expressed in Canadian Dollars)

6. Mineral Interests (continued)

mineral properties 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. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects. In July 2008 the Company incorporated Foshan Minco as the operating company for the Fuwan project. In December 2008, the exploration permits for the project held by Minco China were transferred to Foshan Minco. Minco Silver currently has 100% controlling interest in Foshan Minco with the 10% carried interest in Foshan Minco being earned by GGEDC. There will be no distributions or participation by GGEDC, until such time as Minco Silver's capital invested is returned to Minco Silver and the mine is in production and there are net profits for distribution. GGEDC is not required to fund any of the development or production capital, is not required to participate in any working capital calls to fund start up or participate in any losses that may be incurred. GGEDC will provide professional services and technical assistance to the Company in relation to the Company's mining activities in Guangdong Province, China in return for its10% net profit interest in the Fuwan Silver Project.

During the year ended December 31, 2008, the Company changed its accounting policy relating to mineral interest exploration expenditures. The Company now capitalizes costs identified as associated with the development stage, however continues to expense as incurred costs during the exploration state (see note 2).

Management has determined that the Fuwan Silver deposit area met criteria for capitalization of development costs in the first quarter of 2008 and has been capitalizing development costs relating to the main Fuwan Silver Deposit since that time. The Company will continue to expense exploration costs associated with other exploration activities including current year regional drilling programs.

The following is a summary of exploration costs incurred and expensed by the Company on the Fuwan project up until March 2008, at which time the Fuwan Silver deposit project as placed into the development stage (note 2):

Fuwan Silver Deposit		2008		2007
Consulting fees	$	742,482	$	-
Drilling		1,738,039		-
Labour Cost		229,311		-
Feasibility Study		1,113,032		-
Stock based compensation		360,086		-
Other development costs		1,111,148		-
Total	$	5,294,098	$	-

(Expressed in Canadian Dollars)

6. **Mineral Interests** (continued)

The following is a summary of exploration costs incurred and expensed by the Company on the Fuwan project up until March 2008, when the Company changed its accounting policy (see Note 2):

	January 1, 2008 to March 5, 2008	Year ended December 31,2007	Cumulative from August 20, 2004 (inception) to December 31, 2008
Fuwan Exploration			
Consulting fees	$ 81,174	$ 635,427	$ 1,776,892
Drilling	594,387	2,862,690	7,705,558
Labour costs	43,674	277,338	684,904
Other exploration costs	41,212	1,008,090	2,223,612
Total	$ 760,447	$ 4,783,545	$ 12,390,996

Regional Exploration

On April 7, 2005, the Company acquired three additional silver exploration permits in China, referred to as the Guanhuatang Property, the Luoke-Jilinggang Property and the Guyegang-Sanyatang Property; and paid $267,427 (RMB1,500,000) for the three permits in September 2005.

The permit application for Dadinggang Property was approved by the Ministry of Lands and Resources in China in December 2006. The Dadinggang area, which covers the northeast extension of the Fuwan Silver Project, has been added to the Luoke-Jilinggang exploration permit.

During 2008, the regional exploration activities were focused on an area down strike from the Fuwan Silver main deposit, where the Company drilled 18 holes totaling 5,003 meters, to test the major drilling targets on the extension of the Fuwan Silver Trend which were generated on the basis of all historical data and results of the ground magnetic and IP surveys completed in the second quarter of 2008.

Regional Exploration	Year ended December 31,2008	Year ended December 31,2007	Cumulative from August 20, 2004 (inception) to December 31, 2008
Consulting fees	$ 151,150	$ -	$ -
Drilling	560,574	-	-
Labour cost	69,405	-	-
Other exploration costs	273,065	-	-
Total	$ 1,054,194	$ -	$ -

(Expressed in Canadian Dollars)

6. **Mineral Interests** (continued)

Changkeng Silver Interest

The Company's interest in the silver mineralization in the Changkeng Property is dependent upon Minco Gold maintaining its interests in the Changkeng Property in accordance with the terms of a joint venture agreement, to which the Company is not a party.

The Company is not responsible to Minco Gold for any of its current commitments as those are designated for the exploration of gold deposits in the Changkeng property. The Company will only be responsible for 51% of any commitments made by the joint venture to explore silver deposits in the Changkeng Property. As of December 31, 2008, the joint venture had not made any commitments to explore the silver deposits in the Changkeng Property (Note 13).

7. **Plant, Property and Equipment**

	December 31, 2008		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$ 115,169	$ 46,471	$ 68,698
Leasehold improvements	45,618	12,409	33,209
Mining equipment	2,735	854	1,881
Motor vehicles	146,929	21,952	124,977
Office equipment and furniture	50,702	13,906	36,796
	$ 361,153	$ 95,592	$265,561

	December 31, 2007		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$ 85,921	$ 26,361	$ 59,560
Leasehold improvements	25,445	5,062	20,383
Mining equipment	2,735	599	2,136
Motor vehicles	146,929	9,620	137,309
Office equipment and furniture	29,499	4,803	24,696
	290,529	46,445	244,084

(Expressed in Canadian Dollars)

8. Share Capital and Special Warrants

(a) Common Shares

Authorized: Unlimited number of common shares without par value.

Issued:

	Shares	Amount
Balance, December 31, 2006	30,852,567	$21,266,071
Stock options exercised at $1.25 per share, including $78,500 contributed surplus attributed to stock-based compensation recognized	116,665	224,332
Share purchase warrants exercised at $1.50 per share, including $62,000 contributed surplus attributed to stock-based compensation recognized	167,900	313,850
Balance, December 31, 2007	31,137,132	21,804,253
Stock option exercised at $1.25 - $2.85 per share, including $281,234 contributed surplus attributed to stock-based compensation recognized	240,001	666,267
Share purchase warrants exercised at $3.45 per share, including $771,011 contributed surplus attributed to stock-based compensation recognized	741,357	3,328,693
Balance, December 31, 2008	32,118,490	$25,799,213

On November 17, 2006, the Company completed a public offering (the "Offering") of 5,000,000 units at a price of $3.00 per unit for gross proceeds of $15,000,000. Each unit consisted of one common share and one-half of one common share purchase warrant. Each warrant is exercisable at $3.45 per share until May 17, 2008. The Offering was completed by way of a short form prospectus through a syndicate of underwriters (the "Underwriters").

On December 1, 2006, the Company completed an additional 528,200 common shares at a price of $2.80 per common share and an additional 375,000 common share purchase warrants (the "Warrant") at a price of $0.40 per Warrant for gross proceeds of $1,628,960 pursuant to the exercise of an over-allotment option (the "Over-Allotment Option") by the Underwriters. Each Warrant is exercisable at $3.45 per share until May 17, 2008.

On May 17, 2008, share purchase warrants were exercised for 741,357 common shares at the exercise price of $3.45. The remaining 2,133,643 warrants expired on May 17, 2008.

(Expressed in Canadian Dollars)

8. Share Capital and Special Warrants (continued)

(b) Share Purchase Warrants

A summary of the status of share purchase warrants and broker options granted by the Company is as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding at December 31, 2006	3,042,900	$3.33
Exercised	(167,900)	1.50
Outstanding at December 31, 2007	2,875,000	3.45
Exercised	(741,357)	3.45
Expired	(2,133,643)	3.45
Outstanding at December 31, 2008	-	$ -

(c) Contributed Surplus

Summary of contributed surplus is as follows:

Balance at December 31, 2006	$ 4,694,498
2007 stock-based compensation	1,707,000
Transfer to share capital on exercise of stock options	(78,500)
Transfer to share capital on exercise of share purchase warrants	(62,000)
Balance at December 31, 2007	6,260,998
2008 stock-based compensation	1,483,435
Transfer to share capital on exercise of stock options	(281,234)
Transfer to share capital on exercise of share purchase warrants	(771,011)
Balance at December 31, 2008	$ 6,692,188

(d) Stock Options

The Company may grant options to its directors, officers, employees and consultants under its stock option plan. The maximum number of common shares reserved for issuance is 15% of the issued and outstanding shares. The Company expenses stock options over their vesting period, with stock options typically vesting in various increments and having a maximum term of five years.

In 2008, the Company granted 1,132,500 stock options to its employees and consultants at a price range from $0.46 to $4.05 per share. The Company recorded $1,123,349 of stock based compensation expense in 2008 (2007 - $1,707,000) and $360,086 (2007 - $nil) in stock based compensation was capitalized to mineral interests as the individuals entitled to the options were directly engaged in the development activities of the Fuwan Silver Deposit. Capitalization of costs related to development of the Fuwan Silver Deposit began in 2008 (see Note 2).

(Expressed in Canadian Dollars)

8. Share Capital and Special Warrants (Continued)

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

	Number	Weighted Average Exercise Price
Options outstanding at December 31, 2006	3,113,333	1.71
Granted	1,704,000	2.40
Exercised	(116,665)	1.25
Cancelled	(795,000)	2.98
Options outstanding at December 31, 2007	3,905,668	1.77
Granted	1,132,500	1.91
Exercised	(240,001)	1.60
Cancelled	(648,333)	2.25
Options outstanding at December 31, 2008	4,149,834	$ 1.74

The weighted average fair value of options granted during the year ended December 31, 2008 was $1.74. Each option entitles the holders to purchase one common share.

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (yr)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$1.00- $1.30	2,500,834	2.59	$1.14	2,043,333	$1.31
$2.80 - $4.00	1,549,000	3.36	$2.59	379,672	$2.64
$4.00 - $4.05	100,000	4.18	$4.05	100,000	$4.05
	4,149,834	3.00	$1.74	2,523,005	$1.63

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

	2008	2007
Risk-free interest rate	1.96% - 3.46%	4.02% - 4.67%
Dividend yield	0%	0%
Volatility	68% - 102%	148%
Approximate expected lives	5 years	5 years

Option pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and therefore, in management's opinion, existing

(Expressed in Canadian Dollars)

8. Share Capital and Special Warrants (Continued)

models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

9. Income Taxes

The Company has two branches in China, FoShan Minco and FoShan Minco Beijing Branch for Canadian tax purposes. The operating results of these two branches are included in the Company's tax reporting for Canadian tax purposes. From a Chinese tax reporting perspective, the operating result of these two branches is included in Minco China's operating results.

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

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

	2008	2007
	31.00%	34.12%
Income tax recovery at statutory rates	$(711,493)	$(2,482,270)
Deductible expenditures	-	(150,048)
Non-deductible expenditures	167,111	590,113
Unrecognized benefits of foreign exploration and development expenditures	-	1,141,968
Unrecognized benefits of losses carried forward	-	202,362
Impact of federal income tax rate change	233,532	697,875
Cost (benefit) of previously unrecognized tax pools	(1,238,502)	-
Change in Valuation Allowance	1,603,478	-
Other	(54,126)	-
	$ -	$ -

(Expressed in Canadian Dollars)

9. Income Taxes (Continued)

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

	2008	2007
	26%	27%
Future income tax assets:		
Non-capital losses	$ 1,447,140	$ 942,240
Unused cumulative foreign exploration and development expenses	3,636,970	2,301,282
Capital assets	24,836	12,521
Write down of securities	2,516	2,614
Share issue costs	175,489	284,092
	$ 5,286,951	$ 3,542,749
Foreign exchange gain on account of capital	(140,725)	-
	(140,725)	-
Less: valuation allowance	(5,146,226)	(3,542,749)
Total future income tax assets	$ -	$ -

The Company has non-capital losses carry-forward for Canadian income tax purposes as follows:

Loss Expiry	Amount
2014	$ 52,974
2015	746,632
2026	1,449,119
2027	1,103,076
2028	2,214,124
	$ 5,565,925

The Company also has $18,922,360 of cumulative foreign resources expenses for Canadian income tax purposes which can be carried forward indefinitely and used to reduce future taxable income in Canada. Certain of these non-capital losses and the cumulative foreign resource expenses are related to the Company's exploration activities in China. Consequently, certain of the related expenditures are currently deductible for Chinese tax purposes (subject to China tax law deductibility limitations) which have resulted in tax losses in China which can only be carried forward for a five year period to a maximum date of 2011.

As explained in note 14(a) there is some risk to the Company's ownership in all of its mineral interest in China as it does not hold its interests directly as described in note 14(a). If such risk materializes, the basis on which the future income tax assets have been recorded may change and as such the company may lose the tax deductions and future income tax assets related to the mineral interest in China.

10. Capital Risk Management

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

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending upon various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

The Company does not pay out dividends.

As at December 31, 2008 the Company does not have any long term debt and is not exposed to any externally imposed capital requirements.

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

11. Related Party Transactions

(a) Due from Minco Gold at December 31, 2008 include $nil (2007 – $1,929,893). The amount due from Minco Gold was unsecured, non-interest bearing and payable on demand.

(b) Due to Minco China at December 31, 2008 was $939,806 (2007 – $4,639,788), used for expenditures on the Fuwan Property, new silver projects' investigation, and shared office expenses in Minco China. The amount due to Minco China, a wholly-owned subsidiary of Minco Gold, is unsecured, non-interest bearing and payable on demand.

(c) Due to Minco Gold at December 31, 2008 was $306,476 (2007 - $Nil). This balance represents shared expenses for the Vancouver office and the sharing of salaries and expenses of common consultants. The amount due is unsecured, non-interest bearing and payable on demand.

(d) In 2008, the Company paid consulting fees of $407,231 (2007 – $177,187) to companies controlled by the CEO, COO and Vice President of the Company. These consulting fees are included in exploration costs, property investigation, management fees. The Company paid director's fees of $55,250 to three independent directors (2007 - $56,833).

(Expressed in Canadian Dollars)

11. Related Party Transactions (continued)

(e) In 2008, the Company paid or accrued $78,122 (2007 – $67,141) in respect of rent, $249,589 (2007 – $237,179) in respect of exploration costs, and $778,833 (2007 – $732,441) in respect of shared office expenses to Minco Gold.

(f) The Company entered into a strategic alliance with Silver Standard. The agreement provides that all silver-dominant properties of the Minco Group located in China will be held by Minco Silver and that Silver Standard will not actively explore for or seek out silver-dominant properties located in China. In addition, both the Minco Group and Silver Standard have agreed to offer to the other a first right of refusal on any silver-dominant properties in China brought to their attention which they do not intend to pursue.

The above transactions are conducted in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

12. Geographical Information

The Company's business is considered as operating in one segment, mineral exploration and development. The geographical division of the Company's assets and liabilities and net loss is as follows:

	December 31, 2008	December 31, 2007
Current Assets		
Canada	$ 4,044,325	$ 18,959,458
China	1,354,433	53,627
	$ 5,398,758	$ 19,013,085
Long-term Assets		
Canada	$ 8,273,155	$ 67,734
China	4,057,572	176,350
	$ 12,330,727	$ 244,084
Current Liabilities		
Canada	$ 654,369	$ 4,872,518
China	1,295,001	735,549
	$ 1,949,370	$ 5,608,067

	Year ended December 31, 2008	Year ended December 31, 2007
Net Loss		
Canada	$ (851,038)	$ (2,492,865)
China	(1,444,101)	(4,782,252)
	$ (2,295,138)	$ (7,275,117)

(Expressed in Canadian Dollars)

13. Commitments

(a) The Company has commitments in respect of office leases in China and Canada, requiring minimum payments of $588,698, as follows:

2009	$ 102,697
2010	99,069
2011	97,642
2012	96,074
2013	96,608
2014	96,608
	$ 588,698

(b) The Company has committed to the completion of a feasibility study for the Fuwan Silver Project. The total estimated cost for completing the feasibility study is $0. 6 million. The feasibility study is expected to be completed within the next six months. The Company has committed in respect of the mine design contract requiring payments of RMB 8 million (approximately $1.4 million).

(c) The Company has commitments to complete the registered capital investment of RMB 30 million into Foshan Minco by April 23, 2010.

14. Contingencies

The Company's interest in the Changkeng Property relates to the assignment to it by Minco Gold of Minco Gold's right to earn up to a 51% interest in the Changkeng Property's silver mineralization pursuant to the Preliminary Changkeng Joint Venture ("JV") Agreement dated April 16, 2004, superseded by the formal joint venture agreement dated September 28, 2004. On February 28, 2007 Minco China signed a joint venture agreement with the JV partners to form Guangdong Mingzhong Mining Corporation ("Mingzhong"). Mingzhong received its business license on March 30, 2007 and received the exploration permit in February 2008. The Company's interest in the silver mineralization of the Changkeng Property is entirely dependent on: (i) the Changkeng JV (or Minco Gold directly) maintaining the Changkeng Permit; and (ii) Minco Gold acquiring and maintaining a 51% interest in the Changkeng JV (or in the Changkeng Property).

15. Financial Management Risk

The Company's operations consist of the acquisition, exploration and development of properties in China. The Company examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include credit risk, liquidity risk, currency risk and interest rate risk. Management reviews these risks on a monthly basis and when material, they are reviewed and monitored by the Board of Directors.

Credit risk – Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if the counterparty defaults on its obligations

15. Financial Management Risk (continued)

under the contract, This includes any cash amounts owed to the Company by these counterparties, less any amounts owed to the counterparty by the Company where a legal right of set-off exists and also includes the fair value contracts with individual counterparties which are recorded in the consolidated financial statements. The Company considers the following financial assets to be exposed to credit risk:

i. Cash – In order to manage credit and liquidity risk the Company places its short-term investment funds into government and Canadian bank debt securities with terms of 90 days or less when acquired. At December 31, 2008 the balance of $1.2 million was placed with three institutions. The fair value is equal to the carrying value.

ii. Short term investments – are investment grade bonds and guaranteed investment certificates with maturities of greater than 90 days when acquired. At December 31, 2008, these totalled $3.7 million and were placed with one institution. The yields on these investments were 1.50% to 4.55%. The fair value is equal to the carrying value

iii. Loan Receivable – see note 5. The yield on this loan balance is 10%. At year end, repayment date of Loan Receivable is indeterminable. The fair value approximates carrying value.

The Company does not have any derivative financial instruments nor has it invested in asset backed paper instruments.

Liquidity risk – Liquidity risk includes the risk that the Company cannot meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements and its exploration and development plans. The annual budget is approved by the Board of Directors. The Company insures that there are sufficient cash balances to meet its short-term business requirements. At December 31, 2008, the Company has positive working capital of approximately $3.4 million and therefore has sufficient funds to meet its current operating and exploration and development obligations. However, the Company will require significant additional funds in the future to complete its plans for the Fuwan Silver Deposit.

The Company considers the following financial liabilities to be exposed to financial risk:

i. Accounts payable and accrued liabilities – These balances are all current and non-interest bearing and the fair value is equal to carrying value.

ii. Due to Minco China – see note 11. This balance is unsecured and non-interest bearing. The fair value is equal to carrying value.

iii. Due to Minco Gold – see note 11. This balance is unsecured and non-interest bearing. The fair value is equal to carrying value.

15. Financial Management Risk (continued)

Currency/Foreign exchange risk – The Company's functional currency is the Canadian dollar and therefore the Company's net earnings are impacted by fluctuations in the valuation of foreign currencies in relation to the Canadian dollar. The Company raises funds in Canadian dollars and lends either Canadian or US dollar amounts to support the Chinese operations. As the Company operates in China and many of its exploration and development expenditures are payable in either U.S. dollars or the Chinese currency RMB, there exist foreign currency risks arising from changes in exchange rates with the Canadian dollar. The Company maintains its excess cash in Canadian based assets. The Company does not hedge its exposure to currency fluctuations. A 1% fluctuation in the exchange rate between US Dollar and the Canadian dollar will have $64,768 effect on the financial results.

Interest rate risk – The interest rate risk is the risk that the fair value of future cash flows of a financial instrument fluctuates because of changes in market interest rates. Cash and cash equivalents, short-term investments and loans, entered into by the Company bear interest at a fixed rate thus exposing it to the risk of changes in fair value arising from interest rate fluctuations**.** The cash and the short term investments are invested in high grade, highly liquid instruments and as such the Company manages its exposure to potential interest rate fluctuations to short term. The Company has no interest bearing debt.

The Company's ability to raise capital to fund development and exploration activities is subject to the fluctuations in the market price of silver. The Company closely monitors commodity prices to determine the appropriate course of action to be taken.

The Company is engaged primarily in mineral exploration and manages related industry risk issues directly. The Company is at risk for environmental issues and fluctuations in commodity pricing.

Management is not aware of and does not anticipate significant environmental remediation costs or liabilities in respect of its current operations.

The Company is not exposed to significant credit concentration risk. The Company is not exposed to significant interest rate risk.

16. Subsequent Events

Subsequent to year end, on February 18, 2009 Minco Silver filed in the District Court of the First Judicial District of the State of Idaho, in and for the County of Shoshone an action commencing a foreclosure proceeding to foreclose on Sterling and appointing a receiver. On March 3, 2009 Minco Silver's foreclosure action was stayed in favor of Sterling's filing a voluntary petition under Chapter 11 bankruptcy code in the Bankruptcy Court for the District of Idaho.

Effective January 22, 2009, the Company granted options over 650,000 common shares to various employees, directors, and contractors at an exercise price of $1.05 that vest over a three year period from the issue date and expire in January 2014.