

Minco Silver Corporation

Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2016 and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of condensed consolidated interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of Minco Silver Corporation have been prepared by, and are the responsibility of, the Company's management. The accompanying unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

Minco Silver Corporation's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of condensed consolidated interim financial statements by an entity's auditor.

Dr. Ken Cai
President and CEO

Larry Tsang, CPA, CA
Interim Chief Financial Officer

Vancouver, Canada

November 9, 2016

Index

	Page
Condensed Consolidated Interim Financial Statements	4 - 8
<hr/>	
Condensed Consolidated Interim Statements of Financial Position	4
Condensed Consolidated Interim Statements of Operations and Net Income (Loss)	5
Condensed Consolidated Interim Statements of Comprehensive Income (Loss)	6
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity	7
Condensed Consolidated Interim Statements of Cash Flows	8
Notes to the Condensed Consolidated Interim Financial Statements	9 - 19
<hr/>	
1 General information and acquisition of assets	9
2 Basis of preparation	10
3 Cash and cash equivalents	11
4 Short-term investments	11
5 Mineral interests	12
6 Non-controlling interest	13
7 Investments	14
8 Share capital	14
9 Related party transactions	16
10 Geographical information	18
11 Financial instruments	19

Minco Silver Corporation

Condensed Consolidated Interim Statements of Financial Position

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

	September 30, 2016	December 31, 2015
	\$	\$
Assets		
Current assets		
Cash and cash equivalents (note 3)	21,038,670	26,202,564
Short-term investments (note 4)	31,227,779	32,143,068
Receivables	575,976	517,359
Due from related parties (note 9)	120,240	177,330
Prepaid expenses and deposits	156,337	201,647
	<u>53,119,002</u>	<u>59,241,968</u>
Mineral interests (note 5)	59,732,492	63,676,055
Property, plant and equipment	<u>336,296</u>	<u>434,999</u>
Total assets	<u>113,187,790</u>	<u>123,353,022</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	233,390	638,550
Due to related parties (note 9)	205,628	-
	<u>439,018</u>	<u>638,550</u>
Equity		
Equity attributable to owners of the parent		
Share capital (note 8)	107,197,584	106,630,256
Contributed surplus	22,667,983	22,977,633
Accumulated other comprehensive income	8,171,090	14,813,721
Deficit	<u>(36,888,648)</u>	<u>(34,468,043)</u>
	101,148,009	109,953,567
Non-controlling interest (note 6)	<u>11,600,763</u>	<u>12,760,905</u>
Total equity	112,748,772	<u>122,714,472</u>
Total liabilities and equity	<u>113,187,790</u>	<u>123,353,022</u>

Approved by the Board of Directors:

(signed) Maria Tang Director

(signed) George Lian Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Minco Silver Corporation

Condensed Consolidated Interim Statements of Operations and Net Income (Loss)

For the three and nine months ended September 30, 2016 and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Administrative expenses (recovery)				
Audit, legal and regulatory	55,850	70,038	205,562	194,679
Amortization	22,460	26,589	73,487	76,625
Consulting	23,387	35,483	70,935	88,468
Directors' fees	24,500	27,500	74,250	87,750
Field office expenses	94,564	193,202	344,705	583,689
Foreign exchange loss (gain)	(338,080)	(2,376,108)	1,037,614	(3,692,502)
Investor relations	794	432	65,782	9,448
Office administration expenses	74,132	75,205	220,638	165,193
Property investigation	-	-	-	31,331
Rent	86,656	133,004	319,946	279,354
Salaries and benefits	121,922	101,456	403,781	281,793
Share-based compensation (recovery) (note 8)	(17,212)	26,186	123,358	63,749
Travel and transportation	22,452	18,373	55,539	26,542
	171,425	(1,668,640)	2,995,597	(1,803,881)
Operating income (loss)	(171,425)	1,668,640	(2,995,597)	1,803,881
Finance and other income (expenses)				
Gain on disposal of investment (note 7)	-	-	-	4,792,888
Interest income	50,600	108,429	412,874	638,751
Other income (expenses)	18,001	(4,452)	27,359	(266,430)
	68,601	103,977	440,233	5,165,209
Net income (loss) for the period	(102,824)	1,772,617	(2,555,364)	6,969,090
Net income (loss) attributable to:				
Shareholders of the Company	(50,138)	1,793,178	(2,420,605)	6,989,651
Non-controlling interest (note 6)	(52,686)	(20,561)	(134,759)	(20,561)
	(102,824)	1,772,617	(2,555,364)	6,969,090
Income (loss) per share – basic and diluted	(0.00)	0.06	(0.04)	0.12
Weighted average number of common shares outstanding – basic and diluted	60,156,304	59,631,418	59,892,728	59,631,418

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Minco Silver Corporation

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

For the three and nine months ended September 30, 2016 and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Net income (loss) for the period	(102,824)	1,772,617	(2,555,364)	6,969,090
Other comprehensive income (loss)				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Unrealized gain on investment, net of tax (note 7)	-	-	-	7,125,020
Realized gain reclassified to net loss on partial disposal of investment (note 7)	-	-	-	(4,100,844)
Exchange differences on translation from functional to presentation currency	930,561	2,620,864	(7,668,014)	6,226,972
Other comprehensive income (loss) for the period	<u>930,561</u>	<u>2,620,864</u>	<u>(7,668,014)</u>	<u>9,251,148</u>
Comprehensive income (loss) for the period	<u>827,737</u>	<u>4,393,481</u>	<u>(10,223,378)</u>	<u>16,220,238</u>
Comprehensive income (loss) attributable to:				
Shareholders of the Company	757,010	4,309,830	(9,063,236)	16,136,587
Non-controlling interest	<u>70,727</u>	<u>83,651</u>	<u>(1,160,142)</u>	<u>83,651</u>
	<u>827,737</u>	<u>4,393,481</u>	<u>(10,223,378)</u>	<u>16,220,238</u>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Minco Silver Corporation

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

For the nine months ended September 30, 2016 and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

	Changes in Shareholders' Equity							Total equity
	Number of Shares	Share capital \$	Contributed surplus \$	Accumulated other comprehensive income \$	Deficit \$	Subtotal \$	Non-controlling interest	
Balance - January 1, 2015	59,631,418	106,630,256	22,615,759	4,194,260	(41,295,229)	92,145,046	-	92,145,046
Non-controlling interest in acquisition	-	-	-	-	-	-	12,911,658	12,911,658
Non-controlling interest contribution	-	-	-	-	-	-	506,575	506,575
Net income (loss) for the period	-	-	-	-	6,989,651	6,989,651	(20,561)	6,969,090
Other comprehensive income	-	-	-	9,146,936	-	9,146,936	104,212	9,251,148
Share-based compensation	-	-	250,990	-	-	250,990	-	250,990
Balance – September 30, 2015	59,631,418	106,630,256	22,866,749	13,341,197	(34,305,578)	108,532,623	13,501,884	122,034,507
Balance - January 1, 2016	59,631,418	106,630,256	22,977,633	14,813,721	(34,468,043)	109,953,567	12,760,905	122,714,472
Net loss for the period	-	-	-	-	(2,420,605)	(2,420,605)	(134,759)	(2,555,364)
Other comprehensive loss	-	-	-	(6,642,631)	-	(6,642,631)	(1,025,383)	(7,668,014)
Reversal of share-based compensation relating to performance share unit (Note 8)	-	-	(513,729)	-	-	(615,273)	-	(615,273)
Share-based compensation	-	-	420,016	-	-	521,560	-	521,560
Share issuance- options exercised	586,328	567,328	(215,937)	-	-	351,391	-	351,391
Balance – September 30, 2016	60,217,746	107,197,584	22,667,983	8,171,090	(36,888,648)	101,148,009	11,600,763	112,748,772

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Minco Silver Corporation
Condensed Consolidated Interim Statements of Cash Flows
For the nine months ended September 30, 2016 and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

	2016	2015
	\$	\$
Operating activities		
Net income (loss) for the period	(2,555,364)	6,969,090
Adjustments for:		
Amortization	73,487	76,526
Foreign exchange loss (gain)	1,037,614	(3,692,371)
Share-based compensation (note 8(b))	123,358	63,749
Gain on partial disposal of investment	-	(4,792,888)
Changes in items of working capital:		
Receivables	(92,470)	(377,283)
Prepaid expenses and deposits	38,028	(63,071)
Accounts payable and accrued liabilities	(382,299)	(391,781)
Due to related parties (note 9)	232,062	(52,807)
Net cash used in operating activities	(1,525,584)	(2,260,836)
Financing activities		
Proceeds from stock option exercises	351,391	-
Net cash generated from financing activities	351,391	-
Investing activities		
Mineral project development costs	(1,280,202)	(861,108)
Cash inflow as result of acquisition of Changkeng Gold Project (note 3)	-	1,452,910
Proceeds from disposal of investments (note 7)	-	18,682,204
Property, plant and equipment	(6,514)	2,038
Purchase of short-term investments	(19,291,803)	(5,943,003)
Redemption of short-term investments	18,070,546	8,902,287
Net cash generated from (used in) investing activities	(2,507,973)	22,235,328
Effect of foreign exchange rates on cash	(1,481,728)	3,709,452
Increase (decrease) in cash and cash equivalents	(5,163,894)	23,683,944
Cash and cash equivalents - Beginning of period (note 3)	26,202,564	11,938,544
Cash and cash equivalents - End of period (note 3)	21,038,670	35,622,488

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2016 and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

1. General information and acquisition of assets

Minco Silver Corporation (“Minco Silver” or the “Company”) is engaged in exploring, evaluating and developing precious metals mineral properties and projects. Minco Silver was incorporated on August 20, 2004 under the laws of British Columbia, Canada and its Common Shares are listed on the Toronto Stock Exchange (“TSX”) and trades under the symbol “MSV”. The Company’s registered office is 2772 – 1055 West Georgia Street, Vancouver, British Columbia, Canada.

As at September 30, 2016, Minco Gold Corporation (“Minco Gold”) owned an 18.27% (December 31, 2015 – 18.45%) equity interest in Minco Silver.

On May 22, 2015, the Company entered into a share purchase agreement (the “SPA”) with Minco Gold and Minco HK. Pursuant to the SPA, the Company agreed to purchase all of the issued and outstanding shares of Minco Gold’s wholly-owned subsidiary, Minco Resources, which holds Minco China. Minco China owns certain subsidiaries including legal ownership of Changfu Minco Mining Co. Ltd, formerly Foshan Minco Fuwan Mining Co. Ltd., (“Changfu Minco”) and a 51% interest in Guangdong Mingzhong, which owns the Changkeng Gold Project. By acquiring control of Minco China, the Company obtained legal ownership of Changfu Minco and consequently no longer requires trust agreements related to the funding of the Fuwan Project (Note 9(a)). The acquisition closed on July 31, 2015.

This acquisition has been accounted for as an asset purchase, as Minco Resources and its subsidiaries did not meet the definition of a business as defined in IFRS 3 *Business Combinations*.

The following summarizes the consideration paid and estimates of fair value of assets acquired and liabilities assumed:

	\$
Consideration	
Short-term investment	10,016,397
Settlement of loan payable from Minco Gold to Minco Silver	3,700,000
Transaction costs	69,627
Total consideration	<u>13,786,024</u>
Net assets acquired	\$
Cash	1,249,209
Receivables	91,901
Prepaid expenses and deposits	126,035
Property, plan, and equipment	76,555
Mineral interest	25,312,695
Accounts payable and accrued liabilities	(195,595)
Due to related parties	(199,703)
Minority interest share of the assets acquired	(12,675,073)
	<u>13,786,024</u>

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2016 and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

2. Basis of preparation

These condensed consolidated interim financial statements include the accounts of Minco Silver Corporation and its wholly owned subsidiaries, Minco Yinyuan Co. (“Minco Yinyuan”), Minco Investment Holding HK Ltd (“Minco HK”), Changfu Minco, Zhongjia Jinggu Limited (“Zhongjia”), Minco Resource Limited (“Minco Resources”), Minco Mining (China) Corporation (“Minco China”), Yuanling Minco Mining Ltd. (“Yuanling Minco”), Tibet Miming Co. Ltd. (“Tibet Minco”), Huaihua Tiancheng Mining Ltd. (“Huaihua”), Beijing Minco International Resources Investment Services Ltd. (“Minco International Resources”) and its 51% interest in Mingzhong Mining Co. Ltd. (“Mingzhong”). Changfu Minco is subject to a 10% net profit interest held by Guangdong Geological Bureau (“GGB”). The Company, indirectly through Changfu Minco owns 90% of Zhongjia.

Information about subsidiaries:

Name	Principal activities (ownership interest)	Country of Incorporation
Minco Yinyuan	Treasury company (100%)	China
Minco HK	Holding company (100%)	China
Changfu Minco	Exploring, evaluating and developing mineral properties (90%)	China
Zhongjia	Service company (90%)	China
Minco China (i)	Exploring and evaluating mineral properties (100%)	China
Yuanling Minco (i)	Exploring and evaluating mineral properties (100%)	China
Tibet Minco (i)	Exploring and evaluating mineral properties (100%)	China
Huaihua (i)	Exploring and evaluating mineral properties (100%)	China
Minco Resources (i)	Holding company (100%)	China
Mingzhong (i)	Exploring and evaluating mineral properties (51%)	China
Minco International Resources (i)	Investment and service company (100%)	China

(i) *These subsidiaries were acquired by the Company on July 31, 2015 (Note 1). As a result, the operating results of the Company for the nine months ended and three months ended September 30, 2016 only include the results of these subsidiaries from August 1 to September 30, 2015.*

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2016 and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

2. Basis of preparation (continued)

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. These condensed consolidated interim financial statements should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2015, which were prepared in accordance with IFRS as issued by the IASB.

The accounting policies applied in these condensed consolidated interim financial statements are consistent with those applied in the preparation of the consolidated annual financial statements for the year ended December 31, 2015.

These condensed consolidated interim financial statements were approved by the board of directors for issue on November 9, 2016.

3. Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and guaranteed investment certificates with initial maturities of less than three months.

	As at September 30, 2016	As at December 31, 2015
	\$	\$
Cash	3,149,571	22,886,760
Term deposits	17,889,099	3,315,804
	<u>21,038,670</u>	<u>26,202,564</u>

As at September 30, 2016, cash and cash equivalents of \$5,451,550 (RMB 27,662,256) (December 31, 2015 - \$11,482,616 (RMB 53,728,309)) are in China. Under Chinese law, cash advanced to the Company’s Chinese subsidiaries as registered share capital is maintained in the subsidiaries’ registered capital bank account. Remittance of these funds back to Canada requires approvals by the relevant government authorities or designated banks in China or both.

4. Short-term investments

As at September 30, 2016, short-term investments consist of cashable guaranteed investment certificates with maturities ranging from six months to one year. The yields on these investments were between 1.10% and 2.25% as at September 30, 2016 and December 31, 2015. As at September 30, 2016, short-term investments of \$25,915,062 (RMB 131,498,207) (December 31, 2015 - \$22,079,638 (RMB 103,312,834)) were in China.

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2016 and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

5. Mineral interests

	September 30, 2016	December 31, 2015
	\$	\$
Fuwan Silver Deposit (a)	35,491,588	37,565,101
Changkeng Project (c)	24,240,904	26,110,954
Total mineral interests	<u>59,732,492</u>	<u>63,676,055</u>

(a) Fuwan Silver Deposit

Minco Silver has a 90% interest in Changfu Minco, the operating company and permit holder for the Fuwan project, subject to a 10% net profit interest held by GGB. There will be no distributions to or participation by GGB, until such time as Minco Silver's investment in the project is recovered. GGB is not required to fund any expenditures related to the Fuwan project. The Exploration Permit for the Fuwan project is the Luoke-Jilinggang exploration permit, which expires on July 20, 2017. The Mining Area Permit which defines the mining limits of the Fuwan Silver Deposit and restricts the use of this land to mining activities expires on April 10, 2018.

The following is a summary of project development costs capitalized to mineral interests from January 1, 2016 to September 30, 2016.

	\$
Opening Balance – January 1, 2016	37,565,101
Consulting fees	218,016
Salaries and benefits	225,233
Share-based compensation (Note 8)	(217,071)
Mining design and license application	330,254
Environment impact assessment	68,612
Travel	30,222
Other costs	221,470
Foreign exchange loss	(2,950,249)
Ending Balance – September 30, 2016	<u>35,491,588</u>

(b) Fuwan Silver Belt

In 2005, the Company acquired silver exploration permits on the Fuwan belt, referred to as the Hecun Property and the Guyegang-Sanyatang Property. The Guyegang-Sanyatang permit expires on March 17, 2017. The Company is renewing the Hecun permit.

(c) Changkeng Silver Mineralization

In 2015, the Company announced that it had completed the acquisition of Minco Gold's 51% interest in the Changkeng Gold Project, which is held by Mingzhong. The Changkeng Project immediately adjoins the Fuwan Silver Deposit.

The following is a summary of project development costs capitalized to mineral interest from January 1, 2016 to September 30, 2016:

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2016 and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

5. Mineral interests (continued)

(d) Changkeng Silver Mineralization (continued)

	\$
Opening Balance – January 1, 2016	26,110,954
Consulting	18,102
Mining design and license application	48,749
Salaries and benefits	97,737
Other costs	1,228
Foreign exchange loss	(2,035,866)
Ending Balance – September 30, 2016	24,240,904

Although the Company has taken steps to verify the title to 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 agreements or transfers.

6. Non-controlling interest ("NCI")

Below is summarized financial information of Mingzhong, the Company's 51% owned indirect subsidiary that was acquired in July 2015.

Summarized statement of financial positions

	September 30, 2016	December 31, 2015
Current assets	\$ 360,837	\$ 977,783
Current liabilities	59,831	154,860
Net current assets	301,006	822,923
Non-current asset	24,265,687	26,110,954
Net assets	\$ 24,566,694	\$ 26,933,877
NCI percentage	49%	49%
Accumulated NCI	\$ 11,600,763	\$ 12,760,905

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2016 and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

6. Non-controlling interest (continued)

Summarized income statement

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Net loss (49%)	52,686	20,561	134,759	20,561
Loss allocated to NCI	52,686	20,561	134,759	20,561

Summarized cash flows

	Nine months ended September 30, 2016	Nine months ended September 30, 2015
	\$	\$
Cash out flows from operating activities	(400,249)	(88,661)
Cash in (out) flows from investing activities	(168,166)	2,038

7. Investments

During the nine months ended September 30, 2015, the Company disposed all of its investment in the common shares of Gold Road Resources Limited for net proceeds of \$18,682,204. During the period ended September 30, 2015, the Company recorded a gain on disposal of investment of \$4,792,888 and a reversal of other comprehensive loss of \$3,024,176 that was recorded before 2015 consequently.

The Company did not acquire, dispose, or have investments as at and during the nine months ended September 30, 2016.

8. Share capital

(a) Common Shares

Authorized: Unlimited number of common shares without par value.

(b) Long-term Incentive Plan

The Company may grant up to 15% of its issued and outstanding shares as options, restricted share units, performance share units and deferred share units, to its directors, officers, employees and consultants under its long-term incentive plan.

Stock Options

The Company may grant options for periods of up to ten years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on a date preceding the date the options are granted. These options are equity settled.

During the nine months ended September 30, 2016, no options were granted.

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2016 and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

8. Share capital (continued)

The Company recorded \$235,503 of share-based compensation for the nine months ended September 30, 2016 (2015 - \$102,984). Share-based compensation expense of \$163,324 (2015 - \$60,519) was recorded in the statement of operations and net income (loss) and share-based compensation expense of \$72,179 (2015 - \$42,465) was capitalized to mineral interests.

Continuity of the Company's outstanding stock options is as follows:

	Number outstanding	Weighted average exercise price \$
Balance, January 1, 2015	6,477,835	2.58
Granted	1,690,000	0.42
Expired	(350,836)	3.03
Forfeited	(1,331,332)	1.72
Balance, December 31, 2015	6,485,667	2.16
Expired	(1,305,000)	5.31
Exercised	(586,328)	0.60
Forfeited	(270,000)	2.06
Balance, September 30, 2016	4,324,339	1.43

The weighted average share price at the day of exercise for options exercised during nine months ended September 30, 2016 was \$1.27 (2015 - \$Nil). As at September 30, 2016, there was \$32,673 (September 30, 2015 - \$299,715) of total unrecognized compensation cost relating to unvested options.

Options outstanding				Options exercisable		
Range of exercise prices \$	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price \$	Number exercisable	Weighted average exercise price \$	
0.42 – 0.79	1,180,339	3.96	0.42	683,666	0.42	
0.80 – 0.81	705,000	2.31	0.80	705,000	0.80	
0.82 – 2.00	954,000	1.32	1.71	954,000	1.71	
2.01 – 2.35	1,485,000	0.49	2.35	1,485,000	2.35	
	4,324,339	1.92	1.43	3,827,666	1.56	

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2016 and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

8. Share capital (continued)

Performance Share Unit

Continuity of the Company's outstanding performance share units ("PSU") is as follows:

	Number outstanding	Weighted average fair value
		\$
Balance, January 1, 2015	885,000	0.80
Forfeited	(150,000)	0.80
Balance, December 31, 2015 and September 30, 2016	<u>735,000</u>	<u>0.80</u>

During the year ended December 31, 2013, the Company granted 940,000 performance share units to employees of the Company whereby 50% vests upon the Company receiving the final approval from Guangdong Provincial Government for the EIA report for the Fuwan Silver Project and the remaining 50% vests upon the completion of the Company's obtaining the mining license issued by MOLAR in respect to the Fuwan Silver Project ("The Performance Criteria"). The weighted average grant date fair value of the PSU's was \$0.80 per unit. In valuing the PSUs, the Company used a forfeiture rate of 26% and an expected life of 3 years.

Subsequent to the period ended September 30, 2016, the performance cycle of these PSU ended on October 10, 2016. As the Performance Criteria were not fulfilled before the end of the performance cycle, all of the 735,000 PSU have been forfeited accordingly on October 10, 2016. Consequently, management has revised the forfeiture rate as of September 30, 2016 to 100% and the share-based compensation (\$453,625 capitalized to mineral interest and \$60,104 charged to the statements of operations, totaling \$513,729) previously recorded in connection with the PSU have been reversed.

During the nine months ended September 30, 2016, the Company recorded share-based compensation of \$123,358, which comprised of \$163,324 expenditure (option vesting during the nine months ended September 30, 2016), \$20,138 expenditure (PSU vesting for the six months ended June 30, 2016), and a reversal of expense of \$60,104 (PSU forfeiture as at September 30, 2016)

During the nine months ended September 30, 2016, the Company recorded a share-based compensation reversal of \$217,071 to Fuwan Silver Deposit which comprised of a reversal of \$453,625, an addition of capitalized share-based compensation of \$164,375 during the six months ended June 30, 2016, and an addition of \$72,179 to account for capitalized share-based compensation due to option vesting for the three months ended September 30, 2016.

9. Related party transactions

(a) Funding of Changfu Minco

Up to July 31, 2015, the Company was not able to invest directly in Changfu Minco as Changfu Minco was legally owned by Minco Gold. All historical funding supplied by the Company for exploration of the Fuwan Project went through Minco China via Minco Gold and Minco Resources to comply with Chinese law. In the normal course of business the Company used trust agreements when providing cash, denominated in US dollars, to Minco China via Minco Gold and Minco Resources for the purpose of increasing the registered capital of Changfu Minco.

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2016 and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

9. Related party transactions (continued)

(a) Funding of Changfu Minco (continued)

Upon completion of the acquisition of the Changkeng Gold Project in 2015, this trust structure was eliminated.

(b) Shared expenses

Minco Silver and Minco Base Metals Corporation (“MBM”), a company with which the Company’s CEO has significant influence over, share offices and certain administrative expenses in Vancouver and in Beijing.

Minco Silver and Minco Gold share offices and certain administrative expenses in Beijing (only up to July 31, 2015) and Vancouver.

(c) Due to and due from related parties

	September 30, 2016	December 31, 2015
	\$	\$
Due from (to) Minco Gold:		
Reimbursement of expenses incurred in China (i)	359,421	214,727
Shared expenses	(30,968)	(37,397)
Payable to Minco Gold (ii)	(534,081)	-
Total due from (to) Minco Gold	<u>(205,628)</u>	<u>177,330</u>
Due form Minco Base Metal(iii)	<u>120,240</u>	<u>-</u>

(i) This represents the administrative and mineral resource maintenance expenditures paid by the Company on behalf of Minco Gold that is to be reimbursed.

(ii) The Company collected a receivable of \$534,081 on behalf of Minco Gold in July 2016.

(iii) This is the administrative and shared office expenditures paid by the Company on behalf of Minco Base Metal that is to be reimbursed.

Amounts due from (to) related parties are unsecured, non-interest bearing and payable on demand.

During the three months ended September 30, 2016, the Company reimbursed Minco Gold of \$26,307 (September 30, 2015 – \$26,154) in respect of rent and \$66,560 (September 30, 2015 – \$115,784) in respect of shared head office expenses and administration costs incurred in Vancouver.

During the nine months ended September 30, 2016, the Company reimbursed Minco Gold of \$75,070 (September 30, 2015 – \$75,538) in respect of rent and \$240,951 (September 30, 2015 – \$474,888) in respect of shared head office expenses and administration costs incurred in Vancouver.

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

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2016 and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

9. Related party transactions (continued)

(d) Key management compensation

During the three and nine months ended September 30, 2016 and 2015, the following compensation was paid to key management. Key management includes the Company's directors and senior management. This compensation is included in development costs and administrative expenses.

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Cash remuneration	159,032	188,689	485,463	562,006
Share-based compensation	103,505	57,500	369,907	167,043
	<u>262,537</u>	<u>246,189</u>	<u>855,370</u>	<u>729,049</u>

10. Geographical information

The Company's business of exploration and development of mineral interest is considered as operating in one segment. The geographical division of the Company's non-current assets is as follows:

	September 30, 2016		
	Canada	China	Total
	\$	\$	\$
Current assets	21,010,148	32,397,307	53,407,455
Non-current assets	9,556	60,602,281	60,611,837

	December 31, 2015		
	Canada	China	Total
	\$	\$	\$
Current assets	25,679,714	33,562,254	59,241,968
Non-current assets	12,459	64,098,595	64,111,054

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2016 and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

11. Financial instruments

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

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

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

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

Financial instruments that are not measured at fair value on the balance sheet are represented by cash and cash equivalents, short-term investments, receivables, accounts payable and accrued liabilities, and due from (to) related parties. The fair values of these financial instruments approximate their carrying value due to their short term nature.

Due to and from related party amounts are unsecured, non-interest bearing and payable on demand (Note 9(b)). Minco Gold and Minco Based Metal are junior exploration companies.