MINCO SILVER CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016

This Management's Discussion and Analysis ("MD&A") of Minco Silver Corporation ("Minco Silver" or the "Company") has been prepared based on available information up to March 31, 2017 and should be read in conjunction with the audited consolidated financial statements and related notes for the year ended December 31, 2016. The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All dollar amounts are expressed in Canadian dollars unless otherwise indicated. Refer to Note 3 of the December 31, 2016 audited consolidated financial statements for disclosure of the Company's significant accounting policies.

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

Additional information, including the above mentioned audited financial statements for the year ended December 31, 2016 and the MD&A and Annual Information Form ("AIF") for the same period, which contain extensive disclosure of the history and properties of the Company, are available on www.sedar.com under the Company's' profile.

Minco Silver (TSX: MSV) was incorporated under the laws of British Columbia, Canada on August 20, 2004. Minco Silver is engaged in the acquisition, exploration and development of precious metals mineral properties and projects.

The Company indirectly through its wholly owned subsidiary Minco Investment Holding HK Limited ("Minco HK") owns a 90% interest *in Changfu Minco Mining Co. Ltd, formerly Foshan Minco Fuwan Mining Co. Ltd., ("Changfu Minco*') which owns the Fuwan Silver Project that is situated along the northeast margin of the Fuwan Silver Belt in Guangdong Province, People's Republic of China ("China"). *T*he Guangdong Geological Bureau ("GGB") owns the remaining 10% interest in the Fuwan Silver project, through a net profit interest.

On July 31, 2015, the Company, through Minco HK, acquired Minco Resources Limited ("Minco Resources") and its subsidiaries located and operated in China.

As at December 31, 2016, the Company had these Chinese subsidiaries: Minco Yinyuan Co. (Minco Yinyuan), Minco HK, Changfu Minco (90% ownership), Zhongjia Jinggu Limited (Zhongjia), Minco Mining (China) Corporation ("Minco China"), Yuanling Minco Mining Ltd. ("Yuanling Minco"), Tibet Mining Co. Ltd. ("Tibet Minco"), Huaihua Tiancheng Mining Ltd. ("Huaihua"), Minco Resources, Guangdong Mingzhong Mining Co. Ltd. ("Mingzhong") (51% ownership), Beijing Minco International Resources Investment Services Ltd. ("International Resources").

As at December 31, 2016, the Company had 60,246,413 common shares outstanding, and 4,280,672 stock options granted for a total of 64,527,085 fully diluted common shares outstanding.

At the date of this MD&A, the Company has 60,456,412 common shares, 1,000,000 performance share units and 6,450,673 stock options, for a total of 67,907,085 fully diluted common shares outstanding. Minco Gold Corporation ("Minco Gold") owns 18.26% of the outstanding shares of the Company.

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1. Exploration and Project Development Activities

1.1 Acquisition of Changkeng Gold Project

On May 22, 2015, the Company entered a share purchase agreement (the "SPA") with Minco Gold and Minco HK. Pursuant to the SPA, the Company agreed to purchase all the issued and outstanding shares of Minco Resources, a wholly owned subsidiary of Minco Gold. Minco Resources holds 100% of Minco China, which owns certain subsidiaries including legal ownership of Changfu Minco and a 51% interest in Mingzhong. Mingzhong owns the Changkeng Gold Project.

Before the completion of the SPA, Minco China legally owned Changfu Minco. Minco China held Changfu Minco in trust for the Company and the Fuwan Project was funded by the Company through Minco China. By acquiring control of Minco China, the Company obtained legal ownership of Changfu Minco and consequently the trust agreements related to the holding of Changfu Minco and the funding of the Fuwan Project have been cancelled.

This acquisition ("Minco Gold Transaction') 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 estimated 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	**13,786,024**
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)
	13,786,024

Upon the completion of the SPA with Minco Gold in 2015, Minco Gold still held various mineral properties and an interest in a receivable in connection with a lawsuit initiated by Minco Gold (collectively the "Retained Assets") in China. As Minco Gold ceased to have Chinese operation, Minco Gold entered a trust agreement with Minco China, a Chinese subsidiary of the Company, where Minco China held the Retained Assets in trust for Minco Gold.

1.2 Disclosure of Technical Information

Technical information or other scientific information of the Fuwan Silver Project are disclosed in two Technical Reports, which are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com under the Company's profile or on the Company's website at www.mincosilver.com. Following is a summary:

A National Instrument 43-101 ("NI 43-101") compliant technical report entitled "Technical Report and Updated Resource Estimate on the Fuwan Property Guangdong Province, China", dated January 25, 2008, was prepared by Eugene Puritch, P. Eng. Ontario, Tracy Armstrong, P. Geo Ontario, and Antoine Yassa, P.Geo. Québec. This technical report includes relevant information regarding the data, data validation and the assumptions, parameters, and methods of the mineral resource estimates on the Fuwan Silver Project.

A NI 43-101 compliant technical report entitled "Fuwan Silver Project Feasibility Study Technical Report" effective date September 1, 2009 (the "Feasibility Study") was prepared by John Huang, P.Eng., S. Byron V. Stewart, P.Eng., Aleksandar Živković, P.Eng. and Scott Cowie, B. Eng, MAusIMM, and Eugene Puritch, P.Eng.. These preparers are qualified persons for NI 43-101. This technical report includes relevant information regarding the data, data validation and the assumptions, parameters and methods used in determining the ore reserves on the Fuwan Silver Project.

All other disclosure of a scientific or technical nature in this MD&A was reviewed and approved by Thomas Wayne Spilsbury, an independent director of Minco Silver, a Member of the Association of Professional Engineers, and Geoscientists of BC (P Geo), a Member of the Australian Institute of Geoscientists and a Fellow of the Australasian Institute of Mining and Metallurgy CP (Geo) and a "qualified person", as defined in NI 43-101.

1.3 Fuwan Silver Project

The Company's principal property is the Fuwan Silver Project located in Gaoming County approximately 45 km southwest of Guangzhou, the fourth largest city in China with more than 13 million people and the capital city of Guangdong Province. The Company's objective is to develop the Fuwan Silver/Changkeng Gold Project and commence commercial mining operations on the property. As of December 31, 2016, the Company, through Changfu Minco, has three reconnaissance survey exploration permits on the Fuwan Silver Project (Luoke-Jilinggang Permit, Hecun Permit, and the Guyegang-Sanyatang Property), having a total area of 125.74 sq. km, covering a major part of the northeast-trending Fuwan silver belt which hosts the known gold and silver occurrences in the Sanzhou basin, including the Fuwan Silver Project and the Changkeng Gold Project of which the Company owns a 51% interest.

The main exploration permit of the Fuwan main deposit area is the Luoke-Jilinggang (57.16 sq. km.). The exploration permit of Luoke- Jilinggang expires on July 20, 2017. The Company is preparing documentation for the renewal of this permit.

The Guyegang-Sanyatang permit expires on March 17, 2017. The application for the renewal has been submitted and is pending approval from Guangdong Provincial Department of Land and Resources.

The Hecun permit expires on August 12, 2018.

1.4 Changkeng Gold Project

The Company acquired Changkeng Gold Project from Minco Gold Corp. on July 31, 2015. (see Section 1.1)

Technical Information of the Changkeng Gold Project is available from the NI 43-101 technical report prepared for Minco Gold entitled "Technical Report and Updated Resource Estimate on the Changkeng Gold Project Guangdong Province, China", dated effective February 21, 2009 and prepared by Tracy Armstrong, P. Geo Ontario, Eugene Puritch, P. Eng. Ontario and Antoine Yassa, P.Geo. Québec. who are qualified persons for the purposes of NI 43-101. This technical report includes relevant information regarding the data, data validation and the assumptions, parameters, and methods of the mineral resource estimates on the Changkeng Gold Project and is available at www.sedar.ca under the profile of Minco Gold Corp.

1.4.1 Location

The Changkeng Gold Project is adjoined to the Fuwan Silver Project and situated close to well-established water, power, and transportation infrastructure.

1.4.2 Ownership

Mingzhong, a cooperative joint-venture established among Minco China, Guangdong Geological Bureau, Guangdong Gold Corporation, and two private Chinese companies to jointly explore and develop the Changkeng Property, signed a purchase agreement in January 2008 to buy a 100% interest in the Changkeng Exploration Permit on the Changkeng Gold Project from 757 Exploration Team. The transfer of the Changkeng Exploration Permit from 757 Exploration Team to Mingzhong was approved by the MOLAR in 2009. The Changkeng Exploration Permit expires on September 10, 2017 and the Company is preparing documentation to renew this permit before its expiry.

1.4.3 Exploration Update

There have been no significant changes in the geology, drilling program and resource estimate since the recent year ended December 31, 2015.

During the year ended December 31, 2016, the Company did not conduct any exploration activities, except for maintaining the Changkeng exploration permit of the Changekeng gold project.

1.5.1 Feasibility Study, Resource Estimates, and Exploration Program

As the Company intends to combine and develop the Changkeng Gold Project and the Fuwan Silver Project as one project ("the Fuwan-Changkeng Project"), a new study for the combined Fuwan-Changkeng Project has been prepared by CHALIECO, a Chinese design engineering institute based in Changsha, Hunan, China during the year ended December 31, 2015. The Company will make reference to the study in planning the next step of development of the Fuwan-Changkeng Project as sensitivity analysis conducted on metal prices, operating cost and capital cost undertaken as part of the study are within the conditions that currently exist.

1.5.2 Current Developments on the combined Fuwan Silver Project and Changkeng Gold Project

<u>Permitting</u>

Following is a summary of the significant progress made in permitting of the Fuwan Silver Project:

- The Mining Area Permit, which covers approximately 0.79 sq. km, defines the mining limits of the Fuwan Silver Project and restricts the use of this land to mining activities was approved by the Ministry of Land and Resources ("MOLAR") . This Mining Area Permit expires on April 10, 2018.
- the development plan of the combined Fuwan Silver Project and Changkeng Gold Project has been completed and is ready to the submission to MOLAR.
- the latest EIA report for the combined Fuwan-Changkeng Project expects to complete soon.

<u>Combination of Fuwan Silver Project and Changkeng Gold Project</u>

During the year ended December 31, 2016, the Company is in the process of combining the Fuwan Silver Project and the Changkeng Gold Project which adjoins the Fuwan Silver Project. The Company has engaged consultants to value these two projects to determine the appropriate percentage of interest that should be owned by the Company in the combined property. The valuation and combination is pending approval from both the Company and the business partners in the combined Fuwan-Changkeng project.

2. Results of Operations

2.1 Selected Annual Information

The following table summarizes selected financial information for the most recent three years ended December 31.

	2016 $	2015 $	2014 $
Total revenue	-	-	-
Net income (loss)	(2,407,668)	6,680,947	(1,665,516)
Income (loss) per share – basic and diluted	(0.04)	0.11	(0.03)
Total assets	111,949,943	123,352,022	92,564,638
Total long-term financial liabilities	-	-	-
Cash dividends	-	-	-

For the year ended December 31, 2016 and 2015

Net loss for the year ended December 31, 2016 was $2,407,668 ($0.04/share) compared to a net income of $6,680,947 (earnings of $0.11/share) in 2015, an increase of loss of 9,088,615. The increase of loss was mainly a combined result of the following:

- An increase in foreign exchange loss of $4,514,300 (2016 – a loss of $340,446; 2015 – a gain of $4,173,854). The Company maintained significant amounts of cash and short term investment in US dollars in both China and Canada throughout these two years. The Company's' foreign exchange gain (loss) is a result of two components: the effect of the change of exchange rate between US dollar and Canadian dollar on the US dollar denominated deposit; and the effect of the change of exchange rate between US dollar and RMB (the functional currency of the Company's Chinese subsidiaries) on the US dollar denominated deposit held by the Company's Chinese subsidiaries. The US dollar appreciated over RMB and Canadian dollar in 2015 which resulted in a foreign exchange gain. The US dollar appreciated over RMB but depreciated over Canadian dollars in 2016 and the combined result was a foreign exchange loss.
- a decrease in gain on disposal of investment of $4,792,888 (2016 - $Nil, 2015 - $4,792,888), The Company acquired common shares of an Australia public company in 2014 with a cost of approximately $13.90 million for investment purpose. The Company disposed of these shares in 2015 and realized a profit of $4.80 million. There was no similar transaction in 2016. Thus, the gain of disposal of investment decreased.
- a decrease in interest income of $390,192 (2016 - $521,021, 2015 - $911,213). The interest rate offered by financial institutions for the Company's term deposits in 2016 were generally lower than those in 2015. Thus, interest income decreased.

For the year ended December 31, 2015 and 2014

Net income for the year ended December 31, 2015 was $6,680,947 ($0.11/share) compared to a net loss of $1,665,516 (loss of $0.03/share) in 2014, an improvement of 8,346,463. The improvement was mainly a combined result of the following:

- an increase in foreign exchange gain of $3,134,589 (2015 - $4,173,854; 2014 - $1,039,265),
- an increase in gain on disposal of investment of $4,792,888 (2015 - $4,792,888; 2014 - $Nil).

2.2 Fourth Quarter

For the quarter ended December 31, 2016 and 2015

Three months ended December 31,	2016	2015	Net changes (2016 from 2015)
	$	$	$
Administrative expenses	(618,777)	(916,995)	298,218
Foreign exchange gain	697,168	481,352	215,816
Other income	69,305	147,500	(78,195)
Net income (loss)	**147,696**	**(288,143)**	**435,839**

Net income for the three months ended December 31, 2016 was $147,696 compared to a net loss of $288,143 in the fourth quarter of 2015, an improvement of $435,839. The improvement was mainly a combined result of a $298,218 decrease in administrative expense , an increase in foreign exchange gain of $215,816 , which was partially offset by a decrease in other income of $78,195.

The decrease of the administrative expenses was mainly a combined result of having less audit, legal, and regulatory expenses, and field office expenses during the fourth quarter of 2016 compared to the same quarter in 2015. The Company incurred a higher audit, legal, and regulatory fees in the fourth quarter of 2015 to account for the SPA with Minco Gold that was completed in 2015. The Company focused on the application of the mining licenses throughout fiscal 2016, thus, field office expenses that are not directly related to these efforts decreased.

Other income was mainly comprised of the interest income earned. As discussed previously, the interest rate earned by the Company's term deposits were generally lower in 2016, thus other income decreased.

The Company's foreign exchange gain (loss) is a result of two components: the effect of the change of exchange rate between US dollar and Canadian dollar on the US dollar denominated deposit; and the effect of the change of exchange rate between US dollar and RMB (the functional currency of the Company's Chinese subsidiaries) on the US dollar denominated deposit held by the Company's Chinese subsidiaries. US dollar appreciated against RMB and Canadian dollar in both the fourth quarter in 2015 and 2016. Thus, the Company had foreign exchange gains in both quarters.

2.3 Exploration Costs

As at December 31, 2016, the Company has the following accumulated cost incurred in connection with the Company's mineral interest:

	December 31, 2015	Addition-exploration	Effect of change in foreign exchange rate	December 31, 2016
	$	$	$	$
Fuwan Silver Project	37,565,101	1,291,682	(3,569,006)	35,287,777
Changkeng Gold Project	26,110,954	200,038	(2,457,190)	23,853,802
Total	**63,676,055**	**1,491,720**	**(6,026,196)**	**59,141,579**

The following is a summary of capitalized development cost of the Fuwan Silver Project for the years ended December 31, 2016, 2015 and 2014.

	2016	2015	2014	Accumulative cost ended December 31, 2016
	$	$	$	$
Consulting fees	390,802	657,446	499,689	6,024,045
Drilling	-	-	-	1,859,018
Labor costs	337,137	147,761	340,509	2,844,757
Feasibility study	-	110,813	-	1,991,340
Share-based compensation (recovery)	(215,602)	215,132	385,338	7,015,540
Mine design costs	8,882	18,826	16,288	661,687
Mining license application	365,316	181,992	401,287	4,320,931
Environment impact assessment	68,612	57,277	12,872	1,105,071
Travel	43,215	65,664	63,801	631,900
Site office rent and related costs	293,320	396,045	210,263	2,780,297
Total before foreign exchange	1,291,682	1,850,956	1,930,047	29,234,586
Effect of foreign exchange	(3,569,006)	4,092,318	2,321,814	6,053,191
	(2,277,324)	**5,943,274**	**4,251,861**	**35,287,777**

During the year ended December 31, 2016, the Company incurred $1,291,682 exploration expenditures for the Fuwan Silver Project compared to $1,850,956 expenditures incurred during 2015- a decrease of $559,274. The decrease was mainly a combined result of the following:

- Capitalized share-based compensation in 2016 decreased by $430,734 from 2015- During 2016, the Company reversed share-based compensation capitalized previously for the vesting of the performance shares units ("PSU") issued in 2013 as these PSU were forfeited during 2016 due to the failure of meeting the performance criteria. The recovery $215,602 during fiscal 2016 was a combined result of $289,251 recovery from reversal of PSU partially offset by capitalized expense of $73,649 from the vesting of stock options.

- Labour costs in fiscal 2016 were $337,137 compared to $147,761 in 2015. The Company had more employees after acquiring Changkeng Gold Project on July 31, 2015. Thus, labour cost increased.

- Feasibility study cost decreased by $110,813. The Company incurred $Nil feasibility study expenditure during 2016 compared to $110,813 in 2015. The Company engaged CHALIECO, a Chinese design engineering institute based in China to conduct a Chinese feasibility study in 2015. No similar study was conducted in 2016.

- Consulting fees decreased by $266,644. The permitting process is slower than expected. Thus, the Company engaged less consultants and incurred less consultant fees in the current year.

- Mining license application expenditures increased by $183,324 in 2016. The Company was more focused on making application of mining licenses in 2016.

The Company's mineral assets are in China and its carrying value is recorded in RMB which is the functional currency of the Company's Chinese subsidiaries. During 2016, RMB depreciated approximately 9.4% against Canadian dollar. Thus, there was a negative foreign exchange effect of $3,569,006 to the carrying value of the Company's Fuwan Silver Project.

During the year ended December 31, 2015, the Company incurred $1,850,956 deferred exploration cost for the Fuwan Silver Project compared to $1,930,047 in 2014. The decrease was mainly due to the following:

- Labour costs in 2015 were $147,761 compared to $340,509 in 2014. The Company used more labour in 2014 as the Company conducted more exploration activities in 2014.
- Mining license application fees in 2015 were $181,992 compared to $401,287 in 2014. The decrease was due to fewer application activities in 2015.
- Capitalized share-based compensation in 2015 was $215,132 compared to $385,338 in 2014. Fewer stock options vested during 2015.
- Consulting and feasibility study expenditures increased in 2015 as the Company finished a feasibility study in mid-2015.
- Site office rent and related costs increased as the Company added the Changkeng Gold Project during 2015.

RMB appreciated against Canadian dollar during 2015 and 2014. However, the percentage of appreciation is higher in 2015. Thus, the positive foreign exchange effect in 2015 is higher than that in 2014.

The Company acquired Changkeng Gold Project on July 31, 2015. The following is a summary of costs incurred and capitalized for the Changkeng Gold Project for the year ended December 31, 2016 and 2015:

	2016	**2015**	**Accumulative costs ended December 31, 2016**
	$	**$**	**$**
Acquisition costs	-	25,312,695	25,312,695
Consulting fees	18,102	-	
Drilling	-	142,863	142,863
Feasibility study	-	112,201	112,201
Mining design and license application	48,749	-	48,749
Salary and benefits	131,259	90,693	221,952
Site office rent and related costs	1,928	446	2,374
Subtotal	200,038	165,816	546,241
Effect of foreign exchange	(2,457,190)	452,056	(2,005,134)
Total	**(2,257,152)**	**26,110,954**	**23,853,802**

2.4 Administrative Expenses

2.4.1 Result of Year Ended 2016, 2015 and 2014

The Company's administrative expenses includes overhead associated with administering and financing the Company's exploration activities. The Company maintains a field office in Gaoming and Gaoyao Counties, Guangdong province, an office in Beijing, China and an office in Vancouver, Canada.

The following table is a summary of the Company's administrative expenses for the years ended December 31, 2016, 2015 and 2014.

Administrative expenses	ref	2016	2015	2014	Net changes (2016 from 2015)	Net change (2015 from 2014)
		$	$	$	$	$
Audit, legal and regulatory		271,656	284,789	246,236	(13,133)	38,553
Amortization		97,692	106,674	123,266	(8,982)	(16,592)
Consulting	b	105,665	161,074	226,390	(55,409)	(65,316)
Directors' fees		99,500	116,000	127,250	(16,500)	(11,250)
Field office expenses	c	442,022	860,980	686,418	(418,958)	174,562
Investor relations		65,919	16,297	15,350	49,622	947
Office administration	d	345,643	237,310	205,984	108,333	31,326
Property investigation	e	-	31,331	169,852	(31,331)	(138,521)
Rent	d	417,590	376,544	356,736	41,046	19,808
Salaries and benefit	d	519,352	440,095	431,477	79,257	8,618
Share-based compensation	a	143,313	146,742	750,226	(3,429)	(603,484)
Travel and transportation		68,408	27,780	36,956	40,628	(9,176)
Total		**2,576,760**	**2,805,616**	**3,376,141**	**(228,856)**	**(570,525)**

(a). Share-based compensation expenses decreased by $3,429 to $143,313 for the year ended December 31, 2016 from $146,742 in 2015. This is a combined result of:

- More options vested in 2016 than in 2015 which resulted in a higher share-based compensation
- A reverse of share-based compensation due to the forfeiture of PSU issued in 2013. See discussion in the section 2.3. The $143,413 share-based compensation recognized in 2016 is a combined result of $183,279 expenditure from option vesting that was partially offset by $39,966 recovery from the reversal of PSU.

Share-based compensation decreased to $146,742 for the year ended December 31, 2015 from $750,226 for the comparative period in 2014. The decrease was mainly due to the timing of options vested in these two years.

(b). Consulting costs decreased by $55,409 to $105,665 for the year ended December 31, 2016 from $161,074 in 2015. The Company engaged less consultants during 2016.

Consulting fees were $161,074 for the year ended December 31, 2015, compared to $226,390 for the comparative period of 2014. The decrease was mainly due to the Company engaging a consultant to act as the general manager for the Gaoyao office in 2014. The consulting agreement ended in the early 2015.

(c). Field office expenses decreased by $418,958 to $442,022 for the year ended December 31, 2016 from $860,980 in 2015. The permitting process is slower than expected. Thus, less field work was done.

Field office expense was $860,980 for the year ended December 31, 2015, compared to $686,418 for the comparative period of 2014. The Company acquired Changkeng Gold Project in 2015, thus incurred higher field office expenditures.

(d). Office administration expenses, rent, salaries generally increased in 2016 as the Company acquired various subsidiaries of Minco Gold on July 31, 2015.

Office administration expenses, rent, salaries in 2015 were generally higher comparing to 2014 mainly because of the same reason described above.

(e). Property investigation expenses decreased by $31,331 to $Nil for the year ended December 31, 2016 from $31,331 in 2015. The Company mainly focused on the permitting of the projects on hand in 2016, thus did not incur expenditures to investigate new projects in 2016.

Property investigation expense was $31,331 for the year ended December 31, 2015 compared to $169,852 for the comparative period of 2014. The decrease was due to the same reason described above.

2.4.2 Result of Three Months Ended December 31, 2016, 2015 and 2014

Administrative expenses	**ref**	**2016**	**2015**	**2014**	**2016 - 2015**	**2015 - 2014**
		$	$	$	$	$
Audit, legal and regulatory		66,094	90,110	71,368	(24,016)	18,742
Amortization		24,205	30,049	25,900	(5,844)	4,149
Consulting	a	34,730	72,606	82,087	(37,876)	(9,841)
Directors' fees		25,250	28,250	31,250	(3,000)	(3,000)
Field office expenses	b	97,317	277,291	138,104	(179,974)	139,187
Investor relations		137	6,849	1,741	(6,712)	5,108
Office administration	c	125,005	72,117	42,375	52,888	29,742
Property investigation		-	-	78,653	-	(78,653)
Rent		97,644	97,190	93,901	454	3,289
Salaries and benefit	d	115,571	158,302	119,354	(42,731)	38,948
Share-based compensation		19,955	82,993	73,961	(63,038)	9,032
Travel and transportation		12,869	1,238	3,813	11,631	(2,575)
Total		**618,777**	**916,995**	**762,507**	**(298,218)**	**154,488**

Significant components of the expenses are as follows:

(a). Consulting fees for the three months ended December 31, 2016 reduced by $37,876 to $34,730 from $72,606 in 2015. The Company used less consultants in the fourth quarter in 2016.

(b). Field office expense for the three months ended December 31, 2016 reduced by $179,974 to $97,317 from $277,291 in 2015. Same reason as discussed in the section 2.4.1

Field office expense for the three months ended December 31, 2015 were $277,291 compared to $138,104 for the comparative period of 2014. Same reason as discussed in the section 2.4.1

(c) Office administration expenses for the three months ended December 31, 2015 were $72,117 compared to $42,375 for the comparative period of 2014. The Company had more subsidiaries in the fourth quarter of 2015 compared to the same quarter in 2014.

(d). Salaries and benefits for the three-month ended December 31, 2016 decreased by $42,731 to the same period in 2015. The Company paid less year-end bonus to employees in 2016

Salaries and benefits for the three-month ended December 31, 2015 were $158,302 compared to $119,354 for the comparative period in 2014. The increase was due to having more staffing after the acquisition of subsidiaries from Minco Gold in 2015.

2.5 Finance and Other Income (Expenses)

To date the Company has not earned revenue from operations.

	2016	**2015**	**2014**	**2016-2015**	**2015-2014**
	$	$	$	$	$
Foreign exchange gain (loss)	(340,446)	4,173,854	1,039,265	(4,514,300)	3,134,589
Gain on disposal of investment	-	4,792,888	-	(4,792,888)	4,792,888
Interest income	521,021	911,213	980,945	(390,192)	(69,732)
Other expenses	(11,483)	(391,392)	(309,585)	379,909	(81,807)
Total	**169,092**	**9,486,563**	**1,710,625**	**(9,317,471)**	**7,775,938**

Foreign exchange loss increased by $4,514,300 to $340,446 for the year ended December 31, 2016 from a gain of $4,173,854 in 2015. See discussion in section 2.1.

Gain on disposal of investment - During 2015, the Company recorded a gain of $4,792,888 from the disposition of the Company's investment in Gold Road Resources Limited. No similar transaction incurred in 2016 or 2014.

Interest income - Interest income for 2016 decreased. Interest rates offered by financial institutions were generally lower in 2016.

Other expenses - The exchange of US dollars into RMB funds in China requires approval from the State Administration of Foreign Exchange ("SAFE"). The Company engaged a third party consultant to enter into purchase and sales transaction to exchange US dollars into RMB during 2015. No similar transaction incurred in 2016.

3. Summary of Quarterly Results

Period ended	Net income (loss) attributable to shareholders	Income (loss) attributable to shareholders per share Basic	Diluted
	$	$	$
12-31-2016	196,352	0.00	0.00
09-30-2016	(50,138)	(0.00)	(0.00)
06-30-2016	(257,565)	(0.00)	(0.00)
03-31-2016	(2,112,902)	(0.04)	(0.04)
12-31-2015	(162,465)	(0.00)	(0.00)
09-30-2015	1,793,178	0.03	0.03
06-30-2015	3,658,536	0.06	0.06
03-31-2015	1,537,937	0.03	0.03

Variations in quarterly performance over the eight quarters were primarily due to changes in foreign exchange rates and share-based compensation. Appreciation or depreciation of the US dollar can result in significant foreign exchange gains and losses due to the US dollar funds held by the Company.

Net income of $1.5 million for the period ended March 31, 2015 was mainly due to the Company recording a foreign exchange gain and a gain on the partial disposition of its Gold Road Resources Limited investment.

Net income of $3.7 million for the period ended June 30, 2015 was mainly due to the Company recording a gain of $4.2 million on the disposition of its Gold Road Resources Limited investment.

Net income of $1.8 million for the period ended September 30, 2015 was mainly due to the Company recording a foreign exchange gain during the period.

The Company had a net loss of $2.1 million for the period ended March 31, 2016 which was mainly a result of having a $1.6 million foreign exchange loss.

4. Liquidity and Capital Resources

4.1 Cash Flows

	Years ended December 31, 2016	2015
	$	$
Operating activities	(1,831,192)	(2,368,401)
Financing activities	363,431	-
Investing activities	(3,638,748)	12,573,459

Operating activities

The Company's operating expenditures, excluding non-cash share-based compensation and foreign exchange gain (loss), are about $230,000 less than 2015. In addition, the Company had a more favorable change of working capital in 2016 (2016 - ($4,975); 2015 - $336,022) in 2015, As a result, the Company used less cash in its operating activities.

Financing activities

For the year ended December 31, 2016, the Company received $363,431 from options exercised. There were no similar transactions in 2015.

Investing activities

For the year ended December 31, 2016, the Company used $3,638,478of cash in investing activities compared to cash generated of $12,573,459 in 2015. The difference was mainly a combined result of:

- The Company received $18,682,204 from the disposition of investment in common shares of Gold Road Resources Limited in the 2015. No similar transaction incurred in 2016.
- The Company received $1,347,693 upon the completion of the Minco Gold Transaction. No similar transaction incurred in 2016. Thus, the Company had less cash inflow from its investing activities in 2016
- During 2016, net purchase of short-term investment was $1,850,806 compared to $5,652,180 for the comparative period of 2015. Thus, the Company used more cash in its investing activities in 2016.

4.2 Capital Resources

The Company uses the following key financial measurements to assess its financial condition and liquidity:

	December 31, 2016	December 31 2015
	$	$
Working capital	51,882,972	58,603,418
Cash and cash equivalents	20,195,199	26,202,564
Short-term investment	31,410,880	32,143,068

The Company had less working capital as at December 31, 2016. The decrease was mainly due to the use of resources to finance day-to-day operations, and the depreciation of the RMB and US dollar against the Canadian dollar in 2016. The Company does not generate revenues and relies on equity financing for its working capital requirements to fund exploration, development, permitting and administrative activities. The Company believes the working capital on hands is sufficient to meet its current operational and development obligations in the next 12-month operating period.

The Company keeps a significant amount of its cash, cash equivalent, and short-term investment in China in order to meet the capital and operating expenditures in the future development of the Company's Fuwan-Changkeng project. For the cash denominated in RMB that is maintained in China, the remittance of funds to jurisdictions outside China is subject to government rules and regulations on foreign currency controls. Such remittance requires approval by the relevant government authorities or designated banks in China or both. The Company does not expect such withdrawal in the near future.

All of the Company's China operating subsidiaries had accumulated losses. However, if these Chinese subsidiaries become profitable in the future and have extra cash that can pay to the parent company outside China, the repatriations of profits out of China are subject to restrictions. In order to repatriate profits from China, the Company must comply with Chinese regulations pertaining to repatriations. Minco China must provide the following documents to its Chinese bank: (i) a board resolution authorizing the distribution; (ii) a capital verification report and an audit report; (iii) a tax certificate, which shows that Minco China has paid the related tax in compliance with Chinese laws; and (iv) a foreign exchange registration certificate. Minco China will comply with these requirements when needed.

4.3 Contractual Obligations

The Company`s contractual obligations are related to a cost sharing agreement between the Company, Minco Gold and Minco Based Metal Corp. ("MBM"), related parties domiciled in Canada, and outlines shared expenses incurred by the three companies including consulting and rental expenses. The cost sharing agreement is renegotiated or amended by the parties as needed.

Other than the operating lease in connection with the shared agreement, the Company does not have other long-term obligations.

	Payments due by period				
Contractual obligations	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
	$	$	$	$	$
Operating leases (1)	626,224	551,934	59,379	12,781	2,130
Total contractual obligations	626,224	551,934	59,379	12,781	2,130

(1) Office rental payments – Canada and China

4.4 Use of Proceeds from Public Offering

The Company closed a public offering by way of short form prospectus, of 7,600,000 common shares at a price of $5.95 per share for gross proceeds of approximately $45,220,000 on March 3, 2011. The Company intended to use the funds towards its ongoing efforts to complete the permitting process for the Fuwan Silver Project and for general corporate purposes.

Since 2011, the Company has used approximately $16,350,000 to finance the Company's working capital and general purpose operating activities, approximately $12,790,000 in development and permitting of the Fuwan and Changkeng projects. The remaining funds from the public offering was approximately $13,030,000 as at December 31, 2016.

Since fiscal 2011, the Company has earned gain from its investment Gold Road Resources (section 2.5). Its funding denominated in RMB has appreciated against Canadian dollar. Also the Company received share subscription from warrant and option exercised. Together with the remaining proceeds from the public offering, the Company had cash, cash equivalent, and short-term investment totaling approximately $51.61 million. The Company intends to fund the development and part of the construction cost of the mines with the funds on hand

The planned use of proceeds from the public offering has not significantly changed for the year ended December 31, 2016 compared to the Company's initial plan.

Use of the proceeds in funding the pre-production capital costs of the Fuwan Silver Project and the Changkeng Gold Project will not occur until the permitting process is completed.

5. Off-Balance Sheet Arrangements

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

6. Transactions with Related Parties

(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.

Upon completion of the acquisition of the Changkeng Gold Project (section 1.1), the requirement for the trust structure was eliminated. During the year ended December 31, 2013, the Company advanced US $20 million to Minco China via Minco Resources and Minco Gold in accordance with a trust agreement signed on April 30, 2013 in which Minco Silver agreed to advance US $20 million to Minco China to increase Changfu Minco's registered capital. Minco China was to exchange these US funds into RMB.

Minco China is required to exchange the US dollars into RMB, before the money can be used to increase the registered capital of Changfu Minco. The exchange of US dollars into RMB requires approval from the State Administration of Foreign Exchange ("SAFE"). In order to obtain SAFE approval to effect the foreign currency exchange, Minco China, on behalf of Minco Silver has previously engaged a third party consultant to enter into purchase and sales transaction to exchange US dollars into RMB. During the year ended December 31, 2016, Minco China paid and accrued consultancy fees totaling RMB Nil ($Nil) (2015 – RMB 1,304,709 ($268,100), 2014 – RMB 139,692 ($25,063)) due to a third party, who assisted in the completion of currency exchange of the US funds into RMB.

(b) Trust agreement with Minco Gold

Upon the completion of the SPA with Minco Gold (section 1.1) in 2015, Minco Gold still held various mineral properties and an interest in a receivable in connection with a lawsuit initiated by Minco Gold (collectively the "Retained Assets") in China. As Minco Gold ceased to have Chinese operation, Minco Gold entered into a trust agreement with Minco China, a Chinese subsidiary of the Company, where Minco China held the Retained Assets in trust for Minco Gold.

(c) 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.

(d) Due to and due from related parties

	December 31, 2016	December 31, 2015
	$	$
Due from Minco Gold	-	177,330
Due from Minco Base Metal (i)	163,167	-
Total due from related parties	163,167	177,330
Due to Minco Gold (ii)	205,145	-

(i) This is the administrative and shared expenses paid by the Company on behalf of Minco Base Metals that is to be reimbursed.

(ii) During the year ended December 31, 2016, the Company collected $544,164 arising from the partial settlement of the Retained Assets on behalf of Minco Gold. The Company also had $339,019 amount due from Minco Gold to account for the administrative and shared expenses paid by Minco Gold on behalf of the Company, net of the exploration expenses the Company paid on behalf of Minco Gold for the retained assets.

The amounts due are unsecured, non-interest bearing and payable on demand.

In the year ended December 31, 2016, the Company paid or accrued $101,377 (December 31, 2015 – $101,701, December 31, 2014 - $124,833) in respect of rent and $304,788 (December 31, 2015 – $563,588, December 31, 2014 - $663,667) in respect of shared head office expenses and administration costs to Minco Gold.

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

(e) Key management compensation

In the years ended December 31, 2016, 2015 and 2014, the following amounts were paid to or accrued for key management's compensation. The compensation accrued as at December 31, 2016 was $97,344 (2015 - $160,000). Key management includes the Company's directors and senior management. This compensation is included in development costs and administrative expenses.

	Years ended December 31,		
	2016	**2015**	**2014**
	$	$	$
Cash remuneration	757,649	784,608	1,026,436
Share-based compensation	(46,798)(i)	274,632	745,925
	710,851	**1,059,240**	**1,772,361**

(i) Share based compensation earned by management during 2016 consisted of the share based compensation earned from option vesting of 387,048, net of the effect of the PSU reversal of (433,846) (section 2.3)

7. Critical Accounting Estimates and Judgments

The preparation of the Company's consolidated financial statements requires management to use judgment in applying its accounting policies, estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgments and estimates that the company has made in the preparation of the financial statements:

Impairment

Mineral Interests

In accordance with the Company's accounting policy, the Company's mineral interest is evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, which is judgmental, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use.

The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information, including such factors as market and economic conditions, silver prices, future plans for the Company's mineral properties and mineral resources and/or reserve estimates.

Management has assessed for impairment indicators for the Company's mineral interests and has concluded that no indicators of impairment were identified and the Company plans to continue with its objective of developing the combined Fuwan / Changkeng project.

8. Accounting Standards and Amendments Issued But Not Yet Applied

IFRS 9 is a comprehensive standard to replace IAS 39, Financial Instruments: Recognition and Measurement. It includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. The effective date is for annual periods beginning on or after January 1, 2018. Early adoption is permitted. We are currently evaluating the impact of IFRS 9 on our financial statements and expect to adopt the new standard when it comes to effective.

IFRS 16 replaces the previous leases standard IAS 17, Leases and Related Interpretations, and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). Effective January 1, 2019, an entity can choose to apply IFRS 16, but only if it also applies IFRS 15, Revenue from Contracts with Customers. We are currently evaluating the impact of IFRS 16 on our financial statements and expect to adopt the new standard when it comes to effective.

9. Financial Instruments

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the statement of operations or comprehensive loss. Those categories are: fair value through profit or loss. Loans and receivables, available-for-sale and amortized cost for liabilities.

The following table shows the carrying values of assets and liabilities for each of these categories at December 31, 2016 and December 31, 2015.

	December 31, 2016	December 31, 2015
Loans and receivables	**$**	**$**
Cash and cash equivalents	20,195,199	26,202,564
Short-term investments	31,410,880	32,143,068
Receivables	541,293	517,359
Due from related parties	163,167	177,330
Other financial liabilities		
Due to related party	205,145	
Accounts payable and accrued liabilities	424,635	638,550

Investments were measured at fair value based on quoted market price and are a level 1 fair value measurement. The Company makes strategic securities purchases from time to time for investment purposes depending on market conditions and any other relevant factors.

Financial instruments that are not measured at fair value are represented by cash and cash equivalent, short-term investments, receivable, accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying value due to their short-term nature.

Due from related parties amounts are unsecured, non-interest bearing and payable on demand. The carrying value of the due from/to related parties approximates its fair value as the outstanding amount is expected to settle in the next 12-month operating period.

Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk. Risk management activities are carried out by management, who identifies and evaluates the financial risks.

Foreign exchange risk

The functional currency of the Company is the Canadian dollar and the functional currency of its Chinese subsidiaries is RMB. Most of the foreign currency risk is related to US dollar funds held by the Company and its Chinese subsidiaries. Therefore, the Company's net earnings are impacted by fluctuations in the valuation of the US dollar in relation to the Canadian dollar and RMB.

The Company does not hedge its exposure to currency fluctuations. The Company has completed a sensitivity analysis to estimate the impact that a change in foreign exchange rates would have on the net loss of the Company, based on the Company's net US$18.2 million monetary assets as at December 31, 2016. This sensitivity analysis shows that a change of +/- 10% in US$ foreign exchange rate would have a -/+ US$1.8 million impact on net loss.

Interest rate risk

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

The Company has completed a sensitivity analysis to estimate the impact that a change in interest rates would have on the net loss of the Company. The Company mainly holds short-term investments such as guaranteed investment certificates at fixed interest rates. As a result, the Company is not exposed to significant interest rate risk

10. Risks Factor and Uncertainties

A comprehensive discussion of risk factors is included in the Company's AIF for the year ended December 31, 2016, dated March 31, 2017 available on SEDAR at www.sedar.com.

11. Disclosure Controls and Procedure and Internal Controls over Financial Reporting

Management has established disclosure controls and procedures to ensure that information disclosed in this MD&A and the related financial statements was properly recorded, processed, summarized and reported to the Company's Board and Audit Committee.

Management has established disclosure controls and procedures to ensure that information disclosed in this MD&A and the related financial statements was properly recorded, processed, summarized and reported to the Company's Board and Audit Committee. Management has evaluated the effectiveness of the Company's disclosure controls and procedures as at December 31, 2016 and has concluded, based on its evaluation, that these controls and procedures provide reasonable assurance that material information relating to the Company is made known to management and reported as required. Management is also responsible for establishing and maintaining adequate internal controls over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The control framework used to design the Company's internal control over financial reporting is the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management has evaluated the effectiveness of design and operation of the Company's internal controls over financial reporting as at December 31, 2016. Based on the result of this assessment, management has concluded that the Company's internal controls over financial reporting are effective.

12. Cautionary Statement of Forward Looking Information

Except for statements of historical fact, this MD&A contains certain “forward looking information” and “forward looking statements” within the meaning of applicable securities laws, which reflect management’s current expectations regarding, among other things and without limitation, the Company’s future growth, results of operations, performance and business prospects, opportunities, future price of minerals and the effects thereof, the estimation of mineral reserves and resources, the timing and amount of estimated capital expenditures, the realization of mineral reserves estimates, costs and timing of proposed activities, plans and budgets for and expected results of exploration activities, exploration and permitting timelines, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation obligations and expenses, the availability of future acquisition opportunities and use of the proceeds of from financing. Generally, forward looking statements and information can be identified by the use of forward looking terminology such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, “believes” or variations of such words and phrases or statements that certain actions events or results “may”, “could”, “would”, “might”, “will be taken”, “occur” or “be achieved” or the negative connotation thereof.

Forward looking statements are made based upon certain assumptions and other important factors that, if untrue, could cause the actual results, performances or achievements of the Company to be materially different from future results, performances or achievements expressed or implied by such statements. Such statements and information are based on numerous assumptions regarding present and future business strategies and the environment in which the Company operates, including the price of silver and gold, anticipated costs and ability to achieve goals. Certain important factors that could cause actual results, performances or achievements to differ materially from those in the forward looking statements include, among others, silver and gold price volatility, mineral reserves and resources and metallurgical recoveries, mining operational and development risks, litigation risks, regulatory restrictions (including environmental regulatory restrictions and liability), activities by governmental authorities (including changes in taxation and the change of environmental laws and regulations), currency fluctuations, the speculative nature of mineral exploration, the global economic climate, dilution, share price volatility, competition, loss of key employees, additional funding requirements and defective title to mineral claims or property.

Although the Company has attempted to identify important factors that could cause actual events or results to differ materially from those described in forward looking statements, there may be other factors that cause events or results not be as anticipated, estimated or intended.

Such forward looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements expressed or implied by statements containing forward looking information. Such factors include, among others: results of exploration and development activities, management’s historical experience with development-stage mining operations, regulatory changes, possible variations in reserves, grades or recovery rates, availability of material and equipment, timeliness of governmental approvals, changes in commodity prices (particularly silver prices), general economic, market and business conditions, unanticipated environmental impacts on operations, the availability of capital of acceptable terms, and the other factors discussed in the section entitled “Risk and Uncertainties” in this MD&A.

Forward looking statements included or incorporated by reference in this MD&A are based on a number of assumptions including:

- The Company being able to successfully complete the Mining License Application process and begin construction of the Fuwan Silver Project and Changkeng Gold Project
- The approval of the Company’s revised EIA by Chinese authorities.
- The continued availability of equity and debt financing to fund the completion of the Fuwan Silver Project and Changkeng mine and other exploration and development activities.
- The Company uses of proceeds from the Company’s previous public offering as intended
- The continued ability of the Company to attract and retain key management personnel.

- The ability of the Company to evaluate precious metals project outside China for potential acquisition.
- The ability of the Company to renew the exploration permits, mining area permit before their expiry.
- The ability of the Company to pursue an alternative strategy in finding a large mining group in China as a business partner.
- The Company is able to withdraw money from China when needed (e.g. to finance acquisition of new mineral properties at areas other than China).

Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that statements containing forward looking information will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on statements containing forward looking information.

The Company undertakes no obligation to update forward looking information if circumstances or management's estimates or opinions should change except as required by law. Users of this MD&A are cautioned not to place undue reliance on forward looking statements.