

Minco Silver Corporation

Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2017 and 2016

(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 Canadian Institute of Chartered Professional Accountants for a review of condensed consolidated interim financial statements by an entity's auditor.

Dr. Ken Cai
President and CEO

Larry Tsang, CPA, CA
Chief Financial Officer

Vancouver, Canada

November 8, 2017

Index

	Page
Condensed Consolidated Interim Financial Statements	4 - 8
<hr/>	
Condensed Consolidated Interim Statements of Financial Position	4
Condensed Consolidated Interim Statements of Operations	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 - 18
<hr/>	
1 General information	9
2 Basis of preparation	9
3 Cash and cash equivalents	10
4 Short-term investments	10
5 Mineral interests	10
6 Non-controlling interest	12
7 Investments	13
8 Share capital	13
9 Related party transactions	16
10 Geographical information	17
11 Financial instruments and fair value measurements	18
12 Subsequent event	18

Minco Silver Corporation

Condensed Consolidated Interim Statements of Financial Position

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

	September 30, 2017	December 31, 2016
Assets	\$	\$
Current assets		
Cash and cash equivalents (note 3)	18,918,855	20,195,199
Short-term investments (note 4)	27,664,045	31,410,880
Investment in marketable securities (note 7)	385,591	-
Receivables	746,504	541,293
Due from related parties (note 9)	39,823	163,167
Prepaid expenses and deposits	203,350	202,213
	<u>47,958,168</u>	<u>52,512,752</u>
Mineral interests (note 5)	58,794,947	59,141,579
Property, plant and equipment	<u>218,216</u>	<u>295,612</u>
	<u>106,971,331</u>	<u>111,949,943</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	248,806	424,635
Due to related parties (note 9)	24,344	205,145
	<u>273,150</u>	<u>629,780</u>
Equity		
Equity attributable to owners of the parent		
Share capital (note 8)	107,529,681	107,216,932
Contributed surplus	24,895,573	22,682,099
Accumulated other comprehensive income	4,255,814	6,795,087
Deficit	<u>(40,815,170)</u>	<u>(36,692,296)</u>
	95,865,898	100,001,822
Non-controlling interest (note 6)	<u>10,832,283</u>	<u>11,318,341</u>
Total equity	<u>106,698,181</u>	<u>111,320,163</u>
Total liabilities and equity	<u>106,971,331</u>	<u>111,949,943</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

For the three and nine months ended September 30, 2017 and 2016

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Administrative expenses				
Audit, legal and regulatory	107,887	55,850	186,326	205,562
Amortization	16,961	22,460	55,050	73,487
Consulting	21,036	23,387	62,267	70,935
Directors' fees	22,250	24,500	72,750	74,250
Field office expenses	115,670	94,564	336,556	344,705
Investor relations	492	794	11,790	65,782
Office administration expenses	80,208	74,132	192,734	220,638
Rent	80,567	86,656	247,845	319,946
Salaries and benefits	111,722	121,922	400,800	403,781
Share-based compensation (recovery) (note 8(b))	678,067	(17,212)	1,800,269	123,358
Travel and transportation	9,519	22,452	36,290	55,539
	1,244,379	509,505	3,402,677	1,957,983
Operating loss	(1,244,379)	(509,505)	(3,402,677)	(1,957,983)
Finance and other income (expenses)				
Foreign exchange gain (loss)	(665,475)	338,080	(1,333,356)	(1,037,614)
Unrealized gain on investment	18,568	-	12,768	-
Interest income	198,890	50,600	483,288	412,874
Other income	17,854	18,001	9,057	27,359
Net loss for the period	(1,674,542)	(102,824)	(4,230,920)	(2,555,364)
Net loss attributable to:				
Shareholders of the Company	(1,646,051)	(50,138)	(4,122,874)	(2,420,605)
Non-controlling interest	(28,491)	(52,686)	(108,046)	(134,759)
	(1,674,542)	(102,824)	(4,230,920)	(2,555,364)
Loss per share – basic and diluted	(0.03)	(0.00)	(0.07)	(0.04)
Weighted average number of common shares outstanding – basic and diluted	60,684,023	60,156,304	60,593,338	59,892,728

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, 2017 and 2016

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Net loss for the period	(1,674,542)	(102,824)	(4,230,920)	(2,555,364)
Other comprehensive income (loss)				
Exchange differences on translation from functional to presentation currency	(1,933,710)	930,561	(2,917,285)	(7,668,014)
Comprehensive income (loss) for the period	<u>(3,608,252)</u>	<u>827,737</u>	<u>(7,148,205)</u>	<u>(10,223,378)</u>
Comprehensive income (loss) attributable to:				
Shareholders of the Company	(3,328,931)	757,010	(6,662,147)	(9,063,236)
Non-controlling interest	(279,321)	70,727	(486,058)	(1,160,142)
	<u>(3,608,252)</u>	<u>827,737</u>	<u>(7,148,205)</u>	<u>(10,223,378)</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, 2017 and 2016

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

	Changes in Shareholders' Equity							
	Number of Shares	Share capital \$	Contributed surplus \$	Accumulated other comprehensive income \$	Deficit \$	Subtotal \$	Non-controlling interest	Total equity
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)	-	-	(513,729)	-	-	(615,273)	-	(615,273)
Share-based compensation	-	-	420,016	-	-	521,560	-	521,560
Proceeds on issuance of shares from exercise of options	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
Balance - January 1, 2017	60,246,413	107,216,932	22,682,099	6,795,087	(36,692,296)	100,001,822	11,318,341	111,320,163
Net loss for the period	-	-	-	-	(4,122,874)	(4,122,874)	(108,046)	(4,230,920)
Other comprehensive loss	-	-	-	(2,539,273)	-	(2,539,273)	(378,012)	(2,917,285)
Share-based compensation	-	-	2,331,723	-	-	2,331,723	-	2,331,723
Proceeds on issuance of shares from exercise of options	445,001	312,749	(118,249)	-	-	194,500	-	194,500
Balance – September 30, 2017	60,691,414	107,529,681	24,895,573	4,255,814	(40,815,170)	95,868,898	10,832,283	106,698,181

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

Minco Silver Corporation
Condensed Consolidated Interim Statements of Cash Flows
For the nine months ended September 30, 2017 and 2016

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

	2017	2016
	\$	\$
Operating activities		
Net loss for the period	(4,230,920)	(2,555,364)
Adjustments for:		
Amortization	55,050	73,487
Foreign exchange loss	1,333,356	1,037,614
Share-based compensation (note 8(b))	1,800,269	123,358
Unrealized gain on investment in marketable securities	(12,768)	-
Changes in items of working capital:		
Receivables	(225,473)	(92,470)
Prepaid expenses and deposits	(6,498)	38,028
Accounts payable and accrued liabilities	(170,083)	(382,299)
Due to/from related parties (note 9)	(59,583)	232,062
Net cash used in operating activities	(1,516,650)	(1,525,584)
Financing activities		
Proceeds from stock option exercises	194,500	351,391
Net cash generated from financing activities	194,500	351,391
Investing activities		
Development costs	(1,038,199)	(1,280,202)
Property, plant and equipment	14,825	(6,514)
Purchase of investment in marketable securities	(372,823)	-
Purchase of short-term investments	(9,631,506)	(19,291,803)
Redemption of short-term investments	12,242,509	18,070,546
Net cash generated (used) in investing activities	1,214,806	(2,507,973)
Effect of exchange rates on cash and cash equivalents	(1,169,000)	(1,481,728)
Decrease in cash and cash equivalents	(1,276,344)	(5,163,894)
Cash and cash equivalents - Beginning of period	20,195,199	26,202,564
Cash and cash equivalents - End of period	18,918,855	21,038,670

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, 2017 and 2016

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

1. General information

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.

2. Basis of preparation

These condensed consolidated interim financial statements include the accounts of Minco Silver Corporation and its subsidiaries, Minco Yinyuan Co. (“Minco Yinyuan”), Minco Investment Holding HK Ltd (“Minco HK”), Changfu Minco Mining Co. Ltd, formerly Foshan Minco Fuwan Mining Co. Ltd., (“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 as at September 30, 2017 is as follows:

Name	Principal activities (ownership)	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 Resources	Holding company (100%)	China
Minco China	Exploring and evaluating mineral properties (100%)	China
Yuanling Minco	Exploring and evaluating mineral properties (100%)	China
Tibet Minco	Exploring and evaluating mineral properties (100%)	China
Huaihua	Exploring and evaluating mineral properties (100%)	China
Minco International Resources	Investment and service company (100%)	China
Mingzhong	Exploring and evaluating mineral properties (51%)	China

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.

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, 2016, which were prepared in accordance with IFRS as issued by the IASB.

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2017 and 2016

(Expressed in Canadian dollars, unless otherwise stated)

2. Basis of preparation (continued)

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 recent year ended December 31, 2016. Certain comparative financial information for the nine months ended September 30, 2016 has been reclassified to conform to the presentation in the current period.

These condensed consolidated interim financial statements were approved by the board of directors for issue on November 8, 2017.

3. Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and term deposits with initial maturities three months or less.

	September 30, 2017	December 31, 2016
	\$	\$
Cash	3,139,105	3,149,571
Term deposits	15,779,751	17,889,099
	<u>18,918,856</u>	<u>21,038,670</u>

As at September 30, 2017, cash and cash equivalents of \$8,754,668 (December 31, 2016 - \$4,995,478) are kept in China. Remittance of cash 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, 2017, short-term investments consisted of term deposits with original maturities from six months to one year. The yields on these investments were between 1.39% and 2.15%. As at September 30, 2017, short-term investments of \$21,386,534 (December 31, 2016 - \$25,975,769) were kept in China.

5. Mineral interests

	September 30, 2017	December 31, 2016
	\$	\$
Fuwan Silver Deposit (a)	35,233,629	35,287,777
Changkeng Project (c)	23,561,318	23,853,802
Total mineral interests	<u>58,794,947</u>	<u>59,141,579</u>

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2017 and 2016

(Expressed in Canadian dollars, unless otherwise stated)

5. Mineral interests (continued)

(a) Fuwan Silver Deposit

Minco Silver has a 90% interest in Changfu Minco, the Company's China's operating subsidiary and permit holder for the Fuwan Silver 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 Silver Project. The Exploration Permit for the Fuwan Silver Project is the Luoke-Jilinggang exploration permit, which expired on July 20, 2017 and is currently being renewed.

The Mining Area Permit which defines the mining limits of the Fuwan Silver Project and restricts the use of this land to mining activities expires on April 10, 2018.

Following is a summary of the capitalized development expenditures of the Fuwan Silver Project from January 1, 2017 to September 30, 2017.

	\$
Opening Balance – January 1, 2017	35,287,777
Consulting fees	111,302
Salaries and benefits	275,537
Share-based compensation (note 8)	265,727
Environment impact assessment	1,386
Mining license application	186,092
Travel	19,839
Other	242,214
Effect of change in the exchange rate of Chinese Yuan	(1,156,245)
Ending Balance – September 30, 2017	<u>35,233,629</u>

(b) Fuwan Silver Belt

As at September 30, 2017, the Company had two active exploration permits on the Fuwan Silver Belt: the Hecun Property and the Guyegang-Sanyatang Property. The Guyegang-Sanyatang permit expires on March 17, 2017 (renewal application submitted) and the Hecun permit expires on August 12, 2018.

During the nine months ended September 30, 2017, the Company did not conduct any regional exploration activities on the Fuwan Silver Belt, except for maintaining the exploration permits.

(c) Changkeng Project

The Changkeng Project immediately adjoins the Fuwan Silver Deposit. The underlying exploration permit of the Changkeng Project expired on September 10, 2017 and is being renewed.

The following is a summary of project development costs capitalized to mineral interest from January 1, 2017 to September 30, 2017:

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2017 and 2016

(Expressed in Canadian dollars, unless otherwise stated)

5. Mineral interests (continued)

	\$
Opening Balance – January 1, 2017	23,853,802
Consulting fee	111,302
Mining license application	40,141
Share-based compensation (note 8)	265,727
Salaries and benefits	85,416
Other development costs	944
Effect of change in the exchange rate of Chinese Yuan	(796,014)
Ending Balance – September 30, 2017	23,561,318

6. Non-controlling interest

Below is a summary of the financial information of Mingzhong, the entity that holds the non-controlling interest of the Company.

Summarized statement for financial position

	September 30, 2017	December 31, 2016
	\$	\$
NCI percentage	49%	49%
Current assets	85,097	272,119
Current liabilities	(223,135)	(109,658)
	<u>(138,038)</u>	<u>162,461</u>
Non-current asset	23,200,544	23,368,426
Net assets	<u>23,062,506</u>	<u>23,530,888</u>
Accumulated non-controlling interests	<u>10,832,283</u>	<u>11,318,341</u>

Summarized income statement

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Net loss	58,141	107,523	220,844	275,018
Loss allocated to NCI (49%)	<u>28,491</u>	<u>52,686</u>	<u>108,046</u>	<u>134,759</u>

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2017 and 2016

(Expressed in Canadian dollars, unless otherwise stated)

6. Non-controlling interest (continued)

Summarized cash flows

	Nine months ended September 30, 2017	Nine months ended September 30, 2016
	\$	\$
Cash out flows from operating activities	(229,238)	(400,249)
Cash out flows from investing activities	(87,498)	(168,166)

7. Investment in marketable securities

During the nine months ended September 30, 2017, the Company has acquired a portfolio of common shares of public companies from open market. These investments are designated as fair-value-through-profit-or-loss (FVTPL) financial asset and valued at their fair value at inception and at each subsequent reporting period. The Change in fair value is charged to the Company's statement of operations. The Company considers the closing price of the marketable securities at the period end as the fair value.

Details of the Company's investment portfolio as at September 30, 2017 are as follows:

Cost	Fair value adjustment	Fair value
\$	\$	\$
372,823	12,768	385,591

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's long-term incentive plan allows the board of directors to 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, 2017, the Company granted stock options to employees, consultants and directors for the purchase of 4,000,000 common shares at an exercise price of \$1.40 per common share. These options vest over an 18 month period from the grant date and will expire on February 19, 2022.

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2017 and 2016

(Expressed in Canadian dollars, unless otherwise stated)

8. Share capital (continued)

Stock Options (continued)

During the nine months ended September 30, 2017 The Company used the Black-Scholes option pricing model to determine the fair value of the options with the following assumptions: risk free interest rate of 1.01 % to 1.16%; expected dividend yield of 0%; expected annual volatility of 77% to 79%, expected forfeiture rate of 26%; and estimated option life of 5 years.

Option pricing models require the use of subjective estimates and assumptions including the expected stock price volatility. The stock price volatility is calculated based on the Company's historical volatility. Changes in the underlying assumptions can materially affect the fair value estimates.

A continuity of the options outstanding is as follows:

	Number outstanding	Weighted average exercise price \$
Balance, January 1, 2016	6,485,667	2.16
Exercised	(614,995)	0.59
Expired	(1,305,000)	5.31
Forfeited	(285,000)	2.08
Balance, December 31, 2016	4,280,672	1.43
Granted	4,000,000	1.40
Expired	(1,415,000)	2.34
Exercised	(445,001)	0.44
Forfeited	(257,000)	1.63
Balance, September 30, 2017	6,163,671	1.27

During the nine months ended September 30, 2017, the Company recorded \$2,188,328 of the option component of share-based compensation (2016 - \$235,503), of which \$1,750,642 (2016 - \$163,324) was recorded in the statement of operations and \$437,686 (2016 - \$72,179) was capitalized to the Fuwan Silver Deposit and the Changkeng Project (Note 5 (a) and (c)).

During the nine months ended September 30, 2017, the weighted average share price on the day options were exercised was \$1.33. As at September 30, 2017, there was \$945,056 (December 31, 2016 - \$107,736) of unrecognized compensation cost relating to unvested options.

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2017 and 2016

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

8. Share capital (continued)

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	686,671	2.97	0.42	686,671	0.42	
0.80 – 0.81	665,000	1.31	0.80	665,000	0.80	
0.82 – 1.42	4,000,000	4.39	1.40	1,333,328	1.40	
1.43 – 1.70	812,000	0.33	1.70	812,000	1.70	
	6,163,671	3.36	1.27	3,496,999	1.16	

Performance share units (“PSU”)

A summary of the PSUs outstanding is as follows:

	Number outstanding	Fair value per unit
Balance, January 1, 2016	735,000	\$ 0.80
Forfeited	(735,000)	0.80
Balance, December 31, 2016	-	-
Granted	1,000,000	1.40
Balance, September 30, 2017	1,000,000	\$ 1.40

2017

On February 20, 2017, the Company granted 1,000,000 PSUs to employees and consultants of the Company, whereby 50% of these PSU vest upon the receipt of the final approval for the Environmental Impact Assessment (EIA) report for the Fuwan Silver Project or Changkeng Gold Project or the Combination of both. The remaining 50% vests upon the receipt of the mining license issued by Ministry of Land and Resources (“MOLAR) for the Fuwan Silver Project, or Changkeng Gold Project, or the combination of both (collectively the “Performance Criteria”).

Upon satisfaction of the Performance Criteria over the three-year performance cycle ended February 20, 2020, Each PSU represents one common share of the Company on vesting.

PSU are fair valued as follows: the portion of the PSU’s related to market conditions is fair valued based on application of a Monte Carlo pricing model or other suitable option pricing models at the date of grant and the portion related to non-market conditions is fair valued based on the market value of the shares at the date of grant. The fair value of the PSU’s was \$1.40 per unit at the grant date. In valuing the fair value of the PSUs, the Company used a forfeiture rate of 26% and an expected life of 3 years as assumptions.

During the nine months ended September 30, 2017, the Company recorded \$143,395 (2016 - \$123,358) of share-based compensation to account for the vesting of PSUs. Share-based compensation of \$49,627 was recorded in the statement of operations and \$93,768 was capitalized to the Fuwan Silver Deposit and the Changkeng Project (Note 5 (a) and (c)).

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2017 and 2016

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

8. Share capital (continued)

2016

As the Performance Criteria of the 735,000 PSU that had been granted before 2016 were not fulfilled before the end of the performance cycle, all of the 735,000 PSU were forfeited on October 10, 2016. Consequently, the share-based compensation recorded to the Company's statement of operation and to the share-based compensation capitalized to mineral interest from fiscal 2013 up to the second quarter of 2016 were reversed during the quarter ended September 30, 2016.

9. Related party transactions

(a) Trust agreement with Minco Gold Corp. ("Minco Gold")

The CEO of Minco Gold is also the CEO of the Company. In addition, Minco Gold holds 11,000,000 common shares of the Company (approximately 18% of the Company's outstanding shares). As such, Minco Gold is considered related to the Company.

During fiscal 2015, Minco Gold sold all of its Chinese subsidiaries to the Company and ceased to have subsidiaries in China. As a result, Minco Gold entered into a trust agreement in 2015 with Minco China, a subsidiary of Minco Silver, to hold the interest of certain remaining assets (the "Retained Assets") in China on behalf of Minco Gold. As at September 30, 2017, this trust agreement was eliminated and there was no balance owing between the Company and Minco Gold in connection with this trust agreement.

(b) Shared expenses

The CEO of Minco Base Metals Corporation ("MBM") is also the CEO of the Company. The Company, Minco Gold, and MBM share offices and certain administrative expenses

(c) Due to and due from related parties

	September 30, 2017	December 31, 2016
	\$	\$
Due from MBM (i)	39,823	163,167
Due to Minco Gold (ii)	24,344	205,145

(i) \$39,823 is comprised of the shared expenses and other expenditures to be reimbursed by Minco Base Metal.

(ii) \$24,344 due to Minco Gold was the shared office expenses paid by Minco Gold on behalf of Minco Silver during the nine months ended September 30, 2017.

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

During the three months ended September 30, 2017, the Company accrued or paid to Minco Gold \$26,911 (2016 – \$26,307) in respect of rent and \$64,375 (2016 – \$66,560) in respect of shared office and administrative expenses.

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2017 and 2016

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

9. Related party transactions (Continued)

During the nine months ended September, 2017, the Company paid or accrued \$80,081 to Minco Gold (September 30, 2016 – \$75,070) in respect of rent and \$239,447 (September 30, 2016 – \$240,951) in respect of shared office and administrative expenses.

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

(d) Key management compensation

During the three and nine months ended September 30, 2017 and 2016, the following compensation was paid and accrued to key management. Key management includes the Company's directors and senior management. Part of this compensation has been charged to the statement of operations and part of it has been capitalized to mineral interests (note 5).

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Cash remuneration	168,291	159,032	494,321	485,463
Share-based compensation	577,696	103,505	1,623,605	369,907
	<u>745,987</u>	<u>262,537</u>	<u>2,117,926</u>	<u>855,370</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 assets is as follows:

	Canada	China	Total
	\$	\$	\$
September 30, 2017:			
Current assets	16,955,708	31,002,460	47,958,168
Non-current assets	5,685	59,007,478	59,013,163
December 31, 2016:			
Current assets	20,946,132	31,566,620	52,512,752
Non-current assets	8,588	59,428,603	59,437,191

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2017 and 2016

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

11. Financial instruments and fair value measurements

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 cash and cash equivalent, short-term investments, receivables, due to and from related parties, account payable and accrued liabilities. The fair values of these financial instruments approximate their carrying value due to their short-term nature.

On September 30, 2017, the Company had investment in marketable securities of \$371,084 that were measured at fair value at level 1.

The Company did not have financial assets measured at fair value through profit and loss on December 31, 2016.

12. Subsequent event

In October 2017, the Company acquired from public market four corporate bond securities for investment purpose. Details are as follows:

- Principal of the four bond securities is USD 3.25 million totaling,
- maturities are ranged from June 20, 2018 to November 4, 2019,
- yields to maturity are ranged from 3.22 % to 4.93% per annum.