MINCO SILVER CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

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 29, 2019 and should be read in conjunction with the audited consolidated financial statements and related notes for the year ended December 31, 2018. 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, 2018 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, 2018 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, through its wholly owned subsidiary Minco Investment Holding HK Limited ("Minco HK"), owns a 90% interest *in Changfu Minco 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.

As at December 31, 2018, the Company had these Chinese subsidiaries: Minco HK, Changfu Minco (90% ownership), Zhongjia Jinggu Limited ("Zhongjia"), Minco Mining (China) Corporation ("Minco China"), , Tibet Mining Co. Ltd. ("Tibet Minco"), Minco Resources, Guangdong Mingzhong Mining Co. Ltd. ("Mingzhong") (51% ownership), and Beijing Minco International Resources Investment Services Ltd. ("International Resources").

At the date of this MD&A, the Company has 60,704,748 common shares, 950,000 performance share units and 7,896,337 stock options outstanding, for a total of 69,551,085 fully diluted common shares outstanding.

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13. Cautionary Statement on Forward Looking Information

1. Highlights

Disposition of subsidiaries

During the year ended December 31, 2018, the Company disposed of the following Chinese subsidiaries:

(1) 100% interest in Yuanling Minco Mining Ltd. and Huaihua Tiancheng Mining Ltd. (collectively the “Yuanling”) in an arm’s length transaction on May 10, 2018 for gross proceeds of $30,102 (RMB 150,000).

(2) 100% interest in Minco Yinyuan Co. (“Minco Yinyuan”) in a non-arm’s length transaction to a subsidiary of Minco Base Metal Corporation, on July 8, 2018 for consideration of $6,264,423 (RMB 31,656,834); and

(3) 100% of Beijing Minco International Resources Investment Services Ltd. (“Minco International Resources”), an investment holding company, in a non-arm’s length transaction to a subsidiary of Minco Base Metals Corporation for gross proceeds of $187,998 (RMB1,000,000).

Minco Yinyuan and Minco International Resources do not hold any material mineral interests.

Proposed acquisition of mineral properties

During 2018, the Company entered into a preliminary agreement (the “Proposed Acquisition”) to acquire 70% of the equity interests in Changing Longxin Mining Co., Ltd ("Longxin Mining"), a Chinese mining company which holds a 100% interest in the Longwangshan Gold Mine, located in Shuikuoshan mining district, Hunan, China. The estimated purchase price for the 70% equity interest in Longxin Mining under the preliminary agreement was in the range of 147-168 million RMB (approximately $28-32 million).

In conjunction with the proposed acquisition, on August 6, 2018 Minco China entered into a loan agreement with Longxin Mining and its shareholders pursuant to which Minco China provided the shareholders of Longxin Mining a loan of $14,630,621 (73.8 million RMB) (the "Note"). The Note is due and payable six months from issuance, bears interest at the rate of 10% per annum, and is secured by 100% equity interest in Longxin Mining and all assets of the Longwangshan Gold Mine. In addition, the Note is guaranteed by both Longxin Mining’s shareholders and a real estate company controlled by them. The Note was meant to form part of the consideration for the Proposed Transaction.

The Company conducted a full due diligence review of Longxin Mining and the Longwangshan Gold Mine, including a drilling program to verify the reserves and resources of the mine. As the results of the drilling program indicated the reserve and resource estimates do not meet the Company’s criteria, the Company decided not to proceed with the Proposed Acquisition on February 4, 2019 and the Note became due and payable.

On February 4, 2019, Minco China received the full interest payment of $718,564 (RMB 3.6 million) for this six-month period and also received a reimbursement of $396,500 (RMB 2 million) of the due diligence cost in accordance with the preliminary agreement.

The Note was extended to June 30, 2019 with an increased interest rate of 12% per annum, and continues to be continued secured by all the securities mentioned above,

2. Exploration and Project Development Activities

2.1 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.

The Company acquired Changkeng Gold Project from Minco Capital Corp. ("Minco Capital") on July 31, 2015. Technical Information of the Changkeng Gold Project is available from the NI 43-101 technical report prepared for Minco Capital 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 Capital.

All other disclosure of a scientific or technical nature in this MD&A was reviewed and approved by Wan Fang, a Member of the Association of Professional Engineers and Geoscientists of Ontario (P. Geo) and a "qualified person", as such term is defined in NI 43-101.

The Company has not updated the three technical reports or feasibility studies mentioned above since their initial publication. Readers are cautioned not to rely on the above mentioned technical reports/feasibility study for the assessment of the prospect of the Fuwan Silver Project and Changkeng Gold Project, and for the accuracy of certain numbers, including the mineral resources estimates, capital cost, development cost, preproduction cost and operating cost presented in this MD&A, which have been derived from the above mentioned technical reports.

2.2 Fuwan Silver Project

At the beginning of 2018, the Company, through Changfu Minco, had three reconnaissance survey exploration permits in the Fuwan area (Luoke-Jilinggan 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.

The Company's principal property is the Fuwan Silver Project with Luoke-Jilinggang exploration permit. The project is located in Gaoming County approximately 45 km southwest of Guangzhou, the fourth largest city in China with more than 14 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.

The Luoke- Jilinggang Permit expired on July 20, 2017 and is being renewed. This process is slow however is in normal course for permit renewal. The Company expects to get the renewal.

The Company also had Fuwan Silver Belt Project in the Fuwan Area. Fuwan Silver Belt includes two permits, namely the Hecun Property and the Guyegang-Sanyatang Property. The Company's resource estimate in the Fuwan area described in the Company's latest 43-101 technical report dated October 2009 does not include the Hecun Property and the Guyegang-Sanyatang Property. Management considers these two mineral interests not part of the core mineral interests and let the Hecun Property and the Guyegang-Sanyatang Property expire on August 12, 2018 and March 17, 2019 respectively without renewal.

2.2.1 Historical Development on the Fuwan Silver Project

During 2014 and 2013, the Company made efforts to regain the support of local communities and had productive discussions with Zhaoqian District government and Gaoyao County government to develop the Fuwan Silver Project before the submission of the revised EIA report to Guangdong EPA department. In 2013, the Company conducted a new survey among local communities concerning the development of the Fuwan Silver Project and obtained very strong support from the locals. On May 26, 2013, Gaoyao County government issued an official approval of the development of the Fuwan Silver Project to the Company.

In 2010 the Company engaged Guangdong Nuclear Design Institute ("GNDI") to complete the Chinese Regulatory EIA report. The EIA report was reviewed and approved by a technical panel appointed by the Department of Environmental Protection Administration of Guangdong Province in principle on March 7, 2010 with certain comments. The Company submitted the revised report to the Department in December 2010 after addressing the comments received from the panel.

The Company engaged General Station for Geo-Environmental Monitoring of Guangdong Province ("GSGEM") for a water monitoring study to comply with the new water regulations issued by the Ministry of Environmental Protection of China effective on June 1, 2011. GSGEM carried out the required monitoring study and prepared all reports required for compliance with the new National Water Guidelines. The Company successfully completed the field work in January 2012 and received the comprehensive water monitoring report from GSGEM in April 2012. The report concluded that the Company is in compliance with the requirements of the National Water Guidelines. Revision of the EIA report has been completed incorporating the results from the water monitoring survey report. The revised EIA will be submitted to the Guangdong Environment Protection Administration ("EPA") as soon as they are accepting new EIA reports.

The preliminary mine design was completed in 2013 by China Nerin Engineering Co. Ltd ("NERIN"). The following summarized significant progress made in Permitting and Approval on the Fuwan Silver Project:

- The Chinese Preliminary Feasibility Study was completed by Changsha Non-Ferrous Mine Design Institute and approved by an expert panel.
- 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 MOLAR. The renewed permit expires on April 10, 2016. The Company will apply for the renewal of this permit.
- The Soil and Water Conservation Plan was completed and approved.
- The Geological Hazard Assessment was completed and approved in September 2009.
- The Mine Geological Environment Treatment Plan was reviewed and approved by the Environment Committee of China Geology Association.
- The preliminary Safety Assessment draft report was completed in December 2011 and submitted to the Safety Bureau of Guangdong Province for approval.

2.3 Changkeng Gold Project

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

The Company has 51% interest in the Changkeng Project through its subsidiary Mingzhong, which is a cooperative joint-venture established with three Chinese partners.

The Changkeng exploration permit is set to expire on September 10, 2019. The Company intends to renew this permit.

2.3.3 Exploration Update

During the year ended December 31, 2018, the Company did not conduct any exploration activities, except for maintaining the exploration permits of the Fuwan Silver Project and the Changekeng Gold Project. The Company is waiting a feedback from relevant government agencies to determine the best way to move the properties to develop the Company's mineral interests.

2.4 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. This feasibility report has been revised twice since 2015 to meet the Environmental Impact Assessment ("EIA") requirements. 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.

2.5 Current Developments

Permitting

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

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"). The Mining Area Permit which defines the mining limits of the Fuwan Silver Project and restricts the use of this land to mining activities has been renewed indefinitely until the Company receives the mining permit for this property.

- the latest EIA report for the combined Fuwan-Changkeng Project pending submitted to the government for approval. We are waiting a feedback from the relevant government agency to determine the best way to develop the Company's mineral interests. The EIA report is required to update after the feedback is received.
- the development plan of the combined Fuwan Silver Project and Changkeng Gold Project has been completed and may subject for changes when the EIA report is updated.

Combination of Fuwan Silver Project and Changkeng Gold Project

During the year ended December 31, 2018, the Company is in the process of combining the Fuwan Silver Project and the Changkeng Gold Project which adjoins the Fuwan Silver Project. The combination is pending subject to the further feedback from the government agencies about how to develop the Company's mineral interests.

3. Results of Operations

3.1 Selected Annual Information

The following table summarizes selected financial information for the last three fiscal years

	2018 $	2017 $	2016 $
Revenue	-	-	-
Net loss	(170,695)	(5,205,216)	(2,407,668)
Loss per share (basic and diluted)	(0.003)	(0.09)	(0.04)
Total assets	112,098,110	109,609,999	111,949,943
Total long-term financial liabilities	-	-	-
Cash dividends	-	-	-

More analysis for year to year changes are available in sections 3.3 to 3.5.

3.2 Exploration Costs

As at December 31, 2018, the Company has the following accumulated costs incurred in connection with the Company's mineral interest:

	December 31, 2017	Additions	Effect of change in foreign exchange rate	December 31, 2018
	$	$	$	$
Fuwan Silver Project	36,626,372	860,016	1,020,056	38,506,444
Changkeng Gold Project	24,472,217	428,765	676,079	25,577,061

Total	**61,098,589**	**1,288,781**	**1,696,135**	**64,083,505**

Changkeng Gold Project

The following is a summary of costs incurred and capitalized for the Changkeng Gold Project for the year ended December 31, 2018, and 2017 and since the acquisition of the Changkeng Gold Project on July 31, 2015:

	2018	2017	Accumulated, December 31, 2018
	$	$	$
Acquisition	-	-	25,312,695
Consulting fees	187,178	192,826	398,106
Drilling	-	-	142,863
Feasibility study	-	-	112,201
Mining design and license application	-	774	49,523
Salary and benefits	37,983	163,786	423,721
Share-based compensation	203,362	346,095	549,458
Site office occupancy cost and others	242	1,164	3,780
Subtotal	428,765	704,645	26,992,347
Effect of foreign exchange	676,079	(86,230)	(1,415,286)
Total	**1,104,844**	**618,415**	**25,577,061**

Fuwan Silver Project

The following is a summary of capitalized development cost of the Fuwan Silver Project for the years ended December 31, 2018, and 2017.

	2018	2017	Accumulated, December 31, 2018
	$	$	$
Consulting fees	187,178	192,826	6,404,049
Drilling	-	-	1,859,018
Labor costs	211,840	339,150	3,395,746
Feasibility study	-	-	1,991,340
Share-based compensation	203,362	346,095	7,564,997
Mine design costs	-	-	661,687
Mining license application	23,891	207,033	4,551,855
Environment impact assessment	-	1,386	1,106,457
Travel	24,050	45,530	701,480
Site office occupancy costs and others	209,695	323,599	3,313,591
Total before foreign exchange	860,016	1,455,619	31,550,220
Effect of foreign exchange	1,020,056	(117,024)	6,956,224
	1,880,072	**1,338,595**	**38,506,444**

The Company's mineral assets are in China and its carrying value is recorded in RMB. An appreciation of RMB to the Canadian dollar will increase the carrying value of the mineral properties and vice versa.

3.3 Operating result - Year 2018 compared to 2017

	2018	2017
	$	**$**
Revenue	-	-
Administrative expenses	3,370,881	4,455,578
Loss from operations	(3,370,881)	(4,455,578)
Finance and other income (expenses)	3,200,186	(749,638)
Net loss for the year	**(170,695)**	**(5,205,216)**

3.4 Administrative Expenses

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 and an office in Beijing, China as well as an office in Vancouver, Canada.

The following table is a summary of the Company's administrative expenses for the years ended December 31, 2018, and 2017.

Administrative expenses	ref	2018	2017	Changes
		$	$	$
Audit, legal and regulatory		281,600	250,154	31,446
Amortization		52,983	70,681	(17,698)
Consulting	b	171,802	84,014	87,788
Directors' fees		92,250	95,000	(2,750)
Field office expenses	c	512,495	459,904	52,591
Investor relations		7,322	12,337	(5,015)
Office administration	c	211,247	258,626	(47,379)
Property investigation	d	366,196	-	366,196
Rent	c	191,065	317,322	(126,257)
Salaries and benefit	c	290,333	611,652	(321,319)
Share-based compensation	a	1,118,167	2,245,859	(1,127,692)
Travel and transportation		75,421	50,029	25,392
Total		**3,370,881**	**4,455,578**	**(1,084,697)**

(a). Share-based compensation decreased by $1,127,692. The Company granted 1,968,000 options and Nil performance share units ("PSU") during 2018 (2017 – 4,000,000 options, and 1,000,000 PSU were granted). Consequently share-based compensation in 2018 decreased.

(b). Consulting costs increased by $87,788 in 2018. The Company engaged more consultants in 2018 to advance its business in China.

(c) Field office expenses, salaries, office administration, and rental expenses decreased as the Company sold subsidiaries and had less employees in 2018. The Company also entered into a new cost and office expenditure sharing agreement with Minco Base Metals Corporation and Minco Capital Corporation in 2018 with a decreased sharing percentage.

(d) Property investigation cost of $366,196 was mainly related to the Proposed Acquisition and for which the Company received $396,500 reimbursement (RMB 2 million) in February 2019.

3.5 Finance and Other Income (Expenses)

To date the Company has not earned revenue from operations.

	2018	2017	2018-2017
	$	$	$
Foreign exchange gain (loss)	1,229,970	(1,365,447)	2,595,417
Gain on disposal of investment	-	15,332	(15,332)
Gain on sale of subsidiaries	1,518,886	-	1,518,886
Loss on short-term investment	(761,776)	(46,058)	(715,718)
Interest income	1,356,351	637,478	718,873
Other expenses	(143,245)	9,057	(152,302)
Total	**3,200,186**	**(749,638)**	**3,949,824**

Foreign exchange gain (loss)

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 cash deposit and short-term investment maintained in Hong Kong and Canada.
- The effect of the change of exchange rate between US dollar and RMB on the US dollar denominated deposit and short-term investment held by the Company's Chinese subsidiaries. RMB is the functional currency of the Company's Chinese subsidiaries.

The US dollar appreciated against Canadian dollars and RMB by approximately 8.6% (2017 – depreciation of 6.7%) and 5.7% (2017 – depreciation of 5.9%) respectively in 2018, consequently foreign exchange gain increased by $2.6 million.

Loss on short term investment

As at December 31, 2018, the Company invested in three corporate bonds each with a face value of USD 800,000 (totaling $3.26 million). One of the bonds, issued by China Energy Reserve & Chemicals Group Co. ("CERCG"), with a maturity date on January 15, 2019 was in default during 2018 and the Company wrote down the fair value of this bond investment in CERCG from USD802,000 on December 31, 2017 to USD271,280 on December 31, 2018. The Company closely monitors the development of the bond market and will make appropriate actions when needed.

Interest income

Interest income increased as the interest rate offered by financial institutions for the Company's term deposit was higher in 2018. Also the Company earned interest income from the issuance of the Note in connection with the Proposal Acquisition (section 1).

Gain on disposition of subsidiaries

During the year ended December 31, 2018, the Company disposed the following Chinese subsidiaries:

(i) 100% interest in Yuanling was sold in an arm's length transaction on May 10, 2018 for gross proceeds of $30,102 (RMB 150,000).

(ii) 100% interest in Minco Yinyuan was disposed of to a subsidiary of Minco Base Metals Corporation for a consideration of $6,264,423 (RMB 31,656,834); and

(iii) 100% of Beijing Minco International Resources was sold to a subsidiary of Minco Base Metals Corporation for gross proceeds of $187,998 (RMB 1,000,000).

A gain of $1,518,886 has been recorded in 2018. There was no similar disposition in 2017.

3.6 Fourth Quarter

Quarter ended December 31,	2018	2017	Changes
	$	$	$
Administrative expenses			
Audit, legal and regulatory	59,544	63,828	(4,284)
Amortization	13,276	15,631	(2,355)
Consulting	93,302	21,747	71,555
Directors' fees	16,500	22,250	(5,750)
Field office expenses	77,392	123,348	(45,956)
Investor relations	703	547	156
Office administration expenses	20,443	65,892	(45,449)
Property investigation	(85,806)	-	(85,806)
Rent	(6,240)	69,477	(75,717)
Salaries and benefits	43,107	210,852	(167,745)
Share-based compensation	66,477	445,590	(379,113)
Travel and transportation	16,499	13,739	2,760
Loss before finance and other income (expenses)	(315,197)	(1,052,901)	737,704
Finance and other income (expenses)			
Foreign exchange gain (loss)	432,731	(32,091)	464,822
Gain on sale of subsidiaries	1,487,387	-	1,487,387
Loss on short-term investment	7,362	(43,494)	50,856
Interest income	603,750	154,190	449,560
Other expenses	(291,513)	-	(291,513)
Total	2,239,717	78,605	2,161,112
Net earnings (loss) for the period	1,924,520	(974,296)	2,898,816

Net income increased by $2.9 million and was the combined result of the following:

1) An increase of foreign exchange gain of $464,822 because of the strength of the US dollar in this quarter.
2) An increase of interest income of $449,560 arising from the Note issued in the second quarter of 2018. The Company did not have similar interest bearing investment in the fourth quarter of 2017.
(3) Loss from operations decreased by $737,704. The Company had less share based compensation and salaries and benefits in the fourth quarter in 2018 that is discussed in the section 3.4 (a) and 3.4 (c)
(4) a non-recurring gain of $1,487,387 from disposition of subsidiaries.

4. Summary of Quarterly Results

Period	Net earnings (loss) attributable to shareholders	Per share, basic and diluted
	$	$
12-31-2018	1,943,068	0.03
09-30-2018	(283,451)	(0.00)
06-30-2018	(1,298,927)	(0.02)
03-31-2018	(410,544)	(0.01)
12-31-2017	(952,660)	(0.02)
09-30-2017	(1,646,051)	(0.03)
06-30-2017	(1,653,585)	(0.03)
03-31-2017	(823,238)	(0.01)

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.

5. Liquidity and Capital Resources

5.1 Cash Flows

	Years ended December 31,	
	2018	**2017**
	$	$
Operating activities	(2,566,815)	(2,216,741)
Financing activities	181,394	363,324
Investing activities	(13,849,358)	4,254,678

Operating activities

During the year ended December 31, 2018, cash used in its operating activities was not substantially different from 2017 as no significant change in business from 2017.

Financing activities

For the year ended December 31, 2018, the Company received $Nil from options exercised (2017 - $200,101) and $181,394 from Mingzhong's minority shareholders (2017 - $163,223).

Investing activities

During 2018, the Company used $13,849,358 for its investing activities (2017 – inflow of $4,254,678). The main activity of the year was the use of $14,043,925 for the issuance of the Note (section 1), which earns interest income of 10% per annum during 2018.

5.2 Capital Resources

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

	December 31, 2018	**December 31 2017**
	$	$
Working capital	47,172,392	47,636,526
Cash and cash equivalents	6,555,249	22,102,526
Short-term investment	25,161,492	25,338,081

The Company had less working capital as at December 31, 2018 as the Company used the working capital to finance its day-to-day operations in 2018.

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 hand is sufficient to meet its current operational and development obligations in the next 12-month operating period, and the Company is not subject to external constraint in using its resources on hand.

The Company keeps a significant amount of its cash, cash equivalents, 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, the Company's wholly owned subsidiary in 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.

5.3 Contractual Obligations

The Company has the following commitments in respect of its portion of office leases in China and Canada;

	Payments due by period			
Contractual obligations	**Total**	**Within 1 year**	**2-3 years**	**4-5 years**
	$	$	$	$
Rent, office lease	309,850	79,907	156,247	73,696

6. Off-Balance Sheet Arrangements

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

7. Transactions with Related Parties

(a) Shared expenses

Minco Silver, Minco Capital, and Minco Base Metals Corporation ("MBM") have common directors and officers. These three companies share offices and certain administrative expenses.

(b) Due to and due from related parties

December 31,	2018	2017
	$	$
Due from MBM	206,299	-
Due from (to) Minco Capital	1,054	(27,523)
	207,353	(27,523)

The amounts due from (to) MBM and Minco Capital are administrative and shared expenses to be settled after the year end.

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

During the year ended December 31, 2018, the Company paid or accrued $53,721 (December 31, 2017 – $106,991) in respect of rent and $263,857 (December 31, 2017 – $302,289) in respect of shared head office expenses and administration costs to Minco Capital.

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

(c) Transaction and trust arrangement MBM

As discussed in section 1, the Company disposed Minco Yinyuan to MBM. After the disposition, Minco Yinyuan has a trust arrangement with Minco China, a wholly owned subsidiary of the Company, to continue holding certain cash and short-term investments for Minco China. The amount held by Minco Yinyuan in trust for Minco China was $130,452 on December 31, 2018.

(d) Key management compensation

The following amounts were charged for key management compensation in 2018 and 2017. The compensation accrued as at December 31, 2018 was $123,245 (2017 - $82,257). Key management includes the Company's directors and senior management. This compensation is included in development costs and administrative expenses.

	2018	2017
	$	$
Cash remuneration	761,200	812,861
Share-based compensation	1,156,108	2,109,551
	1,917,308	**2,922,412**

8. 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

Impairment

In accordance with the Company's accounting policy, the Company's mineral interests are 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, success renewal of the exploration permits of the Fuwan Silver Property and Changkeng Gold Project, maintenance of the title of the mineral interests, changes in commodity 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.

Note receivable

At each reporting date, the Company applies its judgement to evaluate the collectability of material receivable and note receivable and make a provision based on the assessed amount of expected credit losses.

9. Accounting Standards

Adoption of new accounting standards

Commencing January 1, 2018 the Company adopted IFRS 9. The adoption of this new accounting standard did not have material impact to the Company's financial statements.

IFRS 9 addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 Financial Instruments. The new standard contains three classification for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI"), and fair value through profit and loss ("FVTPL"). The new standard eliminates the previous IAS 39 categories of held to maturity, loan and receivables, and available for sale.

Recognition and Measurement for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. Requirements for financial liabilities are largely carried forward from the existing requirements in IAS 39 except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

Following is the new accounting policy for financial instruments under IFRS 9:

Classification

The Company's cash and cash equivalents, short-term investments, receivables, note receivable, accounts payable, due to minority shareholders, and due to/from related parties are amortized cost financial instruments.

Measurement

The Company's financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs respectively, and subsequently carried at amortized cost less any impairment.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company shall recognize in the consolidated statements of operation and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

10. Financial Instruments

The following table shows the carrying values of the Company's financial assets and liabilities as at December 31, 2018 and 2017:

	December 31, 2018	December 31, 2017
Amortized cost financial assets:	**$**	**$**
Cash and cash equivalents	6,555,249	22,102,526
Short-term investments	25,161,492	25,338,081
Note receivable	14,630,621	-
Receivables	985,978	612,140
Due from related parties	207,353	-
Amortized cost financial liabilities:		
Due to related party	-	27,523
Accounts payable and accrued liabilities	309,010	474,699
Due to minority shareholders	351,968	164,000

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 equivalent, short-term investments, receivables, note receivable, 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.

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$6.7 million monetary assets as at December 31, 2018. This sensitivity analysis shows that a change of +/- 10% in US$ foreign exchange rate would have a -/+ US$0.7 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

11. Risks Factor and Uncertainties

A comprehensive discussion of risk factors is included in the Company's AIF for the year ended December 31, 2018 is also available on SEDAR at www.sedar.com.

12. 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, 2018 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, 2018. Based on the result of this assessment, management has concluded that the Company's internal controls over financial reporting are effective.

13. 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 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.