MINCO SILVER CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2013

This Management's Discussion and Analysis ("MD&A") of Minco Silver Corporation ("Minco Silver" or the "Company") has been prepared on the basis of available information up to August 12, 2013 and should be read in conjunction with the unaudited condensed consolidated interim financial statements and related notes for the three and six months ended June 30, 2013 and the audited consolidated financial statements and related notes for the year ended December 31, 2012. The Company's condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. All dollar amounts are expressed in Canadian dollar unless otherwise indicated.

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

Additional information, including the above mentioned audited financial statements for the year ended December 31, 2012 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 SEDAR.

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 silver dominant mineral properties. The Company currently has a 100% beneficial interest in the shares of Foshan Minco Mining Co. Ltd. ("Foshan Minco") subject to a 10% net profit interest held by the Guangdong Geological Bureau ("GGB") in the Fuwan Silver Deposit, situated along the northeast margin of the Fuwan Silver Belt in Guangdong Province, People's Republic of China ("China"). The Company's activities in respect of the Fuwan Silver Deposit are sometimes referred to as the "Fuwan Project" or the "Fuwan Silver Project."

Foshan Minco is legally owned by Minco Mining (China) Corporation ("Minco China"), an indirect subsidiary of Minco Gold Corporation ("Minco Gold"), in trust for the Company.

Minco Silver Ltd., Minco Yinyuan Co., and Minco Investment Holding HK Limited are the wholly owned subsidiaries of the Company. The Company, indirectly through Foshan Minco owns 100% of Zhongjia Jinggu Limited ("Zhongjia").

As at June 30, 2013, the Company had 59,048,085 common shares, 6,745,836 stock options, and 560,000 restricted share units outstanding, for a total of 66,353,921 fully diluted common shares outstanding. At the date of this MD&A, the Company has 59,328,085 common shares, 280,000 restricted share units, and 6,745,836 stock options, for a total of 66,353,921 fully diluted common shares outstanding. Minco Gold owns 22.02% of the outstanding shares of the Company.

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1. Overview for the Period

During the first half year 2013, the Company made good progress to regain the support of local communities to develop the Fuwan Silver Project before the submission of the revised EIA report. The Gaoyao County government issued an official approval of the development of the Fuwan Silver Project to the Company on May 26, 2013. In addition, the Company is currently undertaking a process to review its expenditure, and will reduce its spending as much as they can during the difficult economic period. .

2. Exploration and Project Development Activities

2.1 Disclosure of Technical Information

Disclosure of information of a technical or scientific nature for the Fuwan Project has been made in two Technical Reports, which are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com or on the Company's website at www.mincosilver.com. They are as follows:

The 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, prepared by Eugene Puritch, P. Eng. Ontario, Tracy Armstrong, P. Geo Ontario, and Antoine Yassa, P.Geo. Québec, all of P&E Mining Consultants Inc. ("P&E"). 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 Project.

Minco Silver Corporation News Release dated May 12, 2008 entitled "Minco Silver Announces a 31% increase in the Indicated Resource on its Fuwan Silver Project".

The NI 43-101 compliant technical report entitled "Fuwan Silver Project Feasibility Study Technical Report" effective date September 1, 2009 (the "Feasibility Study") prepared by John Huang, P.Eng., S. Byron V. Stewart, P.Eng., Aleksandar Živković, P.Eng. and Scott Cowie, B.Eng, MAusIMM, all of Wardrop Engineering Inc. ("Wardrop"), and Eugene Puritch, P.Eng. of P&E and all 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 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 British Columbia, 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.

2.2 Fuwan Silver Project

The Company's principal property is the Fuwan Silver Deposit located in Gaoming County approximately 45 km southwest of Guangzhou, the fourth largest city in China with 13 million people and the capital city of Guangdong Province. The Company's objective is to develop the Fuwan Silver Deposit and commence commercial mining operations on the property.

The Company has four reconnaissance survey exploration permits on the Fuwan Silver Deposit, having a total area of 172.50 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 and Changkeng gold deposit in which Minco Gold owns a 51% interest. The exploration permit for the Fuwan main deposit area is the Luoke-Jilinggang (76.62 sq. km.). The current exploration permit expires on July 20, 2015. Another three silver exploration permits on the Fuwan belt, referred to as Guyegang (55.88 sq. km.), Hecun (12.7 sq. km.), and Guanhuatang (27.3 sq. km.), are held by Minco China in trust for Foshan Minco. These three permits were renewed for a two year period ending on April 7, 2014.

2.2.1 Current Developments on the Fuwan Silver Project

During the first half year 2013, the Company has made great efforts to regain the support of local communities to develop the Fuwan Silver Project before the submission of the revised EIA report. The Company has had productive communication with Zhaoqian District government and Gaoyao County government. Due to the fact that the last public survey was carried out in 2008, the Company conducted a new extensive public survey, among local communities concerning the development of the Fuwan Silver Project, obtained a 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.

Several large mining groups in China expressed an interest in the Fuwan Silver Project in late 2012. The Company hosted site visits, data reviews, and preliminary discussions with those groups; however no definitive agreements have been concluded as at the date of this MD&A. The Company's strategy is to secure a large Chinese mining group as a business partner.

The Company has continued its focus on the EIA report and the permitting process in order to apply for a mining license for the Fuwan Silver Project.

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 new National Water Guidelines.

The 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 EPA as soon as they accept new application of EIA reports. The delay in approval of the EIA report on the Fuwan Silver Project is due to the negative impact caused by the collapse of the tailing dam of an operating mine in the region two years ago. The preliminary mine design is near completion and will be released after the requirements from the approved EIA report are met.

The Company has otherwise made significant progress in permitting on the Fuwan Silver Deposit. The progress is summarized as follows:

- 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 Deposit and restricts the use of this land to mining activities was approved by MOLAR and renewed subsequent to the original approval in October 2009. The current permit expires on July 20, 2015.
- The Soil and Water Conservation Plan was completed and approved.
- The Land Usage Permit was approved by Gaoming County, Foshan City and the Guangdong provincial governments. It was renewed for a one year period until December 31, 2013.
- 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.

2.2.2 Feasibility Study, Resource Estimates, and Exploration Program

There have been no significant changes in the Feasibility Study, resource estimate and exploration program during the six month ended June 30, 2013 and as at the MD&A date compared to the year ended December 31, 2012.

A comprehensive discussion of the Feasibility Study, Resource Estimate and Exploration Program are included in the Company's AIF for the year ended December 31, 2012, dated March 28, 2013 and is available on SEDAR at www.sedar.com.

3. Results of Operation

The Company granted stock options for 1,900,000 common shares to its directors, officers and employees at a weighted exercise price of $1.67 per share during the first quarter 2013 that vest over an 18-month period from the issuance date. In addition, the Company granted 560,000 Restricted Share Units ("RSU") to the Company's CEO on February 1, 2013. RSUs are equity-settled and based on the value of the Company's share price at the date of grant that vest over a 12-month period from the date of grant.

3.1 Development costs

During the three months ended June 30, 2013, the Company incurred $1,094,057 on the development of the Fuwan Silver Project compared to $856,670 for the comparative period of 2012. The increase in expenditures during the year was mainly due to the following:

- Consulting fees for the three months ended June 30, 2013 were $196,668 compared to $72,000 for the comparative period of 2012. The increase was mainly due to the Company engaging an external consultant in China to assist with the mining license application.
- Mining license application fees for the three months ended June 30, 2013 were $209,724 compared to $118,997 for the comparative period of 2012. The increase was mainly due to additional meetings held with regulatory agencies and consultants during 2013 compared to 2012.

During the six months ended June 30, 2013, the Company incurred $1,983,686 on the development of the Fuwan Silver Project compared to $1,435,804 for the comparative period of 2012. The increase in expenditures during the year was mainly due to the following:

- Consulting fees for the six months ended June 30, 2013 were $292,728 compared to $144,000 for the comparative period of 2012. The increase was due to the same reason as described above.
- Mining license application fees for the six months ended June 30, 2013 were $408,251 compared to $260,078 for the comparative period of 2012. The increase was due to the same reasons as described above.
- Share-based compensation for the six months ended June 30, 2013 was $934,055 compared to $684,475 for the comparative period of 2012. The increase was mainly due to the fact that the Company capitalized $512,339 of RSU expenses to mineral properties. No RSU expenses were incurred in the comparative period of 2012.

Total accumulated development costs were $24,721,432 as at June 30, 2013 (December 31, 2012 - $21,012,566) after taking into account the expenditures discussed above and the foreign exchange impact in the balance.

The following is a summary of development costs capitalized or incurred for the Fuwan Silver deposit for the three months and six months ended June 30, 2013 and 2012.

	Three months ended June 30, 2013	2012	Six months ended June 30, 2013	2012	Cumulative to June 30, 2013
	$	$	$	$	$
Consulting fees	196,668	72,000	292,728	144,000	3,875,309
Drilling	-	-	-	-	1,859,018
Labor costs	74,687	64,569	134,750	110,109	1,877,050
Feasibility study	-	-	-	-	1,880,527
Share-based compensation	491,726	462,320	934,055	684,475	6,098,502
Mining design costs	-	-	-	-	609,639
Mining license application	209,724	118,997	408,251	260,078	2,941,964
Environment impact assessment	37,143	57,730	48,534	57,730	936,724
Travel	25,825	14,685	67,260	54,184	441,776
Site office rent and related costs	58,284	66,369	98,108	125,228	1,790,199
Total before foreign exchange	**1,094,057**	**856,670**	**1,983,686**	**1,435,804**	**22,310,708**
Foreign exchange gain	1,160,552	562,156	1,725,180	277,156	2,410,724
	2,254,609	**1,418,826**	**3,708,866**	**1,712,960**	**24,721,432**

3.4 Administrative expenses

The Company's administrative expenses include overhead associated with administering and financing the Company's development activities. The Company maintains a field office in Gaoming County, 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 three and six months ended June 30, 2013 and 2012.

Administrative expenses	Three months ended June 30, 2013	2012	Six months ended June 30, 2013	2012
	$	$	$	$
Audit, legal and regulatory	94,994	84,989	178,194	258,758
Amortization	45,253	44,707	87,103	91,579
Consulting	9,965	84,477	26,219	149,554
Directors' fees	25,250	19,500	52,000	40,500
Field office expenses	130,732	117,675	251,143	209,133
Foreign exchange (gain)	(523,550)	(598,173)	(1,006,171)	(146,330)
Investor relations	36,397	67,021	112,287	144,677
Office administration expenses	56,986	32,098	99,453	64,429
Property investigation	12,731	-	26,574	-
Rent	66,648	88,510	131,784	151,150
Salaries and benefit	102,127	94,593	185,350	173,944
Share-based compensation	766,367	886,101	1,513,357	1,510,967
Travel and transportation	5,043	17,918	15,491	44,448
	828,943	**939,416**	**1,672,784**	**2,692,809**

Administrative expenses for the three months ended June 30, 2013, exclusive of foreign exchange gains of $523,550, were $1,352,493 compared to $1,537,589 for the comparative period of 2012, exclusive of a foreign exchange gain of $598,173.

Administrative expenses for the six months ended June 30, 2013, exclusive of foreign exchange gains of $1,006,171, were $2,678,955 compared to $2,839,139 for the comparative period of 2012, exclusive of a foreign exchange gain of $146,330.

Significant changes in expenses are as follows:

Audit, legal and regulatory

Audit, legal and regulatory costs for the three months ended June 30, 2013 were $94,994 compared to $84,989 for the comparative period of 2012. The increase was due to additional audit fees in China during the period in 2013.

Audit, legal and regulatory costs for the six months ended June 30, 2013 were $178,194 compared to $258,758 for the comparative period of 2012. The decrease was due to the Company reducing its reliance on external legal counsel to assist with regulatory compliance as the Company had sufficient internal resources to manage all regulatory compliance.

Consulting

Consulting fees for the three months ended June 30, 2013 were $9,965 compared to $84,477 for the comparative period of 2012. The decrease was mainly due to resignation of the Company's internal legal counsel and former CFO in mid-2012.

Consulting fees for the six months ended June 30, 2013 were $26,219 compared to $149,554 for the comparative period of 2012. The decrease was due to the same reason as described above.

Field office expense

Field office expense for the three months ended June 30, 2013 was $130,732 compared to $117,675 for the comparative period of 2012. The increase was mainly due to an increase in field administrative expenses during the period in 2013.

Field office expense for the six months ended June 30, 2013 was $251,143 compared to $209,133 for the comparative period of 2012. The increase was mainly due to the same reason as described above.

Foreign exchange gains and losses

The foreign exchange gain was $523,550 for the three months ended June 30, 2013 compared to a foreign exchange gain of $598,173 for the comparative period. The decrease in the foreign exchange gain was mainly due to the US dollar appreciating against the Canadian dollar compared to a larger appreciation of the US dollar against the Canadian dollar for the comparative period.

The foreign exchange gain was $1,006,171 for the six months ended June 30, 2013 compared to a foreign exchange gain of $146,330 for the comparative period. The increase in the foreign exchange gain was due to the US dollar appreciating against the Canadian dollar compared to a smaller appreciation of the US dollar against the Canadian dollar for the comparative period.

Investor relations

Investor relations expense for the three months ended June 30, 2013 were $36,397 compared to $67,021 for the comparative period. The decrease was mainly due to the Company reducing its attendance at road shows than the comparative period, and also reducing external consultant's service during the period in 2013.

Investor relations expense for the six months ended June 30, 2013 were $112,287 compared to $144,677 for the comparative period of 2012. The decrease was due to the same reason described above.

Property investigation

Property investigation expense was $12,731 for the three months ended June 30, 2013 compared to $Nil for the comparative period. The increase was due to the hiring of the Vice President of Business Development in November 2012.

Property investigation expense was $26,574 for the six months ended June 30, 2013 compared to $Nil for the comparative period of 2012. The increase was due to the same reason as described above.

Share-based compensation

Share-based compensation expense was $766,367 for the three months ended June 30, 2013 compared to $886,101 for the comparative period. The decrease was mainly due to the reduced value of the Company granting stock option shares in 2013 vs. 2012.

Share-based compensation expense was $1,513,357 for the six months ended June 30, 2013 compared to $1,510,967 for the comparative period. The Company granted RSU's to the Company's CEO on February 1, 2013 and recorded $56,926 share-based compensation during the six months ended June 30, 2013 that increase was offset by the factor as described above.

3.5 Finance and other income (expenses)

To date the Company has not earned revenue from operations other than interest income earned on short-term investments.

Settlement of Sterling break fee

On June 30, 2009, the Company filed a proof of claim with the U.S. Bankruptcy Court in Idaho to collect a break fee, in the amount of US$2,750,000 from Sterling Mining Corporation ("Sterling"). The settlement amount of US$675,000 ($693,968) was approved by the US Bankruptcy Court in Idaho and received by the Company on June 26, 2012. The Company incurred legal fees and other costs of US$262,357 ($269,729) in its effort to collect the break fee. The Company has recorded other income of US$412,642 ($424,238) on the settlement of the break fee.

Interest income

Interest income for the three months ended June 30, 2013 was $178,793 compared to $227,359 for the comparative period of 2012. The decrease in interest income was mainly due to the Company transferring US $14 million to Minco China in accordance with the trust agreement signed on May 8, 2013. The funds transferred to Minco China were held in the registered capital account with a 0.05% interest rate. The process to convert the US funds to RMB is currently being undertaken by Minco China.

Interest income for the six months ended June 30, 2013 was $386,339 compared to $418,096 for the comparative period of 2012. The decrease is due to the same reason as described above.

Other expenses

During the six months ended June 30, 2013, Minco China paid $47,012 ($72,225 for the comparative period of 2012) on behalf of the Company to Beijing Guofufengtian Investment Advisory for its assistance to exchange the US$10 million into RMB as part of the requirement to increase the registered share capital for the company.

4. Summary of Quarterly Results

Period ended	Net income (loss)	Net income (loss) per share Basic	Net income (loss) per share Diluted
	$	$	$
06-30-2013	(697,162)	(0.01)	(0.01)
03-31-2013	(636,295)	(0.01)	(0.01)
12-31-2012	(475,882)	(0.01)	(0.01)
09-30-2012	(2,277,968)	(0.04)	(0.04)
06-30-2012	(289,273)	(0.00)	(0.00)
03-31-2012	(1,633,427)	(0.03)	(0.03)
12-31-2011	(1,422,701)	(0.03)	(0.03)
09-30-2011(*)	215,533	0.00	0.00

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 for the three month period ended September 30, 2011 was comprised of administrative expenses of $1,595,577, foreign exchange gains of $1,582,106 and interest income of $229,004.

5. Liquidity and Capital Resources

5.1 Cash Flows

	Six months ended June 30, 2013	Six months ended June 30, 2012
Cash generated /(used)	$	$
Operating activities	(1,728,769)	283,647
Financing activities	7,000	263,251
Investing activities	2,930,741	(11,377,177)

Operating activities

For the six months ended June 30, 2013, the Company used $1,728,769 cash in operating activities compared to $283,647 cash generated in the comparative period. It was primarily due to the decrease in prepaid expenses and deposits of $1,948,945 in connection with the foreign currency exchange from US funds to RMB during the first half year of 2012. There were no similar activities in 2013.

Financing activities

For the six months ended June 30, 2013, the Company received $7,000 from the exercise of stock options compared to $263,251 received in the comparative period from the exercise of stock options.

Investing activities

For the six months ended June 30, 2013, the Company generated cash of $2,930,742 (2012 – used cash of $11,377,177) in investing activities. It was primarily due to the redemption of short-term investments of $4,010,759 (2012 – purchases of $11,288,644), and payment of development costs of $1,048,528 in 2013 (2012 - $778,801).

5.2 Capital Resources

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

	June 30, 2013	December 31 2012
	$	$
Working capital	66,045,527	66,411,212
Cash and cash equivalents	25,443,945	22,586,298
Short-term investment	38,561,650	42,550,265

The Company's working capital has decreased to $66,045,527 as at June 30, 2013 compared to $66,411,212 at the year end of 2012. The decrease in working capital was due primarily to the day-to-day use of cash to support the Company's operations.

The Company does not generate revenues and relies on equity and debt financing for its working capital requirements to fund exploration, development, permitting and administrative activities. As at June 30, 2013, the Company has sufficient working capital available to meet its current operational and development obligations.

The Company cannot invest directly in Foshan Minco as Foshan Minco is legally owned by Minco China. Minco China is a wholly foreign owned entity ("WFOE") for the purposes of Chinese law and is a subsidiary of Minco Gold. All funding supplied by Minco Silver for financing of the Fuwan Project must first go through Minco Resources Limited ("Minco Resources") and Minco China via Minco Gold to comply with Chinese Law. This approach will be applied when profits to be realized by Foshan Minco are repatriated to Minco Silver, they must first pass through Minco China, Minco Resources and Minco Gold. In the normal course of business the Company uses trust agreements when providing cash, denominated in US dollars, to Minco China via Minco Gold for the purpose of increasing the registered capital of Foshan Minco.

Minco China is a wholly owned subsidiary of Minco Resources. Minco China is a registered entity in China however it is classified as being a WFOE and therefore can receive foreign investment. Foshan Minco is a Chinese company with registered capital denominated in RMB and therefore can only receive domestic investment from Minco China. Increases to the registered capital of Foshan Minco must be denominated in RMB.

For the cash denominated in RMB that is maintained in China, the remittance of funds to jurisdictions outside China may be subject to government rules and regulations on foreign currency controls. Such remittance may require approval by the relevant government authorities or designated banks in China or both.

Under Chinese law, WFOEs are subject to restrictions on the repatriation of profits out of China. In order to repatriate profits from China to Minco Gold and ultimately, Minco Silver, the Company must comply with Chinese regulations pertaining to repatriations. In order to repatriate profits to Canada, 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.

The Company has been offered, through Foshan Minco, a debt facility in the amount of RMB 300 million (approximately $50.0 million) from the Guangdong Branch of the Industrial and Commercial Bank of China, when the Company obtains the mining license of the Fuwan Project. This facility is to be used for the construction of the Fuwan Project mine.

5.3 Contractual Obligations

The Company`s contractual obligations are related to a cost sharing agreement between the Company, Minco Silver and Minco Base Metals, 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 annually.

The Company entered into multiple agreements with consultants in respect of the design of the Fuwan Silver mine. The Company has no long-term debt as at June 30, 2013.

There were no significant changes in the Company's contractual obligations for the six months ended June 30, 2013 compared to the year ended 2012. Please refer to the details in the Company's 2012 MD&A dated March 28, 2013, available on SEDAR.

5.4 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 $45,220,000 on March 3, 2012. The Company intends to use the funds towards its ongoing efforts to complete the permitting process for the Fuwan Project and for general corporate purposes. In the event that the Company receives all permits and licenses required to construct and operate the mine on the Fuwan Project, a portion of the funds will be used to partially fund the pre-production capital costs of the mine. The total pre-production capital costs of the Fuwan Silver Project are estimated to be US$73,060,000.

There have been no significant changes in the planned use of proceeds for the six months ended June 30, 2013 compared to the Company's initial plan.

Use of the proceeds in funding the pre-production capital costs of the Fuwan Project will not occur until the permitting process is complete, allowing the Company to construct and operate the Fuwan Project mine.

6. Off-Balance Sheet Arrangements

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

7. Transactions with Related Parties

Funding of Foshan Minco

The Company cannot invest directly in Foshan Minco as Foshan Minco is legally owned by Minco China. All funding supplied by the Company for exploration of the Fuwan Project must first go through Minco China via Minco Gold to comply with Chinese law. In the normal course of business the Company uses trust agreements when providing cash, denominated in US dollars, to Minco China via Minco Gold for the purpose of increasing the registered capital of Foshan Minco. Minco China is a registered entity in China and is classified as being a wholly foreign-owned entity and therefore can receive foreign investment. Foshan Minco is a Chinese company with registered capital denominated in RMB and therefore can only receive domestic investment from Minco China. Increases to the registered capital of Foshan Minco must be denominated in RMB.

On August 12, 2011, the Company, Minco Gold and Minco China, entered into a trust agreement in which Minco Gold and Minco China confirmed that they received the US$10 million and Minco China was required to exchange these US fund into RMB in order to increase Foshan Minco's registered share capital. As at June 30, 2013, all the funds were transferred from Minco China to Minco Yinyuan and Foshan Minco respectively, and this trust agreement was effectively settled.

On May 8, 2013, the Company advanced US $14 million to Minco China via Minco Resources and Minco Gold in accordance with the trust agreement signed on April 30, 2013 in which Minco Silver agreed to advance US $20 million to Minco China to increase Foshan Minco's registered capital.

As at June 30, 2013, Minco China held US $14,000,000 ($14,736,400) in trust for the Company.

Subsequent to June 30, 2013, the Company advanced the remaining US $6,000,000 to Minco China via Minco Gold and Minco Resources in accordance with the trust agreement signed on April 30, 2013 in which Minco Silver agreed to advance US $20 million to Minco China to increase Foshan Minco's registered share capital.

Shared expenses

Minco Silver and Minco Gold share offices and certain administrative expenses in Beijing and Vancouver.

Amounts due from related parties as at June 30, 2013 were $1,455,074 (December 31, 2012 –$1,250,129) and consisted of the following:

Amount due to Minco China as at June 30, 2013 of $1,488,717 (December 31, 2012 – $1,075,820) representing expenditures incurred by Minco China on behalf of Foshan Minco.

Amount due from Minco Gold as at June 30, 2013 of $2,943,791 (December 31, 2012 – $2,325,949) representing funds advanced from Minco Silver to Minco Gold to support its operating activities in Canada, net of shared head office expenses.

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

The above two amounts will be net settled and accordingly have been presented as a net balance on the consolidated statements of financial position.

During the three months ended June 30, 2013, the Company paid or accrued $39,202 (June 30, 2012 – $33,278) in respect of rent and $157,621 (June 30, 2012 – $131,250) in respect of shared head office expenses and administration costs to Minco Gold.

During the six months ended June 30, 2013, the Company paid or accrued $77,559 (June 30, 2012 – $57,341) in respect of rent and $326,713 (June 30, 2012 – $303,317) in respect of shared head office expenses and administration costs to Minco Gold.

Key management compensation

In the three months and six months ended June 30, 2013 and 2012, the following compensation was paid to key management. Key management includes the Company's directors and senior management. This compensation is included in development costs and administrative expenses.

	Three months ended June 30,		**Six months ended June 30,**	
	2013	**2012**	**2013**	**2012**
	$	$	$	$
Cash remuneration	160,000	169,716	314,912	336,330
Share-based compensation	933,860	796,651	1,774,876	1,336,189
	1,093,860	966,367	2,089,788	1,672,519

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

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 on the Company's mineral interest and has concluded that no impairment indicators existed as at June 30, 2013.

In the opinion of management, none of the accounting estimates reflect matters that are highly uncertain at the time the accounting estimate is made or that would have a material impact on the Company's financial condition, changes in financial condition or results of operations.

9. Adoption of New Accounting Standards and Amendments

Effective January 1, 2013, the Company adopted the four new accounting standards and amendment to IAS 1, *Presentation of Financial Statements*. A comprehensive discussion of the adoption of new accounting standards and amendments are included in the Company's MD&A for the three months ended March 31, 2013, dated May 13, 2013 available on SEDAR at www.sedar.com.

9.1 Accounting Standards Issued but Not Yet Applied

IFRS 9 *Financial Instruments*

IFRS 9, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 *Financial Instruments: 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 were added to IFRS 9 in October 2010 and they largely carried forward 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. This new standard is effective for annual periods beginning on or after January 1, 2015 with earlier application permitted. The Company has not yet assessed the impact of this standard or determined whether it will adopt earlier

10. 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, and amortized cost for liabilities.

The following table shows the carrying values of assets and liabilities for each of these categories at June 30, 2013 and December 31, 2012.

Loans and receivables	June 30, 2013	December 31, 2012
	$	$
Cash and cash equivalents	25,443,945	22,586,298
Short-term investments	38,561,650	42,550,265
Receivables	522,384	148,244
Due from related parties	1,455,074	1,250,129
Other financial liabilities		
Accounts payable and accrued liabilities	364,404	512,604

The carrying value of the Company's financial assets and liabilities approximate their fair value.

Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. Risk management activities are carried out by management under policies approved by the board of directors. Management identifies and evaluates the financial risks. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

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$15.0 million monetary assets as at June 30, 2013. This sensitivity analysis shows that a change of +/- 10% in US$ foreign exchange rate would have a -/+ US$1.5 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. This sensitivity analysis shows that a change of +/- 100 basis points in interest rate would have a -/+ $0.6 million impact on net loss. This impact is primarily as a result of the Company holding short-term investments such as guaranteed investment certificates and as a result of the Company having cash invested in interest bearing accounts.

11. Risks Factor and Uncertainties

There have been no significant changes in the risk and uncertainties which the Company faces as at the MD&A date compared to the year ended December 31, 2012.

A comprehensive discussion of risk factors is included in the Company's AIF for the year ended December 31, 2012, dated March 28, 2013, 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 evaluated the effectiveness of the Company's disclosure controls and procedures as at June 30, 2013 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 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 June 30, 2013. Based on the result of this assessment, management has concluded that the Company's internal controls over financial reporting are effective.

During the six months ended June 30, 2013, there have been no material changes in the Company's internal control over financial reporting.

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, 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 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), 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 mine.
- The approval of the Company's EIA by Chinese authorities.
- The continued availability of equity and debt financing to fund the completion of the Fuwan Silver Project mine and other exploration and development activities.
- Intended use of proceeds from the Company's previous public offering.
- The continued ability of the Company to attract and retain key management personnel.

- The ability of the Company to evaluate silver-dominant project outside China for potential acquisition.
- The ability of the Company to pursue an alternative strategy in finding a large mining group in China as a business partner.

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.