MINCO SILVER CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE SIX MONTHSENDED JUNE 30, 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 August 10, 2018 and should be read in conjunction with the unaudited consolidated interim financial statements and related notes for the six months ended June 30, 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

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, 2017 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"). The Guangdong Geological Bureau ("GGB") owns the remaining 10% interest in the Fuwan Silver project, through a net profit interest.

As at June 30, 2018, the Company had these Chinese subsidiaries: Minco Yinyuan Co. ("Minco Yinyuan"), Minco HK, Changfu Minco (90% ownership), Zhongjia Jinggu Limited ("Zhongjia"), Minco Mining (China) Corporation ("Minco China"), 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 7,096,337 stock options outstanding, for a total of 68,751,085 fully diluted common shares outstanding.

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1. Highlights for the Year

Effective May 10, 2018, the Company sold its 100% interest in Yuanling Minco Mining Ltd. ("Yuanling Minco") and Huaihua Tiancheng Mining Ltd. ("Huaihua") in an arm's length transaction. Gross proceeds on disposal were RMB 150,000 (approximately $30,102). The Company recorded a gain of $31,499 from the de-consolidation of this subsidiary.

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 Gold Corp. ("Minco Gold") on July 31, 2015. Technical Information of the Changkeng Gold Project is available from the NI 43-101 technical report prepared for Minco Gold entitled "Technical Report and Updated Resource Estimate on the Changkeng Gold Project Guangdong Province, China", dated effective February 21, 2009 and prepared by Tracy Armstrong, P. Geo Ontario, Eugene Puritch, P. Eng. Ontario and Antoine Yassa, P.Geo. Québec who are qualified persons for the purposes of NI 43-101. This technical report includes relevant information regarding the data, data validation and the assumptions, parameters, and methods of the mineral resource estimates on the Changkeng Gold Project and is available at www.sedar.ca under the profile of Minco Gold.

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

The Company has not updated the three technical reports or feasibility study 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

The Company's principal property is the Fuwan Silver Project located in Gaoming County approximately 45 km southwest of Guangzhou, the fourth largest city in China with more than 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. As of June 30, 2018, the Company, through Changfu Minco, has three reconnaissance survey exploration permits on the Fuwan Silver Project (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 Luoke-Jilinggang exploration permit expired on July 20, 2017, and is currently being renewed.

The Guyegang-Sanyatang Permit expires on March 17, 2019.

The Hecun Permit expires on August 12, 2018.

The Company intends to renew all the permits when they are expired in the future. Permit renewal process is normal course for the Company's operations.

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 has been recently renewed and will expire on September 10, 2019.

2.3.3 Exploration Update

During the six months ended June 30, 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.

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

<u>Permitting</u>

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

- The Mining Area Permit, which covers approximately 0.79 sq. km, defines the mining limits of the Fuwan Silver Project and restricts the use of this land to mining activities was approved by the Ministry of Natural Resources. The Company has submitted the application to renew this Mining Area Permit at normal course
- The development plan of the combined Fuwan Silver Project and Changkeng Gold Project has been completed and is ready for submission to the Ministry of Natural Resources.
- The latest EIA report for the combined Fuwan-Changkeng Project pending submitted to the government for approval.

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

During the six months ended June 30, 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 Company and the business partners are reviewing the combination plan including the determination of the percentage ownership of the Company and minority shareholders in the combined Fuwan-Changkeng project.

2.6 Exploration Costs

As at June 30, 2018, the Company has the following accumulated cost incurred in connection with the Company's mineral interest:

	December 31, 2017	Addition	Effect of change in foreign exchange rate	June 30, 2018
	$	**$**	**$**	**$**
Fuwan Silver Project	36,626,372	515,248	1,038,698	38,180,318
Changkeng Gold Project	24,472,217	277,403	657,106	25,406,726
Total	**61,098,589**	**714,003**	**1,695,804**	**63,587,044**

Fuwan Silver Project

The following is a summary of capitalized development cost of the Fuwan Silver Project for the six months ended June 30, 2018:

Six months ended	June 30, 2018	Accumulative to June 30, 2018
	$	$
Consulting fees	118,640	6,335,510
Drilling	-	1,859,018
Labor costs	117,523	3,301,429
Feasibility study	-	1,991,340
Share-based compensation	139,720	7,501,355
Mine design costs	-	661,687
Mining license application	22,378	4,550,342
Environment impact assessment	-	1,106,457
Travel	7,377	684,807
Site office occupancy costs and others	109,610	3,213,506
Total before foreign exchange	515,248	31,205,451
Effect of foreign exchange	1,038,698	6,974,867
	1,553,946	**38,180,318**

The Company's mineral assets are in China and its carrying value is recorded in RMB. An appreciation or depreciation of RMB will have a positive or negative impact to the carrying value of the mineral properties. During the six months ended June 30, 2018. The RBM appreciated 3% against Canadian dollar. As a result, the Company recorded a foreign exchange gain for the period of 2018.

Changkeng Gold Project

The following is a summary of costs incurred and capitalized for the Changkeng Gold Project for the six months ended June 30, 2018 and 2017:

	June 30, 2018	Accumulative to June 30, 2018
	$	$
Acquisition	-	25,312,695
Consulting fees	118,640	329,568
Drilling	-	142,863
Feasibility study	-	112,201
Mining design and license application	-	49,523
Salary and benefits	18,801	404,539
Share-based compensation	139,720	485,815
Site office occupancy cost and others	242	3,780
Subtotal	277,403	26,840,984
Effect of foreign exchange	657,106	(1,434,258)
Total	**934,509**	**25,406,726**

The foreign exchange gain was due to the same reason described above.

3. Results of Operations

3.1 For the three months ended June 30, 2018 and 2017

Three months ended June 30,	2018	2017	2018-2017
	$	$	$
Operating loss from administrative expenses	(1,274,785)	(1,392,837)	118,052
Finance and other income (expenses)	(67,217)	(312,361)	245,144
Net loss	**(1,342,002)**	**(1,705,198)**	**363,196**

Net loss for the three months ended June 30, 2017 was $363,196 lower than the same period of 2017. Details about the variance are available in the section 3.1.1 and 3.1.2

3.1.1 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, 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 months ended June 30, 2018 and 2017:

Three months ended June 30	ref	2018	2017	Net changes from 2017 to 2018
Administrative expenses:		$	$	$
Audit, legal and regulatory	a	127,628	37,853	89,775
Amortization		12,280	19,092	(6,812)
Consulting		19,415	21,485	(2,070)
Directors' fees		28,250	25,250	3,000
Field office expenses		133,617	124,478	9,139
Investor relations		338	531	(193)
Office administration		69,746	75,895	(6,149)
Property investigation	b	349,692	-	349,692
Rent		64,141	88,039	(23,898)
Salaries and benefit	c	49,852	150,688	(100,836)
Share-based compensation	d	396,616	839,279	(442,663)
Travel and transportation		23,210	10,247	12,963
Operating loss		**(1,274,785)**	**(1,392,837)**	**118,052**

(a) Audit fee increased by $89,775. The timing of payment of audit fees was different in 2018 and 2017. We expect the annual audit, legal and regulatory would not significant different in 2018.

(b) The Company investigate mineral properties with merits from time to time. During the three months ended June 30, 2018, the Company incurred $349,692 for reviewing a mineral property in China.

(c) Salary and benefit expenses decreased by $100,836 during the six months ended June 30, 2018. The Company had less employees during the period of 2018.

(d) Share-based compensation decreased by $442,663 during the six months ended June 30, 2018 due to difference in the timing of the Company's option vesting.

3.1.2 Finance and Other Income (Expenses)

Three months ended June 30,	2018	2017	Net changes from 2017 to 2018
	$	$	$
Foreign exchange gain (loss)	562,661	(458,197)	1,020,858
Gain from disposition of a subsidiary	31,499	-	31,499
Unrealized loss on disposal of investment	(871,991)	(5,108)	(866,883)
Interest income	190,956	159,663	31,293
Other income (expenses)	19,658	(8,719)	28,377
Total	**(67,217)**	**(312,361)**	**245,144**

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 cash deposit and short-term investment maintained in Hong Kong and Canada that are the US dollar denominated
- 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.

During the six months ended June 30, 2018, US dollar appreciated against Canadian dollars and RMB by approximately 4% and 3% respectively. Consequently, foreign exchange gain increased.

Interest income

The Company placed the funds on hands mainly in term deposits to earn interest income. Interest income increased by $31,293 during the six months ended June 30, 2018, as the interest rate offered by financial institutions was higher in 2018.

Unrealized loss on investment

As at June 30, 2018, the Company invested in three corporate bonds each with face value of USD 800,000 (totaling $3.1 million). Among these three investments, the bond issued by China Energy Reserve & Chemicals Group Co. ("CERCG") with the maturity date on January 15, 2019 was default on June 30, 2018 and the Company write down the fair value of this bond investment from USD802,000 (on December 31, 2017) to USD204,400 (on June 30, 2018) according to the closing price on an active trading market. The corporate bond market was under pressure recently and the fair value of the remaining two bond investments were also depressed. The total decrease in fair value of the Company's bond investment during the six months ended June 30, 2018 was $886,902 (including a decrease of $779,676 from the Company's CERCG's bond investment). The Company closely monitors the development of the bond market and will make appropriate actions when needed.

3.2 For the six months ended June 30, 2018 and 2017

Six months ended June 30,	2018	2017	Net changes
	$	$	$
Operating loss from administrative expenses	(2,124,676)	(2,158,298)	33,622
Finance and other income (expenses)	334,375	(398,080)	732,455
Net loss	**(1,790,301)**	**(2,556,378)**	**766,077**

Net loss for the six months ended June 30, 2017 was lower than the same period in 2017. More details are available in the section 3.2.1 and 3.2.2.

3.2.1 Operating loss from administrative expenses

The following table is a summary of the Company's administrative expenses for the six months ended June 30, 2018 and 2017.

Six months ended June 30,		2018	2017	Changes
Administrative expenses:		$	$	$
Audit, legal and regulatory	**a**	177,350	78,439	98,911
Amortization		27,912	38,089	(10,177)
Consulting		39,240	41,231	(1,991)
Directors' fees		53,500	50,500	3,000
Field office expenses		258,481	220,886	37,595
Investor relations		6,204	11,298	(5,094)
Office administration		111,249	112,526	(1,277)
Property investigation	**b**	349,692	-	349,692
Rent		141,738	167,278	(25,540)
Salaries and benefit	**c**	147,833	289,078	(141,245)
Share-based compensation	**d**	763,417	1,122,202	(358,785)
Travel and transportation		48,060	26,771	21,289
Operating loss		**(2,124,676)**	**(2,158,298)**	**(33,622)**

(a), (b), (c), (d) The variances of these expenditures for the six-month period of 2018 and 2017 were caused by the similar reasons discussed in the section 3.1.1

3.2.2 Finance and other income (expenses)

Six months ended June 30,	2018	2017	changes
	$	$	$
Foreign exchange gain (loss)	648,664	(667,881)	1,316,545
Gain from sale of the subsidiaries	31,499	-	31,499
Unrealized loss on investment	(886,902)	(5,800)	(881,102)
Interest income	419,431	284,398	135,033
Other expenses	121,683	(8,797)	129,013
Total	**334,375**	**(398,080)**	**732,455**

The variances for the six-month period of 2018 and 2017 were caused by the similar reasons discussed in the section 3.1.2

4. Summary of Quarterly Results

Period ended	Net income (loss) attributable to shareholders	Income (loss) attributable to shareholders per share Basic	Diluted
	$	**$**	**$**
06-30-2018	(1,298,927)	(0.02)	(0.02)
03-31-2018	(410,544)	(0.01)	(0.01)
12-31-2017	(952,660)	(0.02)	(0.02)
09-30-2017	(1,646,051)	(0.03)	(0.03)
06-30-2017	(1,653,585)	(0.03)	(0.03)
03-31-2017	(823,238)	(0.01)	(0.01)
12-31-2016	196,352	0.00	0.00
09-30-2016	(50,138)	(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.

5. Liquidity and Capital Resources

5.1 Cash Flows

	Six months ended June 30, 2018	2017
	$	$
Operating activities	(1,065,736)	(1,302,301)
Financing activities	188,518	190,301
Investing activities	3,658,341	1,316,868

Operating activities

During the six months ended June 30, 2018, cash used in its operating activities was not substantially different from 2017 as there were no significant change in business.

Financing activities

During the six months ended June 30, 2018, the Company received $Nil from options exercised (2017 - $190,301) and $188,518 form the minority shareholders of the Company's 51%-owned Chinese subsidiary Mingzhong (2017 - $Nil) in connection with a share subscription.

Investing activities

During the six months ended June 30, 2018, the Company generated $3,658,341 cash from the investing activities compared to $1,316,868 in 2017. The Company redeemed more short-term investments and incurred less in the development cost of the Fuwan Silver and Changkeng Gold Project during the current six-month period.

5.2 Capital Resources

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

	June 30, 2018	December 31 2017
	$	$
Working capital	47,114,274	47,636,526
Cash and cash equivalents	25,728,686	22,102,526
Short-term investment	21,094,926	25,338,081

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

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

5.3 Contractual Obligations

The Company`s contractual obligations are related to a cost sharing agreement between the Company, Minco Gold and Minco Base Metals Corp. ("MBM"), related parties domiciled in Canada, for the sharing of operating and administrative expenses (e.g. consulting, rental expenses) incurred by these three companies. The cost sharing agreement is renegotiated or amended by the parties as needed.

The Company does not have other long-term obligations as at June 30, 2018

6. Off-Balance Sheet Arrangements

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

7. Transactions with Related Parties

(b) Shared expenses

Minco Silver, Minco Gold, and Minco Base Metals Corporation ("MBM"), a company with which the Company's CEO has significant influence over, share offices and certain administrative expenses.

(c) Due to and due from related parties

	June 30, 2018 $	December 31, 2017 $
Due from Minco Base Metal (i)	179,989	-
Due to Minco Gold (ii)	37,071	27,523
Due to minority shareholders of a subsidiary (iii)	352,518	164,000

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

(ii) The amount of $37,071 represents the shared expenses to be reimbursed to Minco Gold.

(iii) As at June 30, 2018, the Company received $352,518 (December 31, 2017 - $164,000) from the minority shareholders of Mingzhong, a Chinese subsidiary that the Company has approximately 51% ownership. The increase of share capital of Mingzhong was not completed on June 30, 2018 and the amount received was included in the due to related parties.

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

During the three months ended June 30, 2018, the Company paid or accrued 11,087 in respect of rent and $66,896 in respect of shared head office expenses and administration costs to Minco Gold.

During the six months ended June 30, 2018, the Company paid or accrued $28,958 in respect of rent and $145,043 in respect of shared head office expenses and administration costs to Minco Gold.

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

(e) Key management compensation

During the three and six months ended June 30, 2018 and 2017, the following compensation was paid and accrued to key management. Key management includes the Company's directors and senior management. This compensation has been included administrative expenses and the Company's mineral interests

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	$	$	$	$
Cash remuneration	177,362	163,988	343,117	326,030
Share-based compensation	472,563	740,193	814,519	1,045,909
	649,925	904,181	1,157,636	1,371,939

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

Mineral Interests

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

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

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

9. Adoption of New Accounting Standards and New Accounting Standards Yet to Adopted

The accounting policies applied in these condensed consolidated interim financial statements are consistent with those applied in the preparation of the consolidated annual financial statements for the year ended December 31, 2017 except the adoption of IFRS 9, commencing January 1, 2018.

Refer to Note 3 of the December 31, 2017 audited consolidated financial statements for disclosure of the Company's significant accounting policies.

IFRS 9, Financial Instruments, 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 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.

There are no impacts to the Company's financial statements for the adoption of IFRS 9.

IFRS 9 is a comprehensive standard to replace IAS 39, Financial Instruments: Recognition and Measurement. It includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. The effective date is for annual periods beginning on or after January 1, 2018. We believe there are no material impacts to the Company's financial statements for the adoption of the new IFRS 9 in 2018.

IFRS 16 replaces the previous leases standard IAS 17, Leases and Related Interpretations, and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). IFRS 16 is effective from January 1, 2019. We believe there are no material impacts to the Company's financial statements for the adoption of the new IFRS 16 in 2019.

10. Financial Instruments

The following table shows the carrying values of the Company's financial assets and liabilities as at June 30, 2018 and December 31, 2017:

	June 30, 2018	December 31, 2017
Financial assets at amortized cost:	**$**	**$**
Cash and cash equivalents	25,728,686	22,102,526
Short-term investments	21,094,926	25,338,081
Receivables	577,927	612,140
Due from related parties	179,989	-
Financial liabilities at amortized cost:		
Due to minority shareholders of a subsidiary	352,518	164,000
Due to related parties	37,071	27,523
Accounts payable and accrued liabilities	370,145	474,699

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

The Company did not have financial assets measured at fair value through profit and loss on June 30, 2018.

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. As at June 30, 2018, the Company had monetary assets of $15.1 million denominated in USD, a change of +/- 10% in US$ 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. 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, 2017 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, 2017 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, 2017. 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 Company being able to successfully complete the Mining License Application process and begin construction of the Fuwan Silver Project and Changkeng Gold Project
- The approval of the Company's revised EIA by Chinese authorities.
- The continued availability of equity and debt financing to fund the completion of the Fuwan Silver Project and Changkeng mine and other exploration and development activities.
- The Company uses of proceeds from the Company's previous public offering as intended
- The continued ability of the Company to attract and retain key management personnel.
- The ability of the Company to evaluate precious metals project outside China for potential acquisition.
- The ability of the Company to renew the exploration permits, mining area permit before their expiry.
- The ability of the Company to pursue an alternative strategy in finding a large mining group in China as a business partner.
- The Company is able to withdraw money from China when needed (e.g. to finance acquisition of new mineral properties at areas other than China).

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

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