MINCO SILVER CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2012

This management's discussion and analysis ("MD&A") of the operating results and financial position of Minco Silver Corporation and its subsidiaries ("Minco Silver" or the "Company") is for the three months ended March 31, 2012. The MD&A, dated May 11, 2012, should be read in conjunction with the accompanying unaudited condensed consolidated interim financial statements and notes prepared by management for the three months ended March 31, 2012 and the audited consolidated financial statements and notes prepared by management for the year ended December 31, 2011.

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.

Management is responsible for preparation of the condensed consolidated interim financial statements referred to in this MD&A, and provides officers' disclosure certifications filed with Canadian securities commissions on SEDAR. 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 consolidated financial statements for the year ended December 31, 2011 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 and may be accessed at www.sedar.com.

As at March 31, and May 11, 2012, the Company had 58,927,752 common shares outstanding.

Company overview

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 100% beneficial interest in the shares of Foshan Minco Mining Co. Ltd. ("Foshan Minco") subject to a 10% net profits 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".

At the date of this MD&A, Minco Gold Corporation ("Minco Gold") owns 22.06% of the outstanding shares of the Company.

Overall performance for the three months ended March 31, 2012

For the three months ended March 31, 2012, the Company:

- Recorded a net loss of $1.6 million (loss of $0.03 per share) and a comprehensive loss of $1.9 million compared to a net loss of $2.8 million (loss of $0.05 per share) and a comprehensive loss of $3.0 million for the three months ended March 31, 2011.
- As at March 31, 2012, cash and cash equivalents were $27.8 million (December 31, 2011 - $27.6 million) and short-term investments were $40.6 million (December 31, 2011 – $40.1 million). The amount capitalized as development costs was $0.3 million for the three months ended on March 31, 2012 (first quarter of 2011 - $1.1 million). The cumulative capitalized development costs as of March 31, 2012 was $18.1 million (December 31, 2011 - $17.8 million).
- Total assets as at March 31, 2012 were $88.3 million compared to total assets of $89.6 million as at December 31, 2011.

- The Company generated $1.0 million from its operating activities during the three months ended March 31, 2012 compared to $1.6 million used in funding its operating activities in the comparative period in 2011. $0.3 million was generated from stock option exercises in financing activities for the three months ended March 31, 2012 compared to $43.0 million generated from the Company's public offering and stock option exercises in the comparative period in 2011. $0.9 million was used by the Company in investing activities for the three months ended March 31, 2012 compared to $43.0 million used in purchasing short-term investments in the comparative period in 2011. Altogether, including the effect of exchange rates, cash and cash equivalents increased by $0.2 million for the three months ended March 31, 2012 compared to a decrease of $1.7 million for the three months ended March 31, 2011.
- On March 27, 2012, the Company granted stock options for 2,390,000 common shares at an exercise price of $2.35 that vest over an 18-month period from the issue date to its employees, consultants and directors. These options expire in March 2017.

Discussion of operations

The Company's development and exploration costs represent expenditures undertaken to support the Company's strategic objectives on their properties.

The following table summarizes selected financial information for the eight most recent quarters.

	2012	**2011**				**2010**		
	Q1	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Total revenue	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Administrative expenses	1,301,550	1,354,864	1,595,577	2,356,707	2,285,654	1,530,467	1,094,984	997,889
Foreign exchange (gain) loss	451,843	273,501	(1,582,106)	(178,890)	568,759	465,489	382,078	(329,861)
Operating loss	(1,753,393)	(1,628,365)	(13,471)	(2,177,817)	(2,854,413)	(1,995,956)	(1,477,062)	(668,028)
Gain on Sterling loan	-	-	-	-	-	-	-	1,198,417
Finance and other income	119,966	205,664	229,004	189,451	79,105	85,847	18,568	13,479
Income (loss) before	(1,633,427)	(1,422,701)	215,533	(1,988,366)	(2,775,308)	(1,910,109)	(1,458,494)	543,868
Net income (loss)	(1,633,427)	(1,422,701)	215,533	(1,988,366)	(2,775,308)	(1,910,109)	(1,458,494)	543,868
Other comprehensive income (loss)	(261,886)	(92,802)	1,000,781	285,377	(261,704)	(214,479)	(57,797)	426,756
Comprehensive income (loss)	(1,895,313)	(1,515,503)	1,216,314	(1,702,989)	(3,037,012)	(2,124,588)	(1,516,291)	970,624
Earnings (loss) per share - basic and diluted	(0.03)	(0.02)	0.00	(0.03)	(0.05)	(0.04)	(0.03)	0.01
Earnings (loss) per share - basic and diluted	(0.03)	(0.02)	0.00	(0.03)	(0.05)	(0.04)	(0.03)	0.01
Weighted average number of shares outstanding	58,736,817	58,679,707	58,515,779	58,380,476	52,279,947	47,957,860	43,537,955	42,695,674

Variations in quarterly performance over the eight quarters can be primarily attributed to changes in foreign exchange rates as the Company holds significant US dollar funds. Appreciation or depreciation of the US dollar can result in significant foreign exchange gains and losses. Another contributing factor is changes in the amount of share-based compensation recognized in the applicable period.

Development costs on Fuwan Silver Deposit

During the three months ended March 31, 2012, the Company incurred a total of $294,134 (three months ended March 31, 2011 - $1,090,360) on development for the Fuwan Silver Deposit. Total accumulated development costs were $18,105,456 as at March 31, 2012 (December 31, 2011 - $17,811,322).The decrease in expenditures this period versus the prior period was primarily due to the following:

- The decrease in share-based compensation during the three months ended March 2012 due to the use of the accelerated method for amortization of share-based compensation under IFRS and a reduced value for options granted in 2012 versus 2011. .
- The resignation of the Company's Vice President, Operations in 2011 resulted in a significant decrease in consulting fees capitalized as development costs for the three months ended March 31, 2012.
- The decrease in labor cost for the three months ended March 31, 2012 was due to the reversal of bonus amounts over accrued in the fourth quarter of 2011.

The following is a summary of development costs capitalized or incurred for the Fuwan Silver deposit for the eight most recent quarters.

	2012	2011				2010		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Consulting fees	$ 72,000	$ 222,787	$ 219,563	$ 273,390	$ 192,740	$ 347,083	$ 219,866	$ 62,634
Drilling	-	-	965	-	-	3,209	-	21,662
Labor costs	45,539	112,984	82,496	84,394	78,944	145,580	100,371	96,296
Share-based compensation	222,156	584,191	13,313	608,403	782,228	447,617	244,294	120,187
Mining design costs	-	-	-	130,783	-	265,896	-	-
Mining license application	141,080	250,226	276,875	163,261	184,439	185,267	81,062	63,356
Environmental Impact Assessment	-	-	-	193	20,352	30,589	23,464	59,829
Travel	39,496	22,492	8,758	15,614	26,260	121,024	69,071	23,464
Others	58,860	67,796	66,230	(17,621)	78,465	97,029	46,474	63,269
Foreign exchange	(284,997)	(112,438)	1,054,950	449,506	(273,068)	(182,974)	(53,294)	361,907
	$ 294,134	$ 1,148,038	$ 1,723,150	$ 1,707,923	$ 1,090,360	$ 1,460,320	$ 731,308	$ 872,604

During the periods presented, the Company had no discontinued operations.

<u>Administrative expenses</u>

For the Three months ended March 31, 2012 and 2011

The Company's administrative expenses include overhead associated with administering and financing of the Company's development and exploration activities. The Company maintains a field office in Gaoming County, China, an office in Beijing, China and an office in Vancouver, Canada. For the three months ended March 31, 2012, after adjusting for a foreign exchange loss of $451,843 (2011 –$568,759) the Company incurred a total of $1,301,550 of administrative expenses (2011 - $2,285,654).

The Company shares its Vancouver office with Minco Gold and Minco Base Metals Corporation ("Minco Base Metals"), and shares its Beijing offices with Minco Gold, which allocates a portion of salaries, rent and office administration expenses at cost to the Company.

- The Company recorded a total of $847,022 as share-based compensation (three months ended March 31, 2011 – 2,293,748) for the three months ended March 31, 2012, with $624,866 (three months ended March 31, 2011 - $1,511,520) recorded in the income statement and $222,156 (three months ended March 31, 2011 - $782,228) capitalized to mineral interests. The decrease was due to the use of the accelerated method for share-based compensation expense under IFRS and a reduced value for options granted in 2012 versus 2011. .
- Investor relations costs decreased to $77,656 for the three months ended March 31, 2012 from $195,990 for the comparative period in 2011. This was mainly due to reduced use of external consultants providing investor relations services. These external consultants were engaged for marketing in relation to the Company's public offering in March 2011.The Company did not undertake any financing activity for the three months ended March 31, 2012.
- Legal, regulatory and filing increased to $119,287 for the three months ended March 31, 2012 from $80,700 for the comparative period of 2011. The increase was mainly due to the Company engaging external legal counsel to assist with regulatory compliance matters.
- Foreign exchange loss decreased to $458,843 for the three months ended March 31, 2012 from $568,759 for the comparative period of 2011. The decrease is mainly due to the Company's holding of assets denominated in US dollars decreasing from US$22 million as at March 31, 2011 to US$15.7 million as at March 31, 2012. As a result of this decrease, foreign exchange loss decreased while US dollar depreciated during the first quarter of 2012.

Finance and other income (expenses)

To date the Company has not earned revenue from operations other than interest income earned on short-term investments. In the three months ended March 31, 2012, finance and other income (expenses) was $119,966 (three months ended March 31, 2011 - $79,105).

The interest income generated for the three months ended March 31, 2012 was $190,737 compared to $79,105 for the comparative period of 2011. The increase was due to the increase holding period of interest bearing short term investments in 2012 compared to the comparative period of 2011.

As at March 31, 2012, short-term investments of $40,568,112 (December 31, 2011 - $40,058,042) consisted of cashable guaranteed investment certificates. The yields on these investments were between 0.95% and 1.60%.

Financial position

The Company's total assets have decreased to $88,293,241 as at March 31, 2012 compared to $89,575,712 at the end of the year 2011. The decrease in total assets was due primarily to the day-to-day use of cash to support the Company's operations, net of the interest income earned during the period. The US dollar weakened against the Canadian dollar in the first quarter of 2012 which further contributed to a decrease in the value of the Company's US dollar denominated assets.

Contractual obligations

The Company`s contractual obligations are primarily related to a cost sharing agreement between the Company, Minco Gold and Minco Base Metals, related parties domiciled in British Columbia, Canada, that 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 Project mine, the Environmental Impact Assessment ("EIA") on the Fuwan Project and various other reports. The Company has no long-term debt at this time.

	Payment due by period				
Contractual obligations	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
	$	**$**	**$**	**$**	**$**
Long term debt	-	-	-	-	-
Capital lease obligations	-	-	-	-	-
Operating leases (1)	832,018	300,757	531,261	-	-
Purchase obligations (2)	1,362,955	408,887	954,068	-	-
Other obligations (3)	673,000	673,000	-	-	-
Total contractual obligations	2,867,973	1,382,644	1,485,329	-	-

(1) Office rental payments – Canada and China

(2) Payments in respect of the Fuwan Project mine design contract, EIA and various other reports.

(3) Key management personnel – unpaid consulting fees

The Company has commitments in respect of the Environmental Impact Assessment of the Fuwan Project and other various reports requiring payments of RMB 1.5 million (approximately $240,000). The payments are anticipated to be made before the end of 2012.

Fuwan project

1. Properties

The Company's principal property is the Fuwan Silver Deposit located in Guangdong Province, China. The Company's objective is to develop the Fuwan Silver Deposit with a view to commencing commercial mining operations on the property. The Company will also continue to identify new silver projects for possible acquisition.

The Company currently has four reconnaissance survey exploration permits (exploration licenses) which are located in the Sanzhou basin, Guangdong Province, China. The permits have a total area of 205.61 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 deposits. The exploration permit for the Fuwan main deposit area is the Luoke-Jilinggang (76.62 sq. km.) exploration permit which was renewed in August 2011. This exploration permit granted by the Ministry of Land and Resoruces ("MOLAR") is for a two-year period ending on July 20, 2013. Another three additional silver exploration permits on the Fuwan belt, referred to as the Guyegang (74.74 sq. km.), the Hecun (16.96 sq.km.), and Guanhuatang (37.29 sq.km.), are held by Minco China in trust for Foshan Minco, which all expired on April 7, 2012. The Company is, with the assistance of Minco China and Foshan Minco, taking all possible steps necessary to renew these permits. An application to renew the three permits has been submitted to the relevant authorities.

P&E Mining Consultants Inc.("P&E"), a Brampton, Ontario based mining consulting company, was retained by the Company to prepare an independent "Technical Report and Resource Estimate on the Fuwan Property, Guangdong Province, China" ("The Technical Report and Resource Estimate"). A preliminary economic assessment ("PEA") report prepared by SRK Consulting Inc. was completed and released on October 22, 2007. Wardrop Engineering Inc., ("Wardrop") a Vancouver, British Columbia based engineering and technical consulting company, was retained by the Company to prepare an updated "Feasibility Study Technical Report" dated September 1, 2009 (the "Feasibility Study"). All of the above reports are available at *www.sedar.com*.

2. Exploration programs

Minco Silver conducted a comprehensive exploration program on the Fuwan Project during the 2005 – 2008 periods. The exploration program includes six phases of drilling totaling 260 drill holes comprising 69,074 meters of diamond drilling over both the Fuwan Silver Deposit and the surrounding regional area, detailed hydrological studies for the Fuwan deposit area, metallurgical testing, and geotechnical studies. An exploration report was prepared on the Fuwan deposit at the end of the exploration program and was approved by MOLAR.

The assay results from the drilling programs can be reviewed on the Company's website at www.mincosilver.ca or at www.sedar.com

3. Resource estimates

An NI 43-101 technical report was prepared by P&E for the Fuwan Project. The technical report dated January 25, 2008 prepared by P&E can be reviewed on the Company's website at www.mincosilver.ca or at www.sedar.com

Following the completion of the phase 6 drilling program, the resource estimates on the Fuwan Project were updated by P&E. The company released the updated resource estimates in a news release disseminated on May 12, 2008, entitled "Minco Silver Announces a 31% Increase in the Indicated Resource on its Fuwan Project".

Diamond drill data from a total of 422 holes was used for the resource calculation in the updated resource estimate. These programs were conducted on a 60m x 60m diagonal spacing within the existing 80m x 80m rectangular drill grid spacing. The Fuwan Silver Deposit remains open along strike to the southwest and up and down its relatively flat dip to the northwest and southeast.

The updated resource estimate for the Fuwan Silver Deposit includes Au, Pb and Zn credits and has an indicated Resource of approximately 16.0 million tonnes at 182g/t Ag, 0.20g/t Au, 0.20% Pb and 0.57% Zn and an Inferred Resource of 11.2 million tonnes at 174g/t Ag, 0.26g/t Au, 0.27% Pb and 0.73% Zn. Details of the resources for the silver mineralization of the Changkeng and Fuwan properties are shown in the following table.

Resource Estimate[1] @ 40g/t Ag Cut-Off Grade.

Resource Area & Classification	Tonnes	Ag (g/t)	Ag (oz)	Au (g/t)	Pb (%)	Zn (%)
Fuwan Permits Indicated	13,948,000	188	84,268,000	0.17	0.20	0.56
Changkeng Permit Indicated**	2,027,000	142	9,235,000	0.40	0.20	0.61
Total Indicated	15,975,000	182	93,503,000	0.20	0.20	0.57
Fuwan Permits Inferred	10,241,000	171	56,147,000	0.26	0.26	0.72
Changkeng Permit Inferred ***	1,049,000	212	7,136,000	0.29	0.37	0.86
Total Inferred[2]	11,290,000	174	63,283,000	0.26	0.27	0.73

Notes:

** The indicated resources reported on the Changkeng permit represent 51% of the actual indicated resources which reflects the proportion of ownership by Minco Silver Corporation. Total Changkeng indicated silver resources are 4,054,000 tonnes and 18,470,000 ounces of silver.

*** The inferred resources reported on the Changkeng permit represent 51% of the actual inferred resources which reflects the proportion of ownership by Minco Silver Corporation. Total Changkeng inferred silver resources are 2,098,000 tonnes and 14,272,000 ounces of silver.

[1] Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.

[2] The quantity and grade of reported inferred resources in this estimation are conceptual in nature and there has been insufficient exploration to define these inferred resources as an indicated or measured mineral resource and it is uncertain if further exploration will result in upgrading them to an indicated or measured mineral resource category.

For the purposes of the resource update report, the resource was defined using the April 2008, 24 month trailing average metal prices of US$13.69/oz Ag, US$710/oz Au, US$1.01/lb Pb and US$1.48/lb Zn. Costs of $12.00/tonne for mining, $11.50/tonne for processing/tailings management and $5.50/tonne for G&A for a total of $29.00/tonne and a process recovery of 97% for Ag, along with Au, Pb & Zn credits of approximately $10.00/tonne were utilized to derive a cut-off grade of 40 g/t Ag.

The mineral resources in the press release were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM"), Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council on December 11, 2005.

4. International feasibility study

The Fuwan Silver Deposit falls into the broad category of sediment-hosted epithermal deposits and is characterized by 8 zones of vein and veinlet mineralization within zones of silicification. Zones 7 and 8 are not included in the reserve estimate. The predominant sulphide minerals are sphalerite and galena with lesser pyrite, as well as rare arsenopyrite, chalcopyrite, and bornite. The deposit is poor in gold.

By September 1, 2009, the Feasibility Study was completed by Wardrop. The results of this study were released to the public through a press release on September 28, 2009. The Study defines an operation based on underground mining and milling of the ore producing a silver/lead concentrate and a zinc concentrate on site in the township of Fuwan, approximately 45km southwest of the provincial capital of Guangzhou, China.

Highlights of feasibility study:

Feasibility Study Highlights (Pre-Tax)	Feasibility Results
Probable Mineral Reserve	9.118 Mt averaging 189 g/t Ag
Mine Life	9.2 Years
Daily Mine Throughput	3,000 tpd
Mill Recovery (Ag Recovered in both concentrates)	91%
Average Annual Recovered Ag in both concentrates	5.5 M oz
Total Recovered Ag in both concentrates	50.4 M oz
Total Operating Cost/t Ore Milled	US$34.42/t
Total Cash Cost per Payable oz Ag	US$5.65/oz
Pre-Production Capital Costs	US$73.1 M
Silver Price Used for Feasibility Study Economics	US$13.57/oz Ag
Total Revenue	US$648.2 M
Total Operating Cost	US$313.8 M
Total Royalty Payment	US$24.3 M
Total Operating Cash Flow	US$310.0 M
Net Present Value Before Tax @ 6% Discount Rate	US$111.5 M
Net Present Value Before Tax @ 8% Discount Rate	US$95.3 M
Internal Rate of Return Before Tax	33.2 %
Payback Period of Pre-Production Capital Costs	2.3 years
Construction Period	20 – 24 months

Resource estimation

All resource estimation technical reports were done by P&E in compliance with NI 43-101 and CIM standards, most of which were filed on SEDAR. There has been no additional drilling on the deposit area since that time.

Contained Mineral Resources (at a 40g/t Silver cut-off)

Resource Area & Classification (does not include Changkeng mineralization)	tonnes (M t)	Ag (g/t)	Ag (M oz)	Au (g/t)	Pb (%)	Zn (%)
Fuwan Permit Indicated	13.95	188	84.3	0.17	0.20	0.56
Fuwan Permit Inferred	10.24	171	56.1	0.26	0.26	0.72

Reserve estimation

The resource estimate provided by P&E classified the resources for the Fuwan Zones 1 to 4 as indicated and inferred. The reserve does not include any resources from the Changkeng property. Only indicated mineral resources as defined in NI 43-101 were used to establish the probable mineral reserves. No reserves were categorized as proven.

Wardrop used a stope recovery factor of 95%, an average mining extraction rate of 97%, and an average 7% internal dilution, 8% external dilution, and 3% fill dilution to estimate the total amount of diluted probable mineral reserves. Ore reserve calculations conservatively assumed dilution to contain no metal.

Probable mineral reserves (Diluted and In-situ)

Zone	Tonnes	Ag (g/t)	Ag (M oz) In-situ	Au(g/t)	Pb(%)	Zn(%)
1	1,328,000	186	7.9	0.18	0.06	0.32
2	4,806,000	192	29.7	0.17	0.18	0.57
3	2,452,000	192	15.1	0.11	0.26	0.64
4	532,000	150	2.6	0.07	0.42	0.82
Total	9,118,000	189	55.3	0.15	0.20	0.57

Notes: Reserve based on: Silver 13.00 US$/oz; Gold 688 US$/oz; Lead 0.88 US$/lb; Zinc 1.28 US$/lb; Operating cost of 37.13 US$/t

Mining

The mine will be accessed by a single decline developed at a gradient of -15%. Mining will be with conventional trackless mechanized equipment.

A 2 m minimum mining height was adopted for mechanized mining and mining methods will vary and be dependent upon orebody geometry, ground conditions, and ore grade.

Drift-and-fill mining, and a small amount of room-and-pillar mining, will be used for flat lying zones. As the orebody has reasonably good grades, a trade-off study was undertaken to assess at what grade it would be worth backfilling with cemented fill and carrying out a primary/secondary drift-and-fill type mining method allowing 100% extraction without leaving any ore pillars.

Ore zones with lower grades will be mined by the room-and-pillar method. This method is selective and zones of low grade can be left as pillars. Stope and pillar dimensions, ground support in development headings, and stopes will depend on orebody geometry and ground condition.

The cut-and-fill method will be used for ore zones dipping between 15° and 50°.

All stopes will be backfilled after mining is completed. Free draining hydraulic backfill was selected as the most appropriate method due to the flat-lying and relatively large horizontal extent of the orebody, coupled with the distant location of the process plant and difficulties with access above the orebody.

This backfilling method will allow up to 45% to 50% of the tailings to be disposed of as hydraulic backfill underground, reducing the required size of the surface tailings pond. Backfill will be prepared from tailings produced in the plant and distributed to the underground stopes by a pipeline through the main access ramp. For primary stope filling in drift-and-fill, 5% cement will be added. Backfill for cut-and-fill, room-and pillar, and secondary stopes of drift-and-fill mining will not be cemented.

Mine production of 3000 tonnes per day ("tpd") is based on a crew rotation of three 8 hour shifts and over 330 days per year. A mining contractor is assumed for pre-production development as well as ongoing mine development.

Metallurgy

A 3,000 tpd process plant has been designed for the Fuwan Project to process silver, lead and zinc bearing sulphide mineralization. The main value metals in the mineralization are silver, lead and zinc. The process plant will operate three shifts per day for 330 d/a at an annual process rate of 990,000 t/a. Overall process plant availability will be approximately 90%.

The run-of-mine from the underground mine will be crushed by a jaw crusher to 80% passing 150 mm, and then ground to 80% passing 100 µm in a semi-autogenous grinding -ball mill-pebble crushing circuit. The silver, lead, and zinc minerals will be recovered by a conventional differential flotation process.

The tailings produced from the zinc rougher scavenger flotation circuit will be sent to the tailings storage facility for storage and to the underground mine for hydraulic backfilling. The produced silver-lead concentrate and zinc concentrate will be thickened and then pressure filtered separately prior to being transported to smelters. Depending on the lead head grade, the silver-lead concentrate may be further processed to produce a silver concentrate and a lead-silver concentrate.

The average dry concentrate production is forecast to be as follows:

- silver-lead concentrate – 15,900 t/a, including:
  - 154,700 kg/a (4,975,000 oz/a) silver
  - 1,600 t/a lead
- zinc concentrate – 9,300 t/a including:
  - 4,700 t/a zinc
  - 15,400 kg/a (495,000 oz/a) silver.

Infrastructure

The Fuwan property is located approximately 45 km southwest of Guangzhou, the capital city of Guangdong province. Access to the property is via the Guangzhou - Zhuhai highway, which passes through Gaoming City. The property is located 2 km via gravel road northwest of the town of Fuwan (population 30,000). The town of Fuwan is well connected by paved highway and expressways to major cities, including Guangzhou (70 km), Gaoming (15 km), and Jiangmen (60 km). The Fuwan property is also accessible by water on the Xijiang River to major cities like Guangzhou, Zhaoqing and Jiangmen, as well as to international waterways in the South China Sea. Electrical power, water, telephone service, and supplies are available in Fuwan. The proposed mine site is large enough to accommodate tailings and waste disposal areas, and processing plant sites.

Operating costs

The operating cost estimates are based on a process rate of 990,000 tonnes of ore annually or 3,000 tpd of ore.

Mining	US$18.01/t
Processing	US$ 9.90/t
Tailings	US$ 1.13/t
G&A	US$ 4.78/t
Surface Services	US$ 0.60/t
Total	US$34.42/t

Preliminary design and geotechnical investigations

Nanchang Engineering & Research Institute of Nonferrous Metals ("NERIN") was engaged to carry out the preliminary design for the Fuwan Project. The main mining and processing techniques have been defined and main design work completed in 2011.

To provide necessary geotechnical information for the preliminary design a geotechnical investigation program was initiated in November 2010. A total of 168m was completed in four diamonds drill holes and core logged at the year end of 2010.

Capital costs

The estimate was completed partially by NERIN and partially by Wardrop. The majority of the information used in the estimate is based on the quantities and pricing provided by NERIN to Wardrop.

Area Cost **Direct Works**	**(US$ x 1,000)**
Mining (Wardrop)	21,637
Primary Crushing	660
Crushed Ore Stockpile and Reclaim	305
Secondary and Tertiary Crushing	52
Grinding, Flotation, Dewatering, Reagents & Service	9,140
Tailings Disposal Facilities	4,250
Plant Site, Infrastructure & Ancillary Facilities	8,627
Temporary Services	35
Site/Plant Mobile Equipment	1,190
Power Lines (Included in Power Supply)	-
Direct Works Subtotal	**45,896**
Indirect	
Project Indirect	13,330
Land Acquisition	2,120
Owner's Costs	5,663
Contingency	6,051
Indirect Subtotal	**27,164**
TOTAL PRE-PRODUCTION CAPITAL COSTS (US$)	**73,060**
Working Capital and Pre-Production Interest	**8,300**
Sustaining Capital	**59,900**

Financial analysis

An economic evaluation of the Fuwan Project was prepared by Wardrop based on a pre-tax financial model. For the 9.2 year mine life and 9.1 Mt reserve, the following pre-tax financial parameters were calculated:

- 33.2% IRR
- 2.3 years payback on $73.1 M capital
- US$111.5 M net present value (NPV) at a 6% discount rate.

The base case metal prices were as follows based on the 3 year historical average prices from the London Metal Exchange (LME) as of April 29, 2009:

- Silver – US$13.57/oz
- Gold – US$767.72/oz
- Zinc – US$1.18/lb
- Lead – US$0.91/lb

No allowance has been made for inflation or escalation.

Sensitivity analysis

The project economics are sensitive to silver price, operating costs and capital expenditures. The following is the sensitivity analysis results.

Parameter	Economic Indicator	Change				
		-20%	-10%	Base Case	10%	20%
Silver Price	NPV (US$M)	33	72	112	151	190
	IRR (%)	15	25	33	41	48
Opex	NPV (US$M)	157	134	112	89	66
	IRR (%)	41	37	33	29	24
Capex	NPV (US$M)	126	119	112	105	97
	IRR (%)	42	37	33	30	27

5. Environmental impact assessment

Environmental aspects of the feasibility study was compiled by Environmental Resources Management, one of the world's leading providers of environmental consulting services, and was prepared in accordance with International Finance Corporation and World Bank standards.

To satisfy Chinese regulatory requirements, Guangdong Nuclear Design Institute has been contracted to complete the Chinese EIA.

The Company concluded the environmental baseline studies, which was first carried out in early 2010, enabling the completion of the Regulatory EIA report. This report was submitted to the Department of Environmental Protection Administration of Guangdong Province in early 2010. The report identifies the ecological and physical environmental impacts of the proposed mining operation.

A technical panel appointed by the Department reviewed and approved the report 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.

New water regulation issued by the Ministry of Environmental Protection of China became effective on June 1, 2011, which all applicants for EIA are subject to. The Company engaged General Station for Geo-Environmental Monitoring of Guangdong Province ("GSGEM") for a water monitoring study to comply with the new regulation. GSGEM carried out the required monitoring study, and prepare all reports required for compliance with the new National Water Guidelines. They also provided monitoring and surveying of surface water bodies and any underground water which may be present, for quality and level of underground water at various seasons including peak, normal, and dry seasons. They also drilled 550 meters of additional hydro geological holes for monitoring. The Company has successfully completed all required field work related to the drilling and the water monitoring program in January 2012.The field work for the water monitoring program consisted of drilling 21 new hydrological holes, surveying of surface water bodies surrounding the Fuwan Project, and monitoring the level and quality of the surface and underground water during all three seasons.

As of the date of this MD&A, the Company received the comprehensive water monitoring report for the project from GSGEM. The report concluded the Company is in compliance with the requirements of the new National Water Guidelines set out by the Ministry of Environmental Protection of China. The Company is now updating the EIA report which will be submitted to the Chinese environmental protection authority for approval. Upon approval of the EIA report, the Company will utilize data from the EIA report to finalize the preliminary mine design

6. Permitting

The Company has made significant progress in permitting on the Fuwan Silver Deposit. At the date of this MD&A, the progress in permitting is summarized as follows:

- The Exploration Report on the Fuwan Silver Deposit has been accepted and approved by MOLAR in Beijing.
- The Chinese Preliminary Feasibility Study was completed by Changsha Non-Ferrous Mine Design Institute and approved by an expert panel.
- The Gaoming county government granted official approval for the development of the Fuwan Project.
- The application for the Mining Area Permit was approved by MOLAR in Beijing and will be held for up to 3 years while preparation for the Mining License Application are made. The Mining Area Permit covers approximately 0.79 square kilometers, defines the mining limits of the Fuwan Silver deposit and restricts the use of this land to mining activities. The original approved permit was expired and since extended to April 10, 2014.
- The Soil and Water Conservation Plan was completed and approved.
- The Feasibility Study conducted by Wardrop and NERIN has been completed. This report was used in the preparation of the Mine Development and Utilization Report. This report is critical in obtaining the Mining License.
- The Land Usage Permit was approved by Gaoming County, Foshan City, and Guangdong provincial governments. It was since renewed until December 31, 2012.
- The Geological Hazard Assessment was completed and approved in September 2009.
- The reserve/resource has been registered and received approval from Guangdong Bureau of Land and Resources and MOLAR in Beijing.
- NERIN has completed the Mineral Resources Development and Utilization Plan. The plan was reviewed and approved by an expert panel from the Non-ferrous Metal Association on behalf of MOLAR in Beijing.
- 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 2012 and submitted to the Safety Bureau of Guangdong Province for approval.
- Upon the approval of the EIA and the preliminary safety assessment, the Company will submit all reports received with the finalized preliminary mine design to MOLAR for the issuance of the mining license.

Qualified persons

Thomas Wayne Spilsbury, an independent director of the Company, is a Member of the Australian Institute of Geoscientists and a Fellow of the Australasian Institute of Mining and Metallurgy CP (Geo) and is a “qualified person”, as defined in NI 43-101. Mr. Spilsbury has supervised the preparation of the technical content of this management discussion and analysis.

Liquidity and capital resources

As at March 31, 2012, the Company had a cash and cash equivalents of $27,816,215 (December 31, 2011 - $27,574,152) and positive working capital of $69,022,799 (December 31, 2011 - $70,044,237).

The Company’s short-term investments are comprised of cashable guaranteed investment certificates. The market for these instruments is highly liquid and the Company does not foresee loss of capital due to liquidity risk.

The Company does not generate revenues and relies on equity and debt financing for its working capital requirements to fund its exploration, development, investment, permitting and administrative activities.

As of the date of this MD&A, the Company has sufficient funds to complete the EIA on the Fuwan Silver Project, and continue development and construction of the mine and related facilities.

All of the cash denominated in RMB that is maintained in the People's Republic of China ("China"), where the remittance of funds to jurisdictions outside China may be subject to government rules and regulations on foreign currency controls. Such remittance may require approvals by the relevant government authorities or designated banks in China or both.

Foshan Minco is a registered Chinese entity and a legal subsidiary of Minco China. Notwithstanding this the beneficial interest in Foshan Minco is owned by Minco Silver. Minco China is a wholly foreign owned entity ("WFOE") for the purposes of Chinese law and is a subsidiary of Minco Gold. In order for profits realized by Foshan Minco to be repatriated to Minco Silver, they must first pass through Minco China and Minco Gold.

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.

At March 31, 2012, the Company has positive working capital of approximately $69 million and therefore has sufficient funds to meet its current operating and exploration and development obligations. 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 the 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. The Company has been offered through Foshan Minco, a debt facility in the amount of RMB 300 million (approximately $48.1 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.

As at March 31, 2012, the Company received payment totaling RMB 12 million ($1.89 million) following a series of transactions entered into by the Company for the purchase and the sale of steel coil in December 2011, for which the Company prepaid RMB 12 million as at December 31, 2011. This transaction was entered into in for the primary purpose of allowing the Company to convert a portion of its US dollar holdings to RMB.

Use of proceeds from public offering

The Company closed an Offering of 7,600,000 common shares at a price of $5.95 per share for gross proceeds of $45,220,000 in March 2011. The Company's final short form prospectus, dated February 22, 2011, disclosed the Company's intended use of proceeds from the public offering. 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 Project are estimated to be US$73,060,000.

The following table compares the intended use of proceeds as disclosed in the final short form prospectus with the actual use of proceeds as at March 31, 2012.

	Estimated per final short form prospectus	Actual as at March 31, 2012
	$	$
Net proceeds received	42,432,900	42,432,900

Use of proceeds	Planned use of proceeds per final short form prospectus	Planned use of proceeds as at March 31, 2012
	$	$
To complete Fuwan Project permitting process	1,000,000	1,000,000
To partially fund pre-production capital costs	36,500,000	36,500,000
General working capital	4,932,900	4,932,900
Total use of proceeds	42,432,900	42,432,900

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

Cash flow

Operating activities

Three months ended March 31, 2012

Net loss for the three months ended March 31, 2012 was $1,633,427 which was mainly adjusted by share-based compensation of $624,866, an unrealized foreign exchange loss of $215,035, a decrease in receivables of $365,383, a decrease in prepaid expenses and deposits of $1,892,530, and repayments of amounts due to related parties of $352,655 to arrive at cash generated from operating activities in the amount of $1,034,137, compared to $1,631,421 cash used in the comparative period in 2011.

Financing activities

Three months ended March 31, 2012

For the three months ended March 31, 2012, the Company received proceeds from the exercise of stock options to arrive at cash generated from financing activities of $263,251 compared to $42,936,471 net proceeds received from the Company's public offering and stock option exercises during three months ended March 31, 2011.

Investing activities

Three months ended March 31, 2012

For the three months ended March 31, 2012, the Company used $875,309 (2011 - $43,010,685) in investing activities. This was primarily due to purchases of short-term investments of $510,071 and payment of development costs of $364,454.

Break fee

On March 12, 2009, Minco Silver filed a proof of claim with the US Bankruptcy Court in Idaho to collect a break fee, in the amount of US$2,750,000. The break fee was agreed upon in the original letter of intent to acquire Sterling Mining Company.

The Company is in the legal process of seeking to recover the break fee and expects to receive an ultimate result in June, 2012.

Off-balance sheet arrangements

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

Outstanding share date

At the date of this MD&A, the Company has 58,927,752 common shares, 6,129,870 stock options and 418,000 common share purchase warrants outstanding, for a total of 65,475,622 fully diluted common shares outstanding.

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 however it 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 June 9, 2011, the Company advanced US$10 million to Minco Gold, the ultimate legal shareholder of the Company's subsidiary Foshan Minco. During 2011, Minco Gold received government approvals to increase the registered capital of its wholly owned subsidiary, Minco China. Minco China has undertaken to exchange the US$10 million into RMB and will then invest the funds, on behalf of Minco Silver, to increase the registered capital of Foshan Minco.

In August, 2011, the Company, Minco Gold and Minco China entered into a trust agreement in which Minco Gold and Minco China confirmed they have received the US$10 million, and Minco China is required to exchange these US fund into RMB in order to increase Foshan Minco's registered share capital. Once all the funds are transferred from Minco China to Foshan Minco, the trust agreement is effectively settled and no repayment is expected by Minco Silver from Minco China.

In the three months ended March 31, 2012, Minco China successfully exchanged the US$1.89 million into 12 million RMB and held it in trust, together with US$8,187,394 for the Company.

Shared expenses

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

(a) Amounts due to related parties as at March 31, 2012 are $58,250 (December 31, 2011 – $429,114) and consisted of the following:

Amount due to Minco China as at March 31, 2012 of $1,218,745 (December 31, 2011 - $1,167,282) representing expenditures incurred on behalf of Foshan Minco.

Amount due from Minco Gold as at March 31, 2012 of $1,160,495 (December 31, 2011 – $738,168) 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 has been presented as a net balance on the consolidated financial statements.

(b) In the three months ended March 31, 2012, the Company paid or accrued $24,063 (March 31, 2011 – $23,016) in respect of rent and $172,066 (March 31, 2011 – $97,076) in respect of shared head office expenses and administration costs to Minco Gold.

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

Key management compensation

In the three months ended March 31, 2012 and 2011, the following compensation was paid to key management. Key management includes the Company's directors and senior management. This compensation is included in exploration costs, development costs and administrative costs expenses.

			March 31, 2012
	Cash remuneration	**Share-based compensation**	**Total**
	$	**$**	**$**
Directors	21,000	220,704	241,704
Senior management	145,614	318,833	464,447
Total compensation	166,614	539,537	706,151

			March 31, 2011
	Cash remuneration	**Share-based compensation**	**Total**
	$	**$**	**$**
Directors	18,750	446,607	465,357
Senior management	197,958	1,066,395	1,264,353
Total compensation	216,708	1,513,002	1,729,710

Critical accounting estimates and judgments

The preparation of the Company's consolidated financial statements requires management to use judgment in applying its accounting policies and 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 often 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 impairment indicators on the Company's mineral interest and has concluded that no impairment indicator existed as of March 31, 2012.

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.

Accounting policy changes

Post-implementation

The post-implementation phase will involve continuous monitoring of changes in IFRS in future periods. It has been noted that the standard-setting bodies that determine IFRS have significant ongoing projects that could impact the IFRS accounting policies that the Company has selected. In particular, there may be additional new or revised IFRSs or Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") in relation to consolidation, financial instruments, leases, revenue recognition and stripping costs in the production phase of a surface mine. IASB is also currently working on an extractive industries project, which could significantly impact the financial statements of the Company primarily in the areas of capitalization of development costs and disclosures. Processes are in place to ensure that potential changes are monitored and evaluated. The impact of any new IFRSs and IFRIC Interpretations will be evaluated as they are drafted and published.

Risks and uncertainties

The business of exploration and development for minerals and mining involves a high degree of risk. Few exploration properties that are explored are ultimately developed into producing mines. Unusual or unexpected formations, formation pressures, fires, power outages, labor disruptions, flooding, cave-ins, landslides, and the inability to obtain suitable or adequate machinery, equipment, or labor are other risks involved in the conduct of exploration programs. The Company from time to time augments its internal exploration and operating expertise with advice from consultants and others as required. The economics of developing mineral properties is affected by many factors including the cost of operations, variation of the grade of ore mined, and fluctuations in the price of any minerals produced.

For a comprehensive discussion of risk factors, readers are referred to the Company's 2011 annual information form dated March 30, 2012, available on SEDAR at www.sedar.com. Those as well as the following additional risks may impact the business of the Company.

a) Titles to property

While the Company has diligently investigated title to the various properties in which it has an interest, and to the best of its knowledge, title to those properties are in good standing, this should not be construed as a guarantee of title.

b) Permits and licenses

The Company's operations may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development, and mining operations at its projects.

c) Metal prices

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect the marketability of any minerals discovered. Metal prices have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities, and worldwide production levels. The effect of these factors cannot be accurately predicted.

d) Competition

The mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for recruitment and retention of qualified employees.

e) Environmental regulations

The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving toward stricter standards in which enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

f) Conflicts of interest

Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest, which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matters. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

g) Stage of development

The Company does not have a history of earnings or the provision of return on investment, and in the future there is no assurance that it will produce revenue, operate profitably, or provide a return on investment.

h) Industry conditions

Mining and milling operations are subject to government regulations. Operations may be affected in varying degrees by government regulations such as restrictions on production, price controls, tax increases, expropriation of property, pollution controls, or changes in conditions under which minerals may be mined, milled or marketed. The marketability of minerals may be affected by numerous factors beyond the control of the Company, such as government regulations. The effect of these factors cannot be accurately determined.

i) Uninsured hazards

Hazards, such as unusual geological conditions, are involved in exploring for and developing mineral deposits. The Company may become subject to liability for pollution or other hazards, which cannot be insured against, or against which the Company may elect not to insure because of high premium costs or other reasons. The payment of any such liability could result in the loss of Company assets or the insolvency of the Company.

j) Future financing

Completion of future programs may require additional financing, which may dilute the interests of existing shareholders.

k) Key employees

Management of the Company rests on a few key officers, the loss of any of whom could have a detrimental effect on its operations.

l) Political risk

Currently, the Company keeps its RMB denominated cash in accounts with financial institutions located in the PRC. This exposes the Company to risks that may not otherwise be experienced if these accounts were maintained domestically. Political risks may include arbitrary changes in laws, regulations, policies, taxation, foreign exchange controls, and limitations on the repatriation of earnings. These risks may limit the Company's ability to access the funds held in the PRC for use therein or elsewhere in the world on a timely basis, or at all.

m) Foreign exchange risk

A significant portion of the Company’s assets are denominated in RMB and are subject to foreign exchange rate risk which may have a negative impact on the Company’s overall financial performance.

n) Legal title to key assets is held in trust for Minco Silver

Certain of the permits relating to the Fuwan Project and the equity interest in Foshan Minco are registered in the name of Minco China, a company unrelated to Minco Silver and certain other permits are registered in the name of Foshan Minco. Although Minco Silver has a 90% equity interest in Foshan Minco, its interest in Foshan Minco has not yet been registered in China.

Minco Gold and Minco China have agreed pursuant to the Confirmation Agreement to hold the permits and all other assets relating to the Fuwan Project in trust for the benefit of Minco Silver and have agreed pursuant to the Assignment Agreement to transfer Minco China’s 90% interest in Foshan Minco and the permits and other assets relating to the Fuwan Project to Minco Silver. Until the transfers of the interests are registered, the Corporation relies on the trust relationship, which relationship, and the concept of the separation of the legal and beneficial ownership, are not recognized under the laws of China. The Confirmation Agreement and Assignment Agreement are governed by Canadian law, which does recognize the concept of trust relationship, and each of Minco Gold and Minco Silver are Canadian companies. However, there is no certainty that if Minco Gold or Minco China breach their obligations to Minco Silver under such agreements that a Canadian court would grant Minco Silver a remedy for such breach or that any remedy granted would be sufficient to compensate Minco Silver for its loss. In addition, since Minco China is a Chinese company, Minco Silver may have difficulties enforcing any judgment against Minco China. There is no certainty that a Chinese court would recognize or enforce the judgment of a Canadian court against Minco China. Furthermore, the current ownership arrangement presents the possibility of certain Canadian tax risks as the separation of beneficial and legal ownership of the permits and other assets relating to the Fuwan Project is not recognized under the laws of China. The failure of Minco Silver to obtain an adequate remedy in the event that Minco Gold or Minco China breach the Confirmation Agreement or the Assignment Agreement or the failure of such remedy to be enforced against Minco Gold or Minco China would have a material adverse effect on Minco Silver. There can be no assurance that such mining license will be issued or that the legal interests in Foshan Minco and the permits and licenses comprising the Fuwan Project will be transferred to Minco Silver in accordance with the Assignment Agreement or registered in accordance with the laws of China.

o) Scope of business licence

In China companies are granted a business license which specifies the scope of activities that they are permitted to undertake. Although Minco China has taken steps to ensure that all of its business activities are within the scope of its business license, there is no assurance that the relevant Chinese authorities will agree with such assessment. If Minco China is determined to have exceeded the scope of its business license it could be subject to penalties or other sanctions.

p) Access to RMB

From time to time the Company enters into agreements with third parties in China to buy and sell certain commodities. The Company will purchase a commodity in US dollars followed by an off-setting transaction to sell the same commodity for RMB. These transactions are entered into in the normal course of business and are designed to give the Company access to RMB more readily than through currency exchange transactions which have recently become increasingly restrictive in China. There can be no certainty that this method of converting US dollars to RMB will remain available to the Company.

The transactions described above may involve a period where the Company is owed money by a third party. While the Company takes steps to ensure that such third parties are credit-worthy, these transactions involve some amount of third party risk whereby the Company may not be paid amounts owed to it on time, or at all.

Disclosure Controls and Procedures 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 March 31, 2012 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 Tread way Commission (COSO). Management has evaluated the effectiveness of design and operation of the Company's internal controls over financial reporting as at March 31, 2012. Based on the result of this assessment, management has concluded that the Company's internal controls over financial reporting are effective.

During the three months ended March 31, 2012, there have been no material changes in the Company's internal control over financial reporting except for the following:

Cautionary Statement on Forward-Looking Information

This MD&A, which contains certain forward-looking statements, are intended to provide readers with a reasonable basis for assessing the financial performance of the Company. All statements, other than statements of historical fact, are forward-looking statements. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule" and similar expressions identify forward looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to, fluctuations in the currency markets such as Canadian dollar, Chinese RMB and U.S. dollar, fluctuations in the prices of silver and other commodities, changes in government legislation, taxation, controls, regulations and political or economic developments in Canada, the United States, or China or other countries in which the Company carries or may carry on business in the future, risks associated with mining or development activities, the speculative nature of exploration and development, including the risk of obtaining necessary licenses and permits, quantities or grades of reserves, failure of plant, equipment or processes to operate as anticipated as well as any factors discussed in the section entitled "Risk and Uncertainties" in this MD&A. Many of these uncertainties and contingencies can affect the Company's actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company.

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 on the Fuwan Project 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 Project mine and other exploration and development activities.
- Intended use of proceeds from the Offering.
- The continued ability of the Company to attract and retain key management personnel.

Readers are cautioned that forward-looking statements are not guarantees of future performance. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those acknowledged in such statements. Specific reference is made to the Company's most recent Annual Information Form on file with Canadian provincial securities regulatory authorities for a discussion of some of the factors underlying forward-looking statements.

The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except to the extent required by applicable securities laws.