MINCO SILVER CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012

This Management's Discussion and Analysis ("MD&A") of Minco Silver Corporation ("Minco Silver" or the "Company") has been prepared on the basis of available information up to November 07, 2012, should be read in conjunction with the unaudited condensed consolidated interim financial statements and related notes for the three and nine months ended September 30, 2012 and the audited consolidated financial statements and related notes 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. All dollar amounts are expressed in Canadian dollar unless otherwise indicated.

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

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 reviewed the disclosure of technical content in this MD&A.

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".

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

Minco Silver Ltd., Minco Yinyuan Co. and Minco Investment Holding HK Ltd are the wholly owned subsidiaries of the Company.

At the date of this MD&A, Minco Gold owns 22.02% of the outstanding shares of the Company. The Company has 59,039,418 common shares and 5,621,169 stock options outstanding, for a total of 64,660,587 fully diluted common shares outstanding.

Table of Contents

1. Fuwan Silver Project

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

The Company has four reconnaissance survey exploration permits on the Fuwan Silver Deposit, having a total area of 172.50 sq. km, covering a major part of the northeast-trending Fuwan silver belt which hosts the known gold and silver occurrences in the Sanzhou basin, including the Fuwan silver and Changkeng gold deposits. The exploration permit for the Fuwan main deposit area is the Luoke-Jilinggang (76.62 sq. km.). This was renewed by MOLAR for a two-year period ending on July 2013. Another three silver exploration permits on the Fuwan belt, referred to as Guyegang (55.88 sq. km.), Hecun (12.7 sq.km.), and Guanhuatang (27.3 sq.km.), are held by Minco China in trust for Foshan Minco. These three permits were renewed for a two–year period ending on April 07, 2014.

1.1 Current Developments on the Fuwan Silver Project

Following the official approval granted by the Gaoming County Government for the development of the Fuwan Silver Project in December 2008, the Company has been focused on the permitting process in order to apply for a mining license.

The pivotal aspect of applying for the mining license is to complete the Environmental Impact Assessment Report ("EIA"). The Company engaged Guandong Nuclear Design Institute ("GNDI") to complete the Chinese Regulatory EIA report. A technical panel appointed by the Department of Environmental Protection Administration of Guangdong Province reviewed and approved the regulatory EIA report compiled by GNDI in principle on March 07, 2010 with certain comments. The Company submitted the revised report to the Department in December 2010 after addressing the comments received from the panel.

The Company engaged General Station for Geo-Environmental Monitoring of Guangdong Province ("GSGEM") for a water monitoring study to comply with the new water regulations issued by the Ministry of Environmental Protection of China effective on June 01, 2011, which all applicants for EIA are subject to. GSGEM carried out the required monitoring study, and prepared all reports required for compliance with the new National Water Guidelines. The Company successfully completed the field work in January 2012 and received the comprehensive water monitoring report from GSGEM in April 2012. The report concluded the Company is in compliance with the requirements of the new National Water Guidelines. The Company has submitted the report to GNDI for revision of the original EIA report. The revised EIA report 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.

The Company has made significant progress in permitting on the Fuwan Silver Deposit other than the EIA regulatory report. The progress is summarized as follows:

- The Chinese Preliminary Feasibility Study was completed by Changsha Non-Ferrous Mine Design Institute and approved by an expert panel.
- The Mining Area Permit 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, was approved by MOLAR and renewed subsequent to the original approved in October 2009. The renewed permit will expire on April 10, 2014.
- The Soil and Water Conservation Plan was completed and approved.
- 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 Mine Geological Environment Treatment Plan was reviewed and approved by the Environment Committee of China Geology Association.

- The preliminary Safety Assessment draft report was completed in December 2011 and submitted to the Safety Bureau of Guangdong Province for approval.

1.2 International Feasibility Study

On September 29, 2009, the Company published an updated "Feasibility Study Technical Report" dated on September 01, 2009 (the "Feasibility Study") prepared by Wardrop Engineering Inc., ("Wardrop") a Vancouver, British Columbia based engineering and technical consulting company. This report is available on the Company's website and on SEDAR. 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.

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 Mining Consultants Inc. ("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 (exclude 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	**(US$ x 1,000)**
Direct Works	
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

1.3 Resource Estimates

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 Silver Project" ("The Technical Report and Resource Estimate") dated January 25, 2008. This report is available on the Company's website and on SEDAR.

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 Estimate1 @ 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.

1.4 Exploration Programs

Minco Silver conducted a comprehensive exploration program on the Fuwan Project during the 2005 – 2008 periods. The exploration program included 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 and on SEDAR.

2. Results of Operation

2.1 Development cost

During the three months ended September 30, 2012, the Company incurred $868,675, before a foreign exchange gain of $849,572, on development for the Fuwan Silver Project compared to $612,266, before a foreign exchange loss of $1,110,884, for the comparative period of 2011.The increase in expenditures during the period was mainly due to the following:

- The increase in share-based compensation for the three months ended September 30, 2012 due to the stock options granted in 2012.
- Environment Impact Assessment costs of $59,519 was paid to GSGEM for the comprehensive water monitoring report.
- The increase was partially offset by the resignation of the Company's Vice President, Operations, resulting in a significant decrease in consulting fees capitalized as development costs for the three months ended September 30, 2012.
- The foreign exchange gain was $849,572 for the three months ended September 30, 2012 compared to $1,110,884 foreign exchange loss for the comparative period of 2011 which was mainly due to the fact that the Canadian dollar continued to appreciate against the RMB during the period.

During the nine months ended September 30, 2012, the Company incurred $2,304,480, before a foreign exchange gain of $572,415, on development for the Fuwan Silver Project compared to $3,213,220, before a foreign exchange loss of $1,308,214 for the comparative period in 2011. The increase in foreign exchange gain was due to the same reason described above. The decrease in expenditures during the period was mainly due to the following:

- Consulting fees decreased to $216,000 for the nine months ended September 30, 2012 from $685,693 for the comparative period in 2011. The decrease was due to the resignation of the Company's Vice President, Operations in 2011.
- The decrease was partially offset by the increased site office rent and related costs for the nine months ended September 30, 2012.

Total accumulated development costs were $19,543,387 as at September 30, 2012 (December 31, 2011 - $17,811,322).

The following is a summary of development costs capitalized or incurred for the Fuwan Silver deposit for the three and nine months ended September 30, 2012 and 2011.

	Three months ended September 30,		**Nine months ended September 30,**		**Accumulated cost ended September 30,**
	2012	**2011**	**2012**	**2011**	**2012**
	$	**$**	**$**	**$**	**$**
Consulting fees	72,000	219,563	216,000	685,693	3,278,777
Drilling	-	-	-	-	1,859,006
Labor costs	78,490	82,496	188,599	246,590	1,650,950
Feasibility study	-	-	-	-	1,880,527
Share-based compensation	377,323	13,313	1,061,798	1,403,945	5,030,437
Mining design costs	-	-	-	130,783	396,679
Mining license application	212,351	259,784	472,428	609,234	2,324,547
Environment impact assessment	59,519	-	117,249	20,545	748,170
Travel	11,253	8,145	65,436	53,521	351,870
Site office rent and related costs	57,739	28,965	182,970	62,909	1,631,080
Foreign exchange	(849,572)	1,110,884	(572,415)	1,308,214	391,344
	19,103	1,723,150	1,732,065	4,521,434	19,543,387

2.2 Administrative expenses

The Company's administrative expenses include overhead associated with administering and financing of the Company's development activities. The Company maintains a field office in Gaoming County, Guangdong province, an office in Beijing, China and an office in Vancouver, Canada.

For the three months ended September 30, 2012 the Company incurred a total of $2,196,503 of administrative expenses (2011 - $13,471).

For the nine months ended September 30, 2012 the Company incurred a total of $4,889,312 of administrative expenses (2011 - $5,045,700).

Significant changes in expenses are as follows:

Audit, legal and regulatory:

Professional fees for audit, legal and regulatory services increased to $106,066 for the three months ended September 30, 2012 from $71,939 for the comparative period of 2011. The increase was due to the fact that the Company engaged tax consultants to analyze certain income tax considerations.

Professional fees for audit, legal and regulatory services for the nine months ended September 30, 2012 were $364,824 which was comparable to $386,469 for the comparative period of 2011.

Consulting:

Consulting costs were $7,968 for the three months ended September 30, 2012 compared to the amount of $56,152 for the comparative period of 2011.The resignation of the Company's internal legal counsel and the former CFO resulted in a significant decrease in consulting fees for the period.

Consulting costs were $157,522 for the nine months ended September 30, 2012 compared to the amount of $244,805 for the comparative period of 2011.The decrease was due to the same reasons described above.

Directors' fees:

Directors' fees increased to $17,250 for the three months ended September 30, 2012 from $13,500 for the comparative period in 2011. The increase was due to an increase in the number of directors meetings.

Directors' fees increased to $57,750 for the nine months ended September 30, 2012 from $45,750 for the comparative period in 2011. The increase was due to the same reason described above as well as the appointment of an additional independent director.

Foreign exchange gains and losses:

The foreign exchange loss was $803,436 for the three months ended September 30, 2012 compared to a foreign exchange gain of $1,582,106 for the comparative period of 2011.The increase in foreign exchange loss was mainly due to the US dollar depreciating against the Canadian dollar during the three months ended September 30, 2012.

The foreign exchange loss was $657,106 for the nine months ended September 30, 2012 compared to a foreign exchange gain of $1,192,237 for the comparative period of 2011. The increase in foreign exchange loss was due to the same reason described above.

Investor relations:

Investor relations costs decreased to $59,686 for the three months ended September 30, 2012 from $104,230 for the comparative period in 2011. This was mainly due to reduced use of external consultants providing investor relations services in 2012.

Investor relations costs decreased to $204,363 for the nine months ended September 30, 2012 from $406,677 for the comparative period in 2011. This was mainly due to reduced use of external consultants providing investor relations services, who were engaged for marketing in relation to the Company's public offering in March 2011.

Rent:

Rent expense increased to $78,364 for the three months ended September 30, 2012 from $58,916 for the comparative period in 2011. This was mainly due to the termination of the Company's sublease agreement with a third party in 2012.

Rent expense increased to $229,514 for the nine months ended September 30, 2012 from $187,051 for the comparative period in 2011. This was mainly due to the same reason described above.

Salaries and benefits:

Salaries and benefits increased to $93,132 for the three months ended September 30, 2012 from $70,518 for the comparative period in 2011. This was due to the increases in employee remuneration.

Salaries and benefits increased to $267,076 for the nine months ended September 30, 2012 from $211,067 for the comparative period in 2011. This was due to the same reason described above.

Share-based compensation:

Share-based compensation decreased to $836,362 for the three months ended September 30, 2012 from $1,034,424 for the comparative period in 2011. The decrease was due to the reduced value of stock options granted in 2012 versus 2011.

Shared-based compensation decreased to $2,347,329 for the nine months ended September 30, 2012 from $4,232,122 for the comparative period in 2011. The decrease was due to the same reason described above.

2.3 Finance and other income (expenses)

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

For the nine months ended September 30, 2012, the Company recognized a gain on settlement of break fee of $424,238 (nine months ended September 30, 2011 - $nil). On June 30, 2009, the Company filed a proof of claim with the U.S. Bankruptcy Court in Idaho to collect a break fee, in the amount of US$2,750,000 from Sterling Mining Company ("Sterling"). The break fee was included in the Company's June 23, 2008 agreement with Sterling. The Company reached a Settlement and Release Agreement pertaining to the break fee on May 29, 2012. The settlement amount of US$675,000 ($693,968) was approved by the US Bankruptcy Court in Idaho and received by the Company on June 26, 2012. The Company incurred legal fees and other costs of $269,729 (US$262,357) in its effort to collect the break fee. The Company has recorded other income of $424,238 (US$412,642) on settlement of the break fee.

The interest income generated for the three months ended September 30, 2012 was $219,872 compared to $229,004 for the comparative period of 2011 due to the lower interest rate on US funds invested.

The interest income generated for the nine months ended September 30, 2012 was $637,968 compared to $497,560 for the comparative period of 2011. The increase was due to the longer holding period of interest bearing short term investments in 2012 compared to the comparative period of 2011.

3. Summary of Quarterly Results

Period ended	Net earnings (loss)	Net earnings (loss) per share Basic	Net earnings (loss) per share Diluted
	$	$	$
09-30-2012	(2,277,968)	(0.04)	(0.04)
06-30-2012	(289,273)	(0.00)	(0.00)
03-31-2012	(1,633,427)	(0.03)	(0.03)
12-31-2011	(1,422,701)	(0.02)	(0.02)
09-30-2011(*)	215,533	0.00	0.00
06-30-2011	(1,988,366)	(0.03)	(0.03)
03-31-2011	(2,775,308)	(0.05)	(0.05)
12-31-2010	(1,910,109)	(0.04)	(0.04)

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 each period.

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

4. Liquidity and Capital Resource

4.1 Cash Flows

	Nine months ended September 30, 2012	Nine months ended September 30, 2011
	$	$
Operating activities	(843,863)	(2,302,031)
Financing activities	403,501	45,050,608
Investing activities	(4,972,324)	(27,846,657)

Operating activities

For the nine months ended September 30, 2012, the Company used $843,863 cash in operating activities compared to $2,302,031 cash used in the comparative period of 2011. The decrease is primarily due to the changes in prepaid expenses and deposits.

Financing activities

For the nine months ended September 30, 2012, the Company received proceeds from the exercise of stock options to arrive at cash generated from financing activities of $403,501.

For the nine months ended September 30, 2011, the Company received $42,168,752 net proceeds from the Company's public offering and $2,881,856 from stock option exercises to arrive at cash generated from financing activities of $45,050,608.

Investing activities

For the nine months ended September 30, 2012, the Company used cash of $4,972,324 (2011 - $27,846,657) in investing activities. This was primarily due to purchases of short-term investments of $4,387,116 (2011 -

$25,434,153) and payment of development costs of $1,275,482 (2011 - $2,216,502) offset by proceeds of $693,968 (2011 - Nil) received from the settlement of the break fee from Sterling. The significantly cash amount used to purchase short-term investments in 2011 is due to the Company investing the proceeds from the Public Offering during that period.

4.2 Capital Resources

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

	September 30, 2012	December 31 2011
	$	$
Working capital	67,558,236	70,044,237
Cash and cash equivalents	21,920,465	27,574,152
Short-term investment	44,239,074	40,058,042

The Company's working capital has decreased to $67,558,236 as at September 30, 2012 compared to $70,044,237 at the year end of 2011. The decrease in working capital was due primarily to the day-to-day use of cash to support the Company's operations.

The Company does not generate revenues and relies on equity and debt financing for its working capital requirements to fund its exploration, development, permitting and administrative activities. As at September 30, 2012, the Company has sufficient funds to meet its current operation and development obligations.

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

Minco China is a 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.

All cash denominated in the 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.

Under Chinese law, WFOEs are subject to restrictions on the repatriation of profits out of China. In order to repatriate profits from China to Minco Gold and ultimately, Minco Silver, the Company must comply with Chinese regulations pertaining to repatriations. In order to repatriate profits to Canada, Minco China must provide the following documents to its Chinese bank: (i) a board resolution authorizing the distribution; (ii) a capital verification report and an audit report; (iii) a tax certificate, which shows that Minco China has paid the related tax in compliance with Chinese laws; and (iv) a foreign exchange registration certificate.

The Company has been offered through Foshan Minco, a debt facility in the amount of RMB 300 million (approximately $46.6 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.

4.3 Contractual Obligations

The Company has $2.0 million in contractual obligations, including $0.7 million for operating leases, $1.1 million for mine design contract and $0.2 million for other obligations.

There were no significant changes in the Company's contractual obligations for the nine months ended September 30, 2012 compared to the year ended 2011. Please refer to the details in the Company's 2011 MD&A dated March 30, 2012, available on SEDAR.

4.4 Use of Proceeds From Public Offering

The Company's final short form prospectus, dated February 22, 2011, disclosed the Company's intended use of proceeds, which was from the public offering closed in March 31, 2011, for its Fuwan Project in the following table. There have been no significant changes in the planned use of proceeds for the nine months ended September 30, 2012 compared to the Company's initial plan.

Use of Proceeds	Planned used of proceeds ($)
To complete Fuwan Project permitting process	1,000,000
To partially fund pre-production capital costs	36,500,000
General working capital	4,932,900
Total planned use of proceeds	42,432,900

5. Off Balance Sheet Arrangements

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

6. Transactions with Related Parties

Funding of Foshan Minco

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

During 2011, Minco China received government approvals to increase its registered capital. On June 9, 2011, the Company advanced US$10 million to Minco China via Minco Gold for the purpose of increasing the registered capital of Foshan Minco. Minco China will invest the US$10 million, on behalf of the Company, to increase the registered capital of Foshan Minco after exchanging these funds into RMB.

In August, 2011, the Company, Minco Gold and Minco China entered into a trust agreement in which Minco Gold and Minco China confirmed they 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.

As at September 30, 2012, Minco China held US$437,276 ($430,236) and RMB 58,890,402, which was equal to the US$9,297,506, in trust for the Company. During the nine months ended September 30, 2012, Minco China paid and accrued consultancy fees for a total of RMB 2,274,904 ($360,340) due to Beijing Guofufengtian Investment Advisory Company Limited ("BGI"), a third party. BGI has assisted in the completion of currency exchange of the US$10 million into RMB. The fee has been recorded as other expenses together with relevant taxes of RMB 83,473 ($13,222).

Shared expenses

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.

Amounts due from related parties as at September 30, 2012 are $297,704 (December 31, 2011 – due to related parties of $429,114) and consisted of the following:

Amount due to Minco China as at September 30, 2012 of $1,655,483 (December 31, 2011 – $1,167,282) representing expenditures incurred by Minco China on behalf of Foshan Minco.

Amount due from Minco Gold as at September 30, 2012 of $1,953,187 (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 have been presented as a net balance on the consolidated financial statements.

In the three months ended September 30, 2012, the Company paid or accrued $37,904 (September 30, 2011 – $23,302) in respect of rent and $111,617 (September 30, 2011 – $129,875) in respect of shared head office expenses and administration costs to Minco Gold.

In the nine months ended September 30, 2012, the Company paid or accrued $95,245 (September 30, 2011 – $67,905) in respect of rent and $414,934 (September 30, 2011 – $377,841) 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 and nine months ended September 30, 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 development costs and administrative expenses.

	Three months ended September 30,		**Nine months ended September 30,**	
	2012	2011	2012	2011
	$	$	$	$
Cash remuneration	140,201	234,338	476,531	723,780
Share-based compensation	775,593	846,416	2,111,782	3,891,602
Total	915,794	1,080,754	2,588,313	4,615,382

7. Critical Accounting Estimates and Judgments

The preparation of the Company's consolidated financial statements requires management to use judgment in applying its accounting policies, estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgments and estimates that the company has made in the preparation of the financial statements:

Impairment

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

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

Management has assessed for impairment indicators on the Company's mineral interest and has concluded that no impairment indicators existed as of September 30, 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.

8. Accounting Standards Issued but Not Yet Applied

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The Company has not yet assessed the impact of these standards and amendments or determined whether it will adopt them earlier.

IFRS 9 *Financial Instruments*

IFRS 9 was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 *Financial Instruments: Recognition and Measurement* for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39 except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. This new standard is effective for annual periods beginning on or after January 1, 2015 with earlier application permitted.

IFRS 10 *Consolidated Financial Statements*

IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard (i) requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements; (ii) defines the principle of control, and establishes control as the basis for consolidation; (iii) sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and (iv) sets out the accounting requirements for the preparation of consolidated financial statements. IFRS 10 supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation - Special Purpose Entities*.

IFRS 12 *Disclosure of Interests in Other Entities*

IFRS 12 establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure that address the nature of, and risks associated with, an entity's interests in other entities. IFRS 11 supersedes IAS 27, IAS 28 *Investments in Associates and* IAS 31.

IFRS 13 *Fair Value Measurement*

IFRS 13 is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures.

9. Financial Instruments

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the statement of operations or comprehensive loss. Those categories are: fair value through profit or loss; loans and receivables; and, for liabilities, amortized cost.

The following table shows the carrying values of assets and liabilities for each of these categories at September 30, 2012 and December 31, 2011.

Loans and receivables	September 30, 2012	December 31, 2011
	$	$
Cash and cash equivalents	21,920,465	27,574,152
Short-term investments	44,239,074	40,058,042
Receivables	483,627	674,973
Due from related parties	297,704	-
Other financial liabilities		
Accounts payable and accrued liabilities	102,844	539,576
Due to related parties	-	429,114

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

Financial risk factors

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

Foreign exchange risk

The functional currency of the Company is the Canadian dollar and the functional currency of its Chinese subsidiaries is RMB. Most of the foreign currency risk is related to US dollar funds held by the Company and its Chinese subsidiaries. Therefore the Company's net earnings are impacted by fluctuations in the valuation of the US dollar in relation to the Canadian dollar and RMB.

The Company does not hedge its exposure to currency fluctuations. The Company has completed a sensitivity analysis to estimate the impact that a change in foreign exchange rates would have on the net loss of the Company, based on the Company's net US$16 million monetary assets as at September 30, 2012. This sensitivity analysis shows that a change of +/- 10% in US$ foreign exchange rate would have a +/- US$1.6 million impact on net loss for the nine months ended September 30, 2012.

Interest rate risk

Financial instruments that expose the Company to interest rate risk are the cash and cash equivalents and short-term investments owned by the Company.

The Company has completed a sensitivity analysis to estimate the impact that a change in interest rates would have on the net loss of the Company. This sensitivity analysis shows that a change of +/- 100 basis points in interest rate would have a -/+ $0.4 million impact on net loss for the nine months ended September 30, 2012. This impact is primarily as a result of the Company holding short-term investments such as guaranteed investment certificates and as a result of the Company having cash invested in interest bearing accounts. The financial position of the Company may vary at the time that a change in interest rates occurs causing the impact on the Company's results to differ from that noted above.

10. Risks Factor 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.

There have been no significant changes in the risk and uncertainties which the Company is faces to as at this MD&A date compared to the year end of 2011. For a comprehensive discussion of risk factors, readers are referred to the Company's 2011 annual information form ("AIF") and the MD&A dated March 30, 2012, available on SEDAR.

11. Disclosure Controls and Procedure and Internal Controls over Financial Reporting

Management has established disclosure controls and procedures to ensure that information disclosed in this MD&A and the related financial statements was properly recorded, processed, summarized and reported to the Company's Board and Audit Committee. Management has evaluated the effectiveness of the Company's disclosure controls and procedures as at September 30, 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 September 30, 2012. Based on the result of this assessment, management has concluded that the Company's internal controls over financial reporting are effective.

During the nine months ended September 30, 2012, there have been no material changes in the Company's internal controls over financial reporting.

12. Cautionary Statement of 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.

Additional information, including the above mentioned audited consolidated financial statements for the year ended December 31, 2011 and the MD&A for the same period, which contain extensive disclosure of the history and properties of the Company, are available on SEDAR.