MINCO SILVER CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 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 March 28, 2013 and should be read in conjunction with the audited consolidated financial statements and related notes for the years ended December 31, 2012 and 2011. The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All dollar amounts are expressed in Canadian dollars unless otherwise indicated. Refer to Note 3 of the December 31, 2012 audited consolidated financial statements for disclosure of the Company's significant accounting policies.

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

Additional information, including the above mentioned audited financial statements for the year ended December 31, 2012 and the MD&A and Annual Information Form ("AIF") for the same period, which contain extensive disclosure of the history and properties of the Company, are available on SEDAR.

Minco Silver (TSX: MSV) was incorporated under the laws of British Columbia, Canada on August 20, 2004. Minco Silver is engaged in the acquisition, exploration and development of silver dominant mineral properties. The Company currently has a 100% beneficial interest in the shares of Foshan Minco Mining Co. Ltd. ("Foshan Minco") subject to a 10% net profit interest held by the Guangdong Geological Bureau ("GGB") in the Fuwan Silver Deposit, situated along the northeast margin of the Fuwan Silver Belt in Guangdong Province, People's Republic of China ("China"). The Company's activities in respect of the Fuwan Silver Deposit are sometimes referred to as the "Fuwan Project" or the "Fuwan Silver Project."

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

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

As at December 31, 2012, the Company had 59,041,418 common shares and 5,249,169 stock options outstanding, for a total of 64,290,587 fully diluted common shares outstanding. At the date of this MD&A, the Company has 59,048,085 common shares, 560,000 restricted share units, and 6,802,502 stock options, for a total of 66,410,587 fully diluted common shares outstanding. Minco Gold owns 22.02% of the outstanding shares of the Company.

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1. Highlights for the Year

Water Monitoring Report and Revised EIA Report

The Company successfully completed the water monitoring field work in January 2012 and received the comprehensive water monitoring report from Geo-Environmental Monitoring of Guangdong Province ("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 Guangdong Nuclear Design Institute ("GNDI") for revision of the original Environmental Impact Assessment (the "EIA") report. The revised EIA will be submitted to the Chinese environmental protection authority for approval in due course.

Gain on Settlement of Break Fee

On June 30, 2009, the Company filed a proof of claim with the U.S. Bankruptcy Court in Idaho to collect a break fee in the amount of US$2,750,000 from Sterling Mining 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 with Sterling 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 a $424,238 (US$412,642) gain on the settlement of the break fee. See "3.5 finance and other income (expenses) – Settlement of Sterling loan receivable and break fee.

New Project Search

In November 2012, the Company, together with Minco Gold and Minco Base Metals Corporation ("MBM"), hired a Vice President of Corporate Development to actively evaluate silver-dominant projects outside China for potential acquisition.

2. Exploration and Project Development Activities

2.1 Disclosure of Technical Information

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

The National Instrument 43-101 ("NI 43-101") compliant technical report entitled "Technical Report and Updated Resource Estimate on the Fuwan Property Guangdong Province, China", dated January 25, 2008, prepared by Eugene Puritch, P. Eng. Ontario, Tracy Armstrong, P. Geo Ontario, and Antoine Yassa, P.Geo. Québec, all of P&E Mining Consultants Inc. ("P&E"). This technical report includes relevant information regarding the data, data validation and the assumptions, parameters and methods of the mineral resource estimates on the Fuwan Project.

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

The NI 43-101 compliant technical report entitled "Fuwan Silver Project Feasibility Study Technical Report" effective date September 1, 2009 (the "Feasibility Study") prepared by John Huang, P.Eng., S. Byron V. Stewart, P.Eng., Aleksandar Živković, P.Eng. and Scott Cowie, B.Eng, MAusIMM, all of Wardrop Engineering Inc. ("Wardrop"), and Eugene Puritch, P.Eng. of P&E and all qualified persons for NI 43-101. This technical report includes relevant information regarding the data, data validation and the assumptions, parameters and methods used in determining the ore reserves on the Fuwan Project.

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

2.2 Fuwan Silver Project

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

The Company has four reconnaissance survey exploration permits on the Fuwan Silver Deposit, having a total area of 172.50 sq. km, covering a major part of the northeast-trending Fuwan silver belt which hosts the known gold and silver occurrences in the Sanzhou basin, including the Fuwan silver and Changkeng gold deposit in which Minco Gold owns a 51% interest. The exploration permit for the Fuwan main deposit area is the Luoke-Jilinggang (76.62 sq. km.). This was renewed by MOLAR for a two-year period ending in 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 7, 2014.

2.2.1 Current Developments on the Fuwan Silver Project

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

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 EIA report. The Company engaged 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 7, 2010 with certain comments. The Company submitted the revised report to the Department in December 2010 after addressing the comments received from the panel.

The Company engaged General Station for GSGEM for a water monitoring study to comply with the new water regulations issued by the Ministry of Environmental Protection of China effective on June 1, 2011, which all applicants for EIA approval 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 that the Company is in compliance with the requirements of the new National Water Guidelines.

The revision of the EIA report has been completed by incorporating the results from the water monitoring survey report. The revised EIA will be submitted to the Chinese environmental protection authority for approval in due course. The preliminary mine design is near completion and will be released after the requirements from the approved EIA report are considered.

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

- The Chinese Preliminary Feasibility Study was completed by Changsha Non-Ferrous Mine Design Institute and approved by an expert panel.
- The Mining Area Permit, which covers approximately 0.79 sq. km, defines the mining limits of the Fuwan Silver Deposit and restricts the use of this land to mining activities was approved by MOLAR and renewed subsequent to the original approval in October 2009. The renewed permit will expire on July 20, 2013.
- The Soil and Water Conservation Plan was completed and approved.

- The Land Usage Permit was approved by Gaoming County, Foshan City and the Guangdong provincial governments. It was renewed for a one year period until December 31, 2013.
- The Geological Hazard Assessment was completed and approved in September 2009.
- The Mine Geological Environment Treatment Plan was reviewed and approved by the Environment Committee of China Geology Association.
- The preliminary Safety Assessment draft report was completed in December 2011 and submitted to the Safety Bureau of Guangdong Province for approval.

2.2.2 Feasibility Study

On September 29, 2009, the Company published the Feasibility Study prepared by Wardrop, a Vancouver, British Columbia based engineering and technical consulting company. This report is available on the Company's website and on SEDAR. This information contained herein relating to the Fuwan Silver Deposit is qualified in its entirety by the contents of the Feasibility Study. The Fuwan Silver Deposit falls into the broad category of sediment-hosted epithermal deposits and is characterized by eight 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 estimates were prepared by P&E, a Brampton, Ontario based mining consulting company, in compliance with NI 43-101 and Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") standards, which were filed on SEDAR. There has been no additional drilling on the deposit area since the feasibility study.

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

Resource Area & Classification (excludes Changkeng Silver 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

Notes:

- 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, socio-political, marketing, or other relevant issues.
- 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 resources and it is uncertain if further exploration will result in upgrading them to an indicated or measured mineral resources category.
- The mineral resources in this report were estimated using the CIM, CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council December 11, 2005.

Reserve estimation

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

Wardrop received the block model that was used for the P&E resource estimate then applied mining and economic parameters to the model in order to form the basis of the reserve estimate. Since the deposit is polymetallic, it was decided to estimate the net smelter return (NSR) for each block in the model in order to design the stope outlines and evaluate economic viability.

The NSR value was calculated assuming the three-year historical average metal prices from the London Metal Exchange (LME) as at May 31, 2009:

US$13.00/oz for silver
US$688.00/oz for gold
US$0.88/lb for lead
US$1.28/lb for zinc.

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

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 meter 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 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 mine design and geotechnical investigations

Nanchang Engineering & Research Institute of Nonferrous Metals ("NERIN") was engaged to carry out the preliminary mine design for the Fuwan Project. The main mining and processing techniques have been defined and preliminary 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 diamond 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	**(in thousands of US$)**
Direct Works	
Mining (provided by Wardrop)	21,637
Primary Crushing	660
Crushed Ore Stockpile and Reclaim	305
Secondary and Tertiary Crushing	52
Grinding, Flotation, Dewatering, Reagents & Service	9,140
Tailings Disposal Facilities	4,250
Plant Site, Infrastructure & Ancillary Facilities	8,627
Temporary Services	35
Site/Plant Mobile Equipment	1,190
Power Lines (Included in Power Supply)	-
Direct Works Subtotal	**45,896**
Indirect	
Project Indirect	13,330
Land Acquisition	2,120
Owner's Costs	5,663
Contingency	6,051
Indirect Subtotal	**27,164**
TOTAL PRE-PRODUCTION CAPITAL COSTS (US$)	**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 are 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

2.2.3 Resource Estimates

P&E was retained by the Company to prepare the Updated Technical Report which 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 Estimate @ 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. Operating 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 May 12, 2008 press release were estimated using the 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.

2.2.4 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.

3. Results of Operation

3.1 Selected Annual Information

The following table summarizes selected financial information for the most recent three years ended December 31.

The selected information for 2012, 2011 and 2010 was prepared in accordance with IFRS.

	2012 $	2011 $	2010 $
Total revenue	-	-	-
Net loss	(4,676,550)	(5,970,842)	(4,280,899)
Loss per share – basic and diluted	(0.08)	(0.11)	(0.10)
Total assets	88,508,965	89,575,712	42,853,226
Total long-term financial liabilities	-	-	-
Cash dividends declared per share for each class of share	-	-	-

For the year ended December 31, 2012 and 2011

Net loss for the year ended December 31, 2012 was $4,676,550 (loss of $0.08 per share) compared to a net loss of $5,970,842 (loss of $0.11 per share) in 2011. Net loss decreased in 2012 compared to 2011 mainly due to a $1,965,174 decrease in share-based compensation.

Total assets decreased by $1,066,747 to $88,508,965 as at December 31, 2012, but are relatively comparable to total assets of $89,575,712 as at December 31, 2011.

For the years ended December 31, 2011 and 2010

Net loss for the year ended December 31, 2011 was $5,970,842 (loss of $0.11 per share) compared to a net loss of $4,280,899 (loss of $0.10 per share) in the year of 2010. Net loss increased in 2011 compared to 2010 mainly due to a $2,566,562 increase in share-based compensation. The increase in net loss was offset by the one-time gain of $1,198,417 recognized in 2010 in relation to repayment of the loan from Sterling.

Total assets increased by $46,722,486 from 2010 to 2011. This was primarily attributable to the proceeds received from the Public Offering in March 2011.

3.2 Fourth Quarter

For the quarter ended December 31, 2012 and 2011

Net loss for the three months ended December 31, 2012 was $475,882 (loss of $0.01 per share) compared to a net loss of $1,422,701 (loss of $0.03 per share) in the fourth quarter of 2011.

Net loss for the three months ended December 31, 2011 was $1,422,701 (loss of $0.03 per share) compared to a loss of $1,910,109 (loss of $0.04 per share) in the fourth quarter of 2010.

The Company's working capital was $66,411,212 at the end of the fourth quarter as at December 31, 2012 compared to $67,558,236 at the end of the third quarter as at September 30, 2012. The decrease of $1,147,024 was due primarily to the day-to-day use of cash to support the Company's operations. The decrease in working capital was partially offset by a strengthening US dollar against the Canadian dollar in the fourth quarter of 2012 leading to an increase in the value of the Company's US dollar denominated assets.

The Company's working capital was $70,044,237 at the end of the fourth quarter as at December 31, 2011 compared to $71,212,630 at the end of the third quarter at September 30, 2011. The decrease of $1,168,123 was due primarily to the day-to-day use of cash to support the Company's operations together with a weakening US dollar against the Canadian dollar in the fourth quarter of 2011 leading to a decrease in the value of the Company's US dollar denominated assets. The decrease in working capital was partially offset by an increase in receivables from interest earned on the Company's short-term investments.

3.3 Development costs

During the year ended December 31, 2012, the Company incurred $3,479,460, before a foreign exchange gain of $278,216, on development for the Fuwan Silver Project compared to $4,550,521, before a foreign exchange loss of $1,118,950, for the comparative period of 2011. The decrease in expenditures during the year was mainly due to the following:

- The decrease in share-based compensation of $792,326 for the year ended December 31, 2012 due to the reduced value of stock options granted in 2012 versus 2011.
- Consulting fees decreased to $519,804 for the year ended December 31, 2012 from $908,480 for the comparative period in 2011. The decrease was due to the resignation of the Company's Vice President Operations in late 2011.
- The decrease was partially offset by costs incurred in the revision of the EIA incorporating the results from the water monitoring survey report. EIA costs increased to $257,269 for the year ended December 31, 2012 from $20,545 for the comparative period in 2011.
- The foreign exchange gain was $278,216 for the year ended December 31, 2012 compared to $1,118,950 foreign exchange loss for the comparative period of 2011 which was mainly due to the fact that the RMB depreciated slightly against the Canadian dollar during 2012 compared to a significant appreciation during 2011.

Total accumulated development costs were $21,012,566 as at December 31, 2012 (December 31, 2011 - $17,811,322).

During the year ended December 31, 2011, the Company incurred $4,550,521, before a foreign exchange gain of $1,118,950, on development for the Fuwan Silver Project compared to $3,597,015, before a foreign exchange gain of $143,890, for the comparative period of 2010. The increase in expenditures during the year was mainly due to the following:

- The increase in share-based compensation of $1,128,653 for the year ended December 31, 2011 due to the increase of stock options granted in 2011.
- Progress in the Company's mining license application process for the Fuwan Silver Project continues and an increase in mining license application costs occurred in 2011 in comparison to 2010.
- The foreign exchange loss was $1,118,950 for the year ended December 31, 2011 compared to $143,890 foreign exchange gain for the comparative period of 2010 which was mainly due to the fact that the RMB appreciated significantly against the Canadian dollar during 2011.

Total accumulated development costs were $17,811,322 as at December 31, 2011 (December 31, 2010 - $12,141,851).

The following is a summary of development costs capitalized or incurred for the Fuwan Silver deposit for the years ended December 31, 2012, 2011 and 2010.

	Year ended December 31,			Accumulated cost ended December 31,
	2012	**2011**	**2010**	**2012**
	$	**$**	**$**	**$**
Consulting fees	519,804	908,480	887,157	3,582,581
Drilling	462	965	39,332	1,859,018
Labor costs	279,949	358,818	426,919	1,742,300
Feasibility study	-	-	-	1,880,527
Share-based compensation	1,195,809	1,988,135	859,482	5,164,447
Mining design costs	212,466	130,783	265,896	609,145
Mining license application	682,088	874,801	458,387	2,534,207
Environment impact assessment	257,269	20,545	185,233	888,190
Travel	88,082	73,124	213,559	374,516
Site office rent and related costs	243,531	194,870	261,050	1,692,091
Foreign exchange (gain) loss	(278,216)	1,118,950	(143,890)	685,544
	3,201,244	**5,669,471**	**3,453,125**	**21,012,566**

3.4 Administrative expenses

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

The following table is a summary of the Company's administrative expenses for the three months and the years ended December 31, 2012, 2011 and 2010.

	Three months ended December 31,			Year ended December 31,		
Administrative expenses	**2012**	**2011**	**2010**	**2012**	**2011**	**2010**
Audit, legal and regulatory	80,001	144,712	37,960	444,825	531,181	302,662
Amortization	41,953	51,354	24,734	175,377	167,381	57,473
Consulting	78,833	105,350	203,613	236,355	350,155	512,300
Directors' fees	16,500	13,500	15,750	74,250	59,250	71,000
Field office expenses	141,052	120,375	133,306	467,366	395,957	359,826
Foreign exchange (gain) loss	(490,109)	273,501	465,489	166,997	(918,736)	771,644
Investor relations	88,181	150,337	173,963	292,544	557,014	699,209
Office administration expenses	26,670	20,280	42,648	152,924	104,194	103,272
Property investigation	-	12,883	5,188	-	41,781	40,682
Rent	81,024	66,091	50,274	310,538	253,142	136,281
Salaries and benefit	185,498	103,047	89,596	452,574	314,114	272,513
Share-based compensation	444,951	525,332	753,242	2,792,280	4,757,454	2,190,892
Travel and transportation	12,805	41,604	193	30,641	61,179	87,131
	707,359	**1,628,366**	**1,995,956**	**5,596,671**	**6,674,066**	**5,604,885**

Administrative expenses for the three months ended December 31, 2012, exclusive of foreign exchange gains, were $1,197,468 compared to $1,354,864 for the same period of 2011, exclusive of foreign exchange losses of $273,501.

Administrative expenses for the three months ended December 31, 2011, exclusive of foreign exchange losses, were $1,354,864 compared to $1,530,467 for the same period of 2010, exclusive of foreign exchange losses of $465,489.

For the year ended December 31, 2012, the Company incurred a total of $5,596,671 of administrative expenses (2011 - $6,674,066).

For the year ended December 31, 2011, the Company incurred a total of $6,674,066 of administrative expenses (2010 - $5,604,885).

Significant changes in expenses are as follows:

Audit, legal and regulatory:

Audit, legal and regulatory costs for the three months ended December 31, 2012 were $80,001 compared to $144,712 for the comparative period of 2011. The decrease was due to the Company engaging external legal counsel to assist with regulatory compliance in the fourth quarter of 2011. No such assistance was required in 2012.

Audit, legal and regulatory costs for the year ended December 31, 2012 were $444,825 compared to $531,181 for the comparative period of 2011. The decrease was due to the same reasons described above.

Audit, legal and regulatory costs were $144,712 for the three months ended December 31, 2011 compared to $37,960 for the comparative period of 2010. The increase was due to the same reason above.

Audit, legal and regulatory costs for the year ended December 31, 2011 were $531,181 compared to $302,662 for the comparative period of 2010. The increase was partly due to the Company engaging external legal counsel to assist with regulatory compliance and in relation to the Public Offering in 2011. In addition, the Company engaged its external auditors to review the compliance of its condensed consolidated interim financial statements in accordance with IFRS in 2011.

Consulting:

Consulting fees for the three months ended December 31, 2012 were $78,833 compared to $105,350 for the comparative period of 2011. The decrease was mainly due to resignation of the Company's internal legal counsel in 2012.

Consulting fees were $236,355 for the year ended December 31, 2012, compared to $350,155 for the comparative period of 2011. The significant decrease during the year was due to the same reason described above.

Consulting fees for the three months ended December 31, 2011 were $105,350 compared to $203,613 for the comparative period of 2010. The decrease was mainly due to the resignation of one of the Company's consultants combined with an increase in consulting service capitalized in the fourth quarter of 2011 compared to the comparative period of 2010.

Consulting fees for the year ended December 31, 2011 were $350,155 compared to $512,300 for the comparative period of 2010. The significant decrease was due to a greater portion of one of the internal consultant's remuneration being capitalized as development costs in 2011 but not in 2010.

Foreign exchange gains and losses:

The foreign exchange gain was $490,109 for the three months ended December 31, 2012 compared to a foreign exchange loss of $273,501 for the comparative period of 2011. The increase was mainly due to the US dollar appreciating against the Canadian dollar during the fourth quarter of 2012 compared to a slight depreciation of the US dollar against the Canadian dollar during the fourth quarter of 2011.

The foreign exchange loss was $166,997 for the year ended December 31, 2012 compared to a foreign exchange gain of $918,736 for the comparative period of 2011. The increase in foreign exchange loss was mainly due to the US dollar depreciating slightly against the Canadian dollar during 2012 compared to a stronger appreciation of the US dollar against the Canadian dollar during 2011.

The foreign exchange gain was $918,736 for the year ended December 31, 2011 compared to a foreign exchange loss of $771,644 for the comparative period of 2010. The increase in foreign exchange gain was mainly due to the US dollar appreciating against the Canadian dollar during the year ended December 31, 2011.

Investor relations:

Investor relations fees for the three months ended December 31, 2012 were $88,181 compared to $150,337 for the comparative period of 2012. The decrease was primarily driven by a reduction in the use of external consultants for investor relations activities as well as decreased attendance at industry conferences in 2012 compared to higher level activities in 2011 as the Company has undertaken a significant public offering.

Investor relations fees for the year ended December 31, 2012 were $292,544 compared to $557,014 for the comparative period in 2011. The decrease was due to the same reasons described above.

Investor relations fees for the three months ended December 31, 2011 were $150,337 which was consistent with $173,963 for the comparative period of 2010.

Investor relations fees for the year ended December 31, 2011 were $557,014 compared to $699,209 for the comparative period of 2010. The decrease was due to a decrease in travel expenses and advertising expenses incurred in 2011 compared to 2010.

Rent:

Rent expense increased to $310,538 for the year ended December 31, 2012 from $253,142 for the comparative period in 2011. This was mainly due to the termination of the Company's sublease agreement with a third party in April 2012, which resulted adequate office space for the Company's needs.

Rent expense increased to $253,142 for the year ended December 31, 2011 from $136,281 for the comparative period in 2010 as Foshan Minco established a Beijing branch office to facilitate the Fuwan permitting related activities in Beijing.

Salaries and benefits:

Salaries and benefits for the three months ended December 31, 2012 were $185,498 compared to $103,047 for the three months ended December 31, 2011. The increase was due to the appointment of the Company's Controller and Vice President, of Corporate Development in the fourth quarter of 2012.

Salaries and benefits for the year ended December 31, 2012 were $452,574 compared to $314,114 for the comparative period in 2011. The increase was due to the increase of employee's remuneration in 2012 and the same reason described above.

Salaries and benefits for the three months ended December 31, 2011 were $103,047 compared to $89,596 for the comparative period of 2010. The slight increase was due to the increase in employee remuneration for cost of living in China.

Salaries and benefits for the year ended December 31, 2011 were $314,114 compared to $272,513 for the comparative period in 2010. The increase was due to the increase the number of employees of Foshan Minco and the same reason described above.

Share-based compensation:

Share-based compensation for the three months ended December 31, 2012 were $444,951 compared to $525,332 for the comparative period of 2011. The decrease was due to fewer options granted and the reduced value per stock options granted in 2012 versus 2011.

Share-based compensation decreased to $2,792,280 for the year ended December 31, 2012 from $4,757,454 for the comparative period in 2011. The decrease was due to the same reason above.

Share-based compensation decreased to $525,332 for the three months ended December 31, 2011 compared to $753,242 for the comparative period of 2010. The decrease was due to the recapture of share-based compensation previously recorded for unvested options forfeited upon the resignation of one of the Company’s consultants in 2011, combined with an increase in share-based compensation capitalized in the fourth quarter of 2011, compared to the fourth quarter of 2010.

Share-based compensation increased to $4,757,454 for the year ended December 31, 2011 from $2,190,892 for the comparative period in 2010. The increase is due to greater number of stock options granted in 2011.

3.5 Finance and other income (expenses)

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

Settlement of Sterling loan receivable and break fee

On July 10, 2008 the Company proposed to purchase Sterling, a silver producer engaged in the commercial production of major silver mine located in northern Idaho's Silver Valley. On July 30, 2008, the Company entered into a Letter of Intent, as amended and restated (the "LOI") whereby the Company agreed to amalgamate with Sterling subject to satisfactory due diligence and other conditions. As a condition of the LOI the Company made available to Sterling a credit facility for working capital and other operating expenses of up to USD$15,000,000, pursuant to which the Company advanced to Sterling USD$5,000,000 together with interest, legal fees, expenses, and charges.

As of December 31, 2009, the Company had a loan receivable from Sterling Mining Company (“Sterling”), in the amount of $8,290,441. On June 4, 2010 the Company received US$11.7 million ($12.1 million) from Sterling for the repayment of all amounts advanced and incurred, including the interest. The Company recognized a gain in the amount of $1,198,417 which represents the difference between the funds received and the amount recorded as loan receivable immediately prior to the receipt of the repayment.

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. 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 US$262,357 ($269,729) in its effort to collect the break fee. The Company has recorded other income of US$412,642 ($424,238) on the settlement of the break fee.

Interest income

Interest income for the year ended December 31, 2012 was $865,478 compared to $703,244 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.

Interest income for the year ended December 31, 2011 was $703,224 compared to $125,569 for the comparative period of 2010. The increase in interest income was due to investing the proceeds of $45,220,000 in March 2011 from the Public Offering in cashable guaranteed investment certificates.

Other expenses

During the year ended December 31, 2012, Minco China also paid or accrued consultancy fees of 3.5% of the equivalent RMB exchange which was a total of RMB 2,274,906 ($359,757) (December 31, 2011 - $nil, December 31 2010 - $nil) to Beijing Guofufengtian Investment Advisory Company Limited (“BGI”). BGI assisted in the completion of the currency exchange of US$10 million into RMB. The fee was recorded as other expenses together with relevant sales taxes of RMB 62,211 ($9,838) (December 31, 2011 - $nil, December 31 2010 - $nil). Please refer to “7.Transactions with Related Parties.”

4. Summary of Quarterly Results

Period ended	Net income (loss)	Net income (loss) per share Basic	Diluted
	$	$	$
12-31-2012	(475,882)	(0.01)	(0.01)
09-30-2012	(2,277,968)	(0.04)	(0.04)
06-30-2012	(289,273)	(0.00)	(0.00)
03-31-2012	(1,633,427)	(0.03)	(0.03)
12-31-2011	(1,422,701)	(0.03)	(0.03)
09-30-2011(*)	215,533	0.00	0.00
06-30-2011	(1,988,366)	(0.03)	(0.03)
03-31-2011	(2,775,308)	(0.05)	(0.05)

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.

5. Liquidity and Capital Resources

5.1 Cash Flows

	Years ended December 31, 2012	2011
	$	$
Operating activities	(1,085,261)	(4,777,974)
Financing activities	405,601	45,408,108
Investing activities	(4,077,927)	(19,017,222)

Operating activities

For the year ended December 31, 2012, the Company used $1,085,261 of cash in operating activities compared to $4,744,974 of cash used in the comparative period of 2011. The decrease is primarily due to the prepaid expenses in 2011 advanced to affect the foreign currency exchange that was completed in 2012.

Financing activities

For the year ended December 31, 2012, the Company received proceeds from the exercise of stock options to arrive at cash inflows from financing activities of $405,601. Financing activities for the year ended December 31, 2011 included the proceeds from the Public Offering of $42,168,752 and proceeds of $3,239,356 from stock option and warrant exercises.

Investing activities

For the year ended December 31, 2012, the Company used cash of $4,077,927 (2011 - $19,017,222) in investing activities. This was primarily due to purchases of short-term investments of $2,478,966 (2011 - $16,110,515) and payment of development costs of $2,285,604 (2011 - $2,701,146) offset by proceeds of $693,968 (2011 - Nil) received from the settlement of the break fee from Sterling. The significant 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.

5.2 Capital Resources

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

	December 31, 2012	December 31 2011
	$	$
Working capital	66,411,212	70,044,237
Cash and cash equivalents	22,586,298	27,574,152
Short-term investment	42,550,265	40,058,042

The Company's working capital has decreased to $66,411,212 as at December 31, 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 exploration, development, permitting and administrative activities. As at December 31, 2012, the Company has sufficient working capital available to meet its current operational and development obligations.

The Company cannot invest directly in Foshan Minco as Foshan Minco is legally owned by Minco China. Minco China is a wholly foreign owned entity ("WFOE") for the purposes of Chinese law and is a subsidiary of Minco Gold. All funding supplied by Minco Silver for financing of the Fuwan Project must first go through Minco 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 WFOE and therefore can receive foreign investment. Foshan Minco is a Chinese company with registered capital denominated in RMB and therefore can only receive domestic investment from Minco China. Increases to the registered capital of Foshan Minco must be denominated in RMB.

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

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

The Company has been offered, through Foshan Minco, a debt facility in the amount of RMB 300 million (approximately $47.3 million) from the Guangdong Branch of the Industrial and Commercial Bank of China, when the Company obtains the mining license of the Fuwan Project. This facility is to be used for the construction of the Fuwan Project mine.

5.3 Contractual Obligations

The Company`s contractual obligations are related to a cost sharing agreement between the Company, Minco Gold and MBM, related parties domiciled in Canada, and outlines shared expenses incurred by the three companies including consulting and rental expenses. The cost sharing agreement is renegotiated or amended by the parties annually.

The Company entered into multiple agreements with consultants in respect of the design of the Fuwan Silver mine. The Company has no other long-term debt at this time.

	Payments 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)	761,404	468,456	267,702	9,468	15,778
Purchase obligations (2)	1,330,384	-	1,330,384	-	-
Other obligations (3)	976,608	928,608	48,000	-	-
Total contractual obligations	3,068,396	1,397,064	1,646,086	9,468	15,778

(1) Office rental payments – Canada and China

(2) Payments in respect of the Fuwan Silver Project mine design contract

(3) Key management personnel, accounts payable and accrued liabilities

5.4 Use of Proceeds from Public Offering

The Company closed a public offering by way of short form prospectus, of 7,600,000 common shares at a price of $5.95 per share for gross proceeds of $45,220,000 on March 3, 2011. The Company intends to use the funds towards its ongoing efforts to complete the permitting process for the Fuwan Project and for general corporate purposes. In the event that the Company receives all permits and licenses required to construct and operate the mine on the Fuwan Project, a portion of the funds will be used to partially fund the pre-production capital costs of the mine. The total pre-production capital costs of the Fuwan Silver Project are estimated to be US$73,060,000.

There have been no significant changes in the planned use of proceeds for the year ended December 31, 2012 compared to the Company's initial plan.

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

6. Off-Balance Sheet Arrangements

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

7. Transactions with Related Parties

Funding of Foshan Minco

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

Minco China received government approvals to increase its registered capital during 2011. 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.

In August 12, 2011, the Company, Minco Gold and Minco China entered into a trust agreement in which Minco Gold and Minco China confirmed that they received the US$10 million and Minco China was required to exchange these US fund into RMB in order to increase Foshan Minco's registered share capital. 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 December 31, 2011, Minco China had paid RMB 12 million ($1,922,400) as a prepayment to effect the foreign currency exchange from US funds into RMB and the amount was recorded as a prepaid expense.

During the year ended December 31, 2012, Minco China paid or accrued consultancy fees of 3.5% of the equivalent RMB exchange which was a total of RMB 2,274,906 ($369,595) (December 31, 2011 - $nil, December 31 2010 - $nil) to BGI, a third party. BGI has assisted in the completion of the currency exchange of the US$10 million into RMB. The fee was recorded as other expenses together with relevant sales taxes of RMB 62,211 ($9,838) (December 31, 2011 - $nil, December 31 2010 - $nil).

As at December 31, 2012, Minco China held RMB 6,278,874 ($990,468) in trust for the Company

Shared expenses

The Company shares its Vancouver office with Minco Gold and MBM, 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 December 31, 2012 were $1,250,129 (December 31, 2011 – due to related parties of $429,114) and consisted of the following:

Amounts due to Minco China as at December 31, 2012 of $1,075,820 (December 31, 2011 – $1,167,282) representing expenditures incurred by Minco China on behalf of Foshan Minco.

Amounts due from Minco Gold as at December 31, 2012 of $2,325,949 (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 statements of financial position.

In the year ended December 31, 2012, the Company paid or accrued $133,153 (December 31, 2011 – $91,210, December 31, 2010 - $87,309) in respect of rent and $563,879 (December 31, 2011 – $488,229, December 31, 2010 - $372,692) 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 year ended December 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 development costs and administrative expenses.

	2012	**2011**	**2010**
	$	$	$
Cash remuneration	909,302	1,076,231	1,240,454
Share-based compensation	2,493,631	4,649,089	1,060,964
	3,402,933	5,725,320	2,301,418

8. Critical Accounting Estimates and Judgments

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

Impairment

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

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

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

9. 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. The Company has not yet assessed the impact of these standards and amendments.

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 11 Joint Arrangements

IFRS 11, requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests *in Joint Ventures*, and SIC-13, *Jointly Controlled Entities — Non-monetary Contributions by Venturers*.

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, *Interest in Joint Ventures*.

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.

There have been amendments to existing standards, including IAS 27 and IAS 28, Investments in Associates and Joint Ventures. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

IAS 1, *Presentation of Financial Statements*

IAS 1 has been amended to require entities to separate items presented in other comprehensive income into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012.

10. Financial Instruments

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

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

Loans and receivables	December 31, 2012	December 31, 2011
	$	$
Cash and cash equivalents	22,586,298	27,574,152
Short-term investments	42,550,265	40,058,042
Receivables	148,244	674,973
Due from related parties	1,250,129	-
Other financial liabilities		
Accounts payable and accrued liabilities	512,604	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 activities are carried out by management under policies approved by the board of directors. Management identifies and evaluates the financial risks. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

Foreign exchange risk

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

The Company does not hedge its exposure to currency fluctuations. The Company has completed a sensitivity analysis to estimate the impact that a change in foreign exchange rates would have on the net loss of the Company, based on the Company's net US$15.1 million monetary assets as at December 31, 2012. This sensitivity analysis shows that a change of +/- 10% in US$ foreign exchange rate would have a -/+ US$1.5 million impact on net loss.

Interest rate risk

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

The Company has completed a sensitivity analysis to estimate the impact that a change in interest rates would have on the net loss of the Company. This sensitivity analysis shows that a change of +/- 100 basis points in interest rate would have a -/+ $0.6 million impact on net loss. This impact is primarily as a result of the Company holding short-term investments such as guaranteed investment certificates and as a result of the Company having cash invested in interest bearing accounts.

11. Risks Factor and Uncertainties

A comprehensive discussion of risk factors is included in the Company's AIF for the year ended December 31, 2012, dated March 28, 2013 available on SEDAR at www.sedar.com.

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

Management has established disclosure controls and procedures to ensure that information disclosed in this MD&A and the related financial statements was properly recorded, processed, summarized and reported to the Company's Board and Audit Committee. Management has evaluated the effectiveness of the Company's disclosure controls and procedures as at December 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 Treadway Commission (COSO). Management has evaluated the effectiveness of design and operation of the Company's internal controls over financial reporting as at December 31, 2012. Based on the result of this assessment, management has concluded that the Company's internal controls over financial reporting are effective.

During the year ended December 31, 2012, there have been no material changes in the Company's internal control over financial reporting.

13. Cautionary Statement of Forward Looking Information

Except for statements of historical fact, this MD&A contains certain "forward looking information" and "forward looking statements" within the meaning of applicable securities laws, which reflect management's current expectations regarding, among other things and without limitation, the Company's future growth, results of operations, performance and business prospects, opportunities, future price of minerals and the effects thereof, the estimation of mineral reserves and resources, the timing and amount of estimated capital expenditures, the realization of mineral reserves estimates, costs and timing of proposed activities, plans and budgets for and expected results of exploration activities, exploration and permitting timelines, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation obligations and expenses, the availability of future acquisition opportunities and use of the proceeds of from financing. Generally, forward looking statements and information can be identified by the use of forward looking terminology such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes" or variations of such words and phrases or statements that certain actions events or results "may", "could", "would", "might", "will be taken", "occur" or "be achieved" or the negative connotation thereof.

Forward looking statements are made based upon certain assumptions and other important factors that, if untrue, could cause the actual results, performances or achievements of the Company to be materially different from future results, performances or achievements expressed or implied by such statements. Such statements and information are based on numerous assumptions regarding present and future business strategies and the environment in which the Company operates, including the price of silver, anticipated costs and ability to achieve goals. Certain important factors that could cause actual results, performances or achievements to differ materially from those in the forward looking statements include, among others, silver price volatility, mineral reserves and resources and metallurgical recoveries, mining operational and development risks, litigation risks, regulatory restrictions (including environmental regulatory restrictions and liability), activities by governmental authorities (including changes in taxation), currency fluctuations, the speculative nature of mineral exploration, the global economic climate, dilution, share price volatility, competition, loss of key employees, additional funding requirements and defective title to mineral claims or property.

Although the Company has attempted to identify important factors that could cause actual events or results to differ materially from those described in forward looking statements, there may be other factors that cause events or results not be as anticipated, estimated or intended.

Such forward looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements expressed or implied by statements containing forward looking information. Such factors include, among others: results of exploration and development activities, management's historical experience with development-stage mining operations, regulatory changes, possible variations in reserves, grades or recovery rates, availability of material and equipment, timeliness of governmental approvals, changes in commodity prices (particularly silver prices), general economic, market and business conditions, unanticipated environmental impacts on operations, the availability of capital of acceptable terms, and the other factors discussed in the section entitled “Risk and Uncertainties” in this MD&A.

Forward looking statements included or incorporated by reference in this MD&A are based on a number of assumptions including:

- The Company being able to successfully complete the Mining License Application process and begin construction of the Fuwan Silver mine.
- The approval of the Company’s EIA by Chinese authorities.
- The continued availability of equity and debt financing to fund the completion of the Fuwan Silver Project mine and other exploration and development activities.
- Intended use of proceeds from the Company’s previous public offering.
- The continued ability of the Company to attract and retain key management personnel.
- The ability of the Company to evaluate silver-dominant project outside China for potential acquisition.
- The ability of the Company to pursue an alternative strategy in finding a large mining group in China as a business partner.

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

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