

MINCO SILVER CORPORATION

(A development stage enterprise)

Interim Consolidated Financial Statements

For the nine months period ended September 30, 2009 and 2008

(Unaudited)

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MINCO SILVER CORPORATION

(A development stage enterprise)

Consolidated Balance Sheets

(in Canadian dollars)

(Unaudited)

	September 30, 2009	December 31, 2008
ASSETS		
Current assets		
Cash and cash equivalents	\$ 81,593	\$ 1,174,021
Restricted cash (Note 5)	529,735	-
Short-term investment (Note 6)	542,672	3,706,506
Receivables	211,334	147,262
Prepaid expenses and deposits	316,926	370,969
	1,682,260	5,398,758
Loan receivable (Note 7)	7,023,025	6,771,068
Mineral interests (Note 8)	7,954,327	5,294,098
Property, plant and equipment	212,787	265,561
	\$ 16,872,399	\$ 17,729,485
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 207,599	\$ 703,088
Bank loan (Note 9)	498,738	-
Due to Minco China (Note 11(a))	1,305,400	939,806
Due to Minco Gold (Note 11(b))	1,553,022	306,476
	3,564,759	1,949,370
SHAREHOLDERS' EQUITY		
Share capital (Note 10 (a))	26,136,192	25,799,213
Contributed surplus	7,313,143	6,692,188
Deficit	(20,141,695)	(16,711,286)
	13,307,640	15,780,115
	\$ 16,872,399	\$ 17,729,485

Subsequent events (Note 14)

Commitments (Note 13)

See accompanying notes to interim consolidated financial statements

On behalf of the Board:

“Chan-Seng Lee”
Chan-Seng Lee

Director

“William Meyer”
William Meyer

Director

MINCO SILVER CORPORATION

(A development stage enterprise)

Consolidated Statements of Operations, Comprehensive Loss and Deficit

(in Canadian dollars)

(Unaudited)

	Three Months ended September 30,		Nine Months ended September 30,	
	2009	2008 Restated (Note 3)	2009	2008 Restated (Note 3)
Exploration permit costs (Note 8(d))	\$ 1,205,298	\$ -	1,205,298	\$ -
Exploration costs	-	297,761	207,710	1,293,327
	1,205,298	297,761	1,413,008	1,293,327
Administrative expenses				
Accounting	66,425	24,835	157,918	66,595
Amortization	14,344	13,727	45,437	36,068
Consulting	39,480	29,348	115,596	122,117
Director's fees	17,000	10,500	48,250	38,500
Foreign exchange loss (gain)	446,852	(789,507)	855,844	(515,786)
Investor relations	52,654	203,632	179,253	451,286
Interest expense	1,404	-	1,404	-
Legal, regulatory and filing	37,250	24,718	72,470	74,440
Rent	49,611	40,831	99,004	104,233
Travel and entertainment	27,389	50,586	40,069	64,049
Office administration expenses	16,366	22,875	56,828	76,681
Property investigation	-	9,318	-	41,932
Salaries and benefits	46,068	136,092	168,514	191,372
Stock based compensation (Note 10(b))	75,149	326,075	359,603	865,458
Field office expenses	35,456	42,668	136,214	197,587
	925,448	145,698	2,336,404	1,814,532
Operating loss	(2,130,746)	(443,459)	(3,749,412)	(3,107,859)
Non-operating income (loss)	110	-	(6,228)	-
Interest and sundry income	562	164,364	39,787	443,547
	(2,130,074)	(279,095)	(3,715,853)	(2,664,312)
Future income tax recovery	285,444	-	285,444	-
Comprehensive loss for the period	(1,844,630)	(279,095)	(3,430,409)	(2,664,312)
Deficit, beginning of period	(18,297,065)	(16,801,365)	(16,711,286)	(14,416,148)
Deficit, end of period	\$ (20,141,695)	\$ (17,080,460)	(20,141,695)	\$ (17,080,460)
Loss per share - basic and diluted	\$ (0.06)	\$ (0.01)	(0.11)	\$ (0.08)
Weighted average number of common shares outstanding				
basic and diluted	32,298,490	32,118,490	32,207,387	31,647,577

See accompanying notes to interim consolidated financial statements

MINCO SILVER CORPORATION

(A development stage enterprise)
 Consolidated Statements of Cash Flow
 (in Canadian dollars)
 (Unaudited)

	Three Months ended September 30, 2009		Nine Months ended September 30, 2008	
	2009	2008 Restated (Note 3)	2009	2008 Restated (Note 3)
Cash flows from operating activities				
Loss for the period	\$ (1,844,630)	\$ (279,095)	\$ (3,430,409)	\$ (2,664,312)
Adjustment for items not involving cash:				
- stock-based compensation (Note 10(b))	75,149	323,075	359,603	862,458
- amortization	14,344	13,727	45,437	36,068
- foreign exchange loss (gain) on loan receivable	446,852	(789,507)	855,844	(515,786)
- Future income tax recovery	(285,444)	-	(285,444)	-
Changes in non-cash working capital items:				
- receivables	(18,320)	200,634	(64,072)	(338)
- prepaid expenses and deposits	(6,892)	(159,158)	54,043	(508,867)
- accounts payable and accrued liabilities	101,374	1,142,189	(567,358)	8,389
- due to Minco China (Note 11(a))	138,638	1,566,347	365,594	(3,610,959)
- advances from (repayment to) Minco Gold (Note 11(b))	1,187,634	(2,061,646)	1,246,547	-
	(191,295)	(43,434)	(1,420,215)	(6,393,347)
Cash flows from financing activities				
Proceeds from issuance of common shares	-	(77,063)	336,979	2,945,716
Proceeds from bank loan (Note 9)	498,738	-	498,738	-
	498,738	(77,063)	835,717	2,945,716
Cash flows from investing activities				
Development costs	(544,287)	(670,547)	(2,113,433)	(3,016,616)
Disposition (acquisition) of plant, property and equipment	(161)	(17,138)	7,337	(45,536)
Loan receivable (Note 7)	(636,229)	(5,191,000)	(991,482)	(5,191,000)
Restricted cash (Note 5)	(574,186)	-	(574,186)	-
Disposition of short-term investments	497,938	5,533,759	3,163,834	9,391,234
	(1,256,926)	(344,926)	(507,930)	1,138,082
Decrease in cash and cash equivalents	(949,482)	(465,423)	(1,092,428)	(2,309,549)
Cash and cash equivalents, beginning of period	1,031,075	803,420	1,174,021	2,647,546
Cash and cash equivalents, end of period	\$ 81,593	\$ 337,997	\$ 81,593	\$ 337,997
Supplemental disclosure of cash flow information				
Interest paid	\$ 1,404	\$ -	\$ 1,404	-

See accompanying notes to interim consolidated financial statements

MINCO SILVER CORPORATION

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Notes to Interim Consolidated Financial Statements

For the nine months period ended September 30, 2009 and 2008

(in Canadian dollars)

(Unaudited)

1. Nature of Business

Minco Silver Corporation ("Minco Silver" or the "Company") was incorporated on August 20, 2004 under the laws of British Columbia, Canada. Its principal business activities include the acquisition, exploration and development of silver mineral properties.

As at September 30, 2009, Minco Gold Corporation (formerly Minco Mining & Metals Corporation) ("Minco Gold") owned a 40.25% (2008 – 40.48%) equity interest in Minco Silver Corporation.

Minco Silver is exploring, evaluating and developing silver mineral properties and projects in the Peoples' Republic of China ("China") with the aim of bringing properties to production. The ability of the Company to meet its commitments as they become payable, the exploration and development of mineral properties and projects, and the underlying value of the mineral properties are entirely dependent upon the existence of economically recoverable reserves, the ability of the Company to arrange appropriate financing to complete the exploration and development of its properties, the receipt of necessary permits and upon achieving future profitable production or receiving proceeds from the disposition of the properties. The timing of such events occurring, if at all, is not yet determinable. The Company is considered to be a development stage enterprise as it has not yet generated any revenue from operations.

These interim consolidated financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company does not generate revenues and has accumulated losses since inception and is unlikely to generate earnings in the immediate future.

Subsequent to the end of the period, the Company closed a private placement financing for gross proceeds of \$13,897,804 (Note 14(c)).

2. Basis of Presentation

These unaudited financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") for interim financial information and follow the same accounting policies and methods of application as the most recent audited financial statements of the Company for the year ended December 31, 2008, except as disclosed in Note 4. These interim financial statements do not include all the information and note disclosures required by Canadian GAAP for annual financial statements and therefore should be read in conjunction with the Company's audited financial statements and the notes thereto for the year ended December 31, 2008.

Certain comparative figure has been reclassified to conform to the presentation adopted for the current period.

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3. Change in Accounting Policy

On December 31, 2008, the Company changed its exploration project accounting policy to more appropriately align its policy with those applied by other comparable mineral exploration and development companies. The Company's new policy is to capitalize mineral property and mineral rights acquisition costs and to commence capitalization of mineral property exploration and development costs when a mineral resource having economic potential is identified on a property.

Prior to December 31, 2008, the Company's accounting policy was to capitalize mineral property and mineral rights acquisition costs and to commence capitalizing mineral property development costs only upon the establishment of proven and probable reserves based on results of a final feasibility. Exploration permit acquisition, exploration and development costs were expensed as incurred prior to the establishment of proven and probable reserves.

Effective March 5, 2008, management determined that the Fuwan Silver deposit met the criteria for treatment as a development property and accordingly commenced capitalization of expenditures from this date. The Company continued to expense exploration costs associated with other exploration activities including regional drilling programs. The effect of accounting policy change on the nine month period ended September 30, 2008 was to decrease exploration expense by \$5,766,242 and decrease administrative expenses by \$1,071,639 with the aggregate of \$6,837,881 capitalized to the Fuwan project. Loss per share (basic and diluted) decreased from \$0.30 to \$0.08 for the nine months period ended September 30, 2008. There was no impact of this policy change on the opening retained earnings of 2008.

4. Accounting Policy Changes

Goodwill and Intangible Assets

On January 1, 2009, the Company adopted the recommendations included in Section 3064, "Goodwill and Intangible Assets," of the CICA Handbook, which replaced CICA Section 3062, "Goodwill and Other intangible Assets". The adoption of this Section had no material impact on the Company's financial statements.

Mining Exploration Costs

Effective March 27, 2009, the Company adopted the Emerging Issues Committee ("EIC") Abstract 174, "Mining Exploration Costs". This standard provides guidance on the capitalization of exploration costs related to mining properties, in particular, and on impairment of long-lived assets. The adoption of this standard did not have a significant impact on the Company's financial statements.

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4. Accounting Policy Changes (continued)

New Canadian Accounting Standards

Section 1582, Business Combinations, 1601, Consolidations and 1602, Non-controlling interests

In January 2009, the CICA issued three new sections to replace Section 1581, "Business Combinations" and Section 1600, "Consolidated Financial Statements." Section 1582 will apply to a transaction in which the acquirer obtains control of one or more businesses (as defined in the Section). Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. A bargain purchase will result in the recognition of a gain. Acquisition costs will be expensed. Any non-controlling interest will be recognized as a separate component of shareholders' equity and net income will be allocated between the controlling and non-controlling interests. These new standards will apply to fiscal years beginning on or after January 1, 2011. These Sections will not have an impact on the Company's financial statements unless the Company enters into a business combination subsequent to January 1, 2011.

5. Restricted Cash

As at September 30, 2009, the Company has placed US\$482,997 into escrow to fund future expenditures of Sterling Mining Company ("Sterling") (Note 7).

6. Short-term Investments

Short-term investments consist of a cashable guaranteed investment certificate with a yield of 4.55% and maturity date of December 10, 2009. This investment is pledged as security for the Company's short term loan (Note 9).

As at December 31, 2008, short-term investments consisted of cashable guaranteed investment certificates (\$3.5 million) and corporate notes (\$0.2 million). The yields on these investments were 1.50% to 4.55%.

7. Loan Receivable

On July 22, 2008 the Company announced the execution of a Letter of Intent with Sterling to acquire 100% of the issued and outstanding common shares of Sterling, at a ratio of 0.51 of a Minco Silver share for each of Sterling's, based upon Minco Silver's closing price on July 21, 2008.

The offer valued Sterling at US\$62.3 million. The Company also extended a line of credit in the amount of US\$15.0 million under the terms of a Credit Facility Agreement dated July 21, 2008 ("the Facility") to be advanced from time to time to meet general working capital and other operating expenses to carry on Sterling's business, of which US\$5.0 million was advanced on July 30, 2008; bearing 10% simple interest plus fees and expenses. It was a term of the Letter of Intent and the Facility that Minco Silver's obligation to acquire Sterling and the payment of any and all subsequent advances was conditional upon the successful completion of an extended due diligence review of Sterling's operations and the execution of a definitive agreement.

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7. Loan Receivable (continued)

On August 27, 2008, at the conclusion of Minco Silver's due diligence review, the Company terminated its obligation to acquire Sterling and its obligation to advance the additional US\$10.0 million under the Facility.

To secure the US\$5.0 million advance (plus interest and fees); Minco Silver and Sterling executed the following:

- (a) Secured Promissory Note to secure and evidence the US\$5.0 million advance in which Sterling promises to pay to the order of the Company;
- (b) All Assets Security Agreement and a Mortgage, Assignment of Leases and Rents Security Agreement and Fixture Filing in which Sterling agreed to provide a second charge security on all of the assets and properties of Sterling with the exception of the Sunshine Lease; and
- (c) Assignment and Assumption Agreement in which Sterling assigns the Sunshine Mine under a lease dated June 6, 2003 between Sterling and Sunshine Precious Metals, Inc. (the "Sunshine Lease") to the Company.

The Company's perfected secured interest is seconded to a previous loan in the amount of US\$1.4 million whereby another secured creditor has first priority over this amount. The Company also has a perfected secured interest in the Sunshine Lease.

The Company believes that the estimated fair value of Sterling's assets in which it holds a security interest is significantly in excess of the carrying value of the loan as at September 30, 2009. However, the note is presented as a non-current asset as the timeframe to realization is indeterminate.

On February 18, 2009 Minco Silver filed an action in the District Court of the First Judicial District of the State of Idaho commencing a foreclosure proceeding to foreclose on Sterling and appoint a receiver to realize on the US\$5 million advance. On March 3, 2009 Minco Silver's foreclosure action was stayed in favour of Sterling's filing of a voluntary petition under Chapter 11 of the bankruptcy code in the Bankruptcy Court of the State of Idaho.

Prior to Sterling's bankruptcy, Sterling's management and board of directors elected to terminate the Sunshine Lease and transfer possession of the Sunshine Mine (representing approximately 85% of Sterling's assets) to Sunshine Precious Metals Inc. and SNS Silver Corporation.

On May 15, 2009 the Court issued a Memorandum of Decision in response to a motion filed by Sterling on behalf of its creditors including Minco Silver declaring that the Sunshine Lease was not terminated and can be reassumed by Sterling and any default under the terms of the Sunshine Lease as determined by the Court may be cured.

The Court also approved, on an interim basis, a US\$1 million post petition financing offer by Minco Silver to Sterling to fund the administration costs during Sterling's bankruptcy and costs to cure any defaults under the Sunshine Lease.

Shortly after the Court declared Sterling had the right to reassume the Sunshine Mine, SNS Silver Corporation vacated the property turning over possession of the property Sunshine Precious Metals, Inc.

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(in Canadian dollars)

(Unaudited)

7. Loan Receivable (continued)

On August 14, 2009 the Court ordered that Sunshine Precious Metals, Inc. vacate the Sunshine Mine to allow Sterling to reassume the property as set out in the Courts Memorandum of Decision dated May 15, 2009. The Sunshine Mine was turned over to Sterling on August 19, 2009.

On August 21, 2009 the Court declared the amount to cure and bring the Sunshine Lease to the Sunshine Mine into good standing at about US\$1.32 million.

Sterling Loan	September 30, 2009	December 31, 2008
Principal (US\$5.0 million)	\$ 5,430,500	\$ 6,114,000
Interest on principal (US\$322,125)	342,432	386,231
	<u>5,772,932</u>	<u>6,500,231</u>
Post petition financing and expenses (US\$1,056,868)	1,147,398	155,916
Interest on expenses	7,428	7,428
	<u>1,154,826</u>	<u>163,344</u>
Late payment penalty (US\$87,715)	95,267	107,493
	<u>\$ 7,023,025</u>	<u>\$ 6,771,068</u>

8. Mineral Interest

(A) Fuwan Silver Project, Guangdong, China

On August 20, 2004, Minco China transferred the following mineral interests to the Company:

- A Joint Venture Agreement in relation to the exploration and development of the Fuwan silver deposit; and
- The right to earn a 51% interest in the Changkeng Silver Mineralization; and
- New exploration permits acquired or to be acquired in respect of certain mineral properties adjoining the Fuwan and Changkeng properties and known as the Guanhuatang, Luoke-Jilinggang, Guyegang-Sanyatang and Dadinggang properties, respectively.

Minco Gold was the sole shareholder of the Company and the two companies had common management at the time of the transaction. As at the date of transfer, Minco Gold had expended \$63,331 in preliminary exploration costs. As a result of a series of transactions and agreements between September 2004 and the current year end, the Company is now responsible for all of the exploration and development expenditures on the property.

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(Unaudited)

8. Mineral Interest

(B) Fuwan Silver Deposit

On July 20, 2005, the Ministry of Land and Resources of China approved the transfer of the Fuwan Exploration Permit to Minco Mining (China) Corporation ("Minco China"), a wholly-owned subsidiary of Minco Gold. The total amount of the exploration permit had been fully paid.

The exploration permits owned by the Company were held through Minco China for and on behalf of the Company. Although the Company has taken steps to verify the title to mineral properties in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

In July 2008 the Company incorporated Foshan Minco as the operating company for the Fuwan project. In December 2008, the Fuwan exploration permit held by Minco China was transferred to Foshan Minco. Minco Silver currently has a 100% interest in Foshan Minco with the 10% profit-sharing interest in being earned by Guangdong Geological Bureau ("GGB"). There will be no distributions to or participation by GGB, until such time as Minco Silver's investment on the project is paid back. GGB is not required to fund any expenditures related to the Fuwan project.

Management has determined that the Fuwan Silver Deposit area met the criteria for capitalization of development costs in the first quarter of 2008 and has been capitalizing development costs relating to the main Fuwan Silver Deposit since that time.

The following is a summary of Fuwan project development costs incurred for the nine months period ended September 30, 2009 and 2008 and the cumulative development costs incurred to September 30, 2009.

	Nine months ended September 30, 2009	Nine months ended September 30, 2008	Cumulative to September 30, 2009
Consulting fees	\$ 405,252	\$ 493,623	\$ 1,147,734
Drilling	67,399	1,347,819	1,805,438
Labor cost	335,904	211,160	565,215
Feasibility study	588,803	-	1,701,836
Stock based compensation	452,331	283,132	812,417
Other development costs	810,540	680,882	1,921,687
	<u>\$ 2,660,229</u>	<u>\$ 3,016,616</u>	<u>\$ 7,954,327</u>

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(in Canadian dollars)

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8. Mineral Interests (continued)

(C) Fuwan Silver Belt

On April 7, 2005, the Company acquired three additional silver exploration permits on the Fuwan belt, referred to as the Guanhuatang Property, the Luoke-Jilinggang Property and the Guyegang-Sanyatang Property; and paid \$267,427 (RMB1,500,000) for the three permits in September 2005.

The permit application for the Dadinggang Property was approved by the Ministry of Lands and Resources of China in December 2006. The Dadinggang area, which covers the northeast extension of the Fuwan Silver Project, has been added to the Luoke-Jilinggang exploration permit.

The following is a summary of the Fuwan Silver Belt exploration costs incurred for the nine months ended September 30, 2009 and 2008 and the cumulative exploration costs incurred from August 20, 2004 to September 30, 2009.

Fuwan main deposit area and regional exploration costs	Nine months ended September 30, 2009	Nine months ended September 30, 2008	Cumulative from August 20, 2004 (inception) to September 30, 2009
Consulting fees	\$ -	\$ 147,760	\$ 1,776,892
Drilling	-	851,817	7,705,558
Labour cost	-	70,068	684,904
Other exploration costs	-	223,682	2,223,612
	\$ -	\$ 1,293,327	\$ 12,390,966

(D) Changkeng Silver Mineralization

Minco Gold has assigned its right to earn 51% interest on Changkeng Silver Mineralization to the Company. Minco Gold is responsible for all the costs related to the gold mineralization on the Changkeng Property, Minco Silver is responsible for the costs related to the Changkeng Silver Mineralization. During the nine months period ended September 30, 2009, exploration costs of \$407,275 were incurred by the Changkeng JV. The Company expensed \$207,710 (2008 - \$Nil), which is 51% of the costs, as the exploration costs and will pay it to Minco Gold.

The total cost to acquire the Changkeng Exploration Permit is approximately \$8 million (RMB 48.36 million), of which \$2,943,444 (RMB 19.36 million) was paid by the Changkeng JV in 2008, with the remaining balance of approximately \$5.04 million (RMB 29 million) due in February 5, 2010. Minco Gold is responsible for 51% of the payment in the amount of \$1,501,156, which it fully recorded in the year ended December 31, 2008.

In 2009, the Company and Minco Gold entered into an agreement under which the Company will pay Minco Gold 30% of Minco Gold's 51% share of the cost of the permit for the Changkeng Silver Mineralization. Accordingly, in the nine months ended September 30, 2009, the Company recorded exploration permit costs and all amounts due to Minco Gold of \$1,205,298.

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9. Bank Loan

The bank loan of \$498,738 is secured by the cashable guaranteed investment certificate (Note 6) and bears interest at 3.75%.

10. Share Capital

(a) Common Shares

Authorized: Unlimited number of common shares without par value.

Issued:

	Shares	Amount
Balance - December 31, 2008 and March 31, 2009	32,118,490	\$ 25,799,213
Stock options exercised	180,000	336,979
Balance – June 30 and September 30, 2009	32,298,490	\$ 26,136,192

(b) Stock Options

The Company may grant up to 15% of its issued and outstanding shares as options to its directors, officers, employees and consultants under its stock option plan. Stock option compensation is expensed over the vesting period of each option.

During the nine months period ended September 30, 2009, the Company granted 1,110,000 stock options to directors, employees and consultants with exercise prices ranging from \$1.05 to \$2.20 vesting over a three-year period.

The Company recorded \$811,934 of stock based compensation for the nine month period ended September 30, 2009, including \$359,603 of stock based compensation expense which was recorded in the income statement and \$452,331 of stock based compensation expense which was capitalized to mineral interests.

A summary of the status of options granted by the Company is as follows:

	Number outstanding	Weighted average exercise price
December 31, 2008	4,149,834	\$ 1.74
Granted	700,000	\$ 1.05
Expired	(273,334)	\$ 1.98
March 31, 2009	4,576,500	\$ 1.46
Exercised	(180,000)	\$ 0.81
Expired	(46,834)	\$ 1.90
June 30, 2009	4,349,666	\$ 1.49
Granted	410,000	\$ 1.97
Expired	(330,000)	\$ 1.89
September 30, 2009	4,429,666	\$ 1.67

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10. Share Capital (continued)

The weighted average fair value of options granted during the year ended September 30, 2009 was \$1.67. Each option entitles the holders to purchase one common share.

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life (year)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$0.46 - \$1.30	2,983,666	2.26	\$1.13	1,910,000	\$1.44
\$1.57 - \$4.00	1,446,000	3.35	\$2.57	579,009	\$2.41
	4,429,666	2.25	\$1.67	2,489,009	\$1.72

The Company used the Black-Scholes option pricing model to determine the fair value of the options with the following assumptions:

	2009	2008
Risk-free interest rate	1.58% - 2.61%	1.96% - 3.46%
Dividend yield	0%	0%
Volatility	86% - 115.3%	68% - 102%
Approximate expected lives	5 years	5 years

Option pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and therefore, in management's opinion, existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

11. Related Party Transactions

- Amount due to Minco China as at September 30, 2009 was \$1,305,400 (December 31, 2008 – \$939,806). It represents the expenditures on the Fuwan Property and shared office expenses. The amount is unsecured, non-interest bearing and payable on demand.
- Amount due to Minco Gold as at September 30, 2009 was \$1,553,022 (December 31, 2008 - \$306,476). It represents the exploration costs on Changkeng Silver Mineralization, shared expenses for the Vancouver office and the sharing of salaries and administration costs. The amount is unsecured, non-interest bearing and payable on demand.

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11. Related Party Transactions (continued)

- (c) In the nine months period ended September 30, 2009, the Company paid consulting fees totaling \$405,034 (September 30, 2008 – \$235,540) to companies controlled by the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Vice President, Exploration of the Company. These consulting fees are included in exploration costs, development costs, and management fees.
- (d) In the nine months period ended September 30, 2009, the Company paid or accrued \$86,348 (September 30, 2008 – \$58,998) in respect of rent, \$20,220 (September 30, 2008 – \$199,226) in respect of exploration costs, and \$386,358 (September 30, 2008 – \$578,832) in respect of shared office expenses and administration costs to Minco Gold.

The above transactions are conducted in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

12. Geographical Information

The Company's business is considered as operating in one segment, mineral exploration and development. The geographical division of the Company's assets and liabilities and net loss is as follows:

	September 30, 2009		December 31, 2008	
Current Assets				
Canada	\$	1,251,610	\$	4,044,325
China		430,650		1,354,433
	\$	1,682,260	\$	5,398,758
Long-term Assets				
Canada	\$	9,789,307	\$	8,273,155
China		5,400,832		4,057,572
	\$	15,190,139	\$	12,330,727
Current Liabilities				
Canada	\$	2,764,444	\$	654,369
China		800,315		1,295,001
	\$	3,564,759	\$	1,949,370
Net loss				
Canada	\$	3,190,759	\$	1,300,524
China		239,650		1,363,788
	\$	3,430,409	\$	2,664,312

MINCO SILVER CORPORATION

(A development stage enterprise)

Notes to Interim Consolidated Financial Statements

For the nine months period ended September 30, 2009 and 2008

(in Canadian dollars)

(Unaudited)

13. Commitments

The Company has commitments in respect of office leases in China and Canada, requiring minimum payments of \$511,675, as follows:

2009	\$	25,674
2010		99,069
2011		97,642
2012		96,074
2013		96,608
2014		96,608
	\$	511,675

14. Subsequent Events

- a) On October 2, 2009 the court approved Minco Silver's motion to increase the Sterling Post Petition Financing from US\$1 million to US\$3 million to pay for the amount to cure the Sunshine Lease and to fund the care and maintenance of the Sunshine Mine.
- b) On October 21, 2009 Minco Silver directed the release US\$402,997 held in escrow to be paid to the account of Sterling to cure a portion of the defaults under the Sunshine Lease and US\$80,000 held in escrow to be paid to the account of Sunshine Precious Metals, Inc. to bring all payments current on the Sunshine Lease.
- c) On October 22, 2009, the Company closed a non-brokered private placement financing. The financing placed a total 8,175,179 units at a price of \$1.70 per unit for gross proceeds of \$13,897,804. Each unit consists of one common share and one half of one common share purchase warrant. Each whole warrant entitles the subscriber to purchase a common share at a price of \$2.15 for a period of twelve months.
- d) On October 24, 2009, the Company paid off the bank loan in the amount of \$498,738 recorded as at September 30, 2009.
- e) Subsequent to the period end, the Company paid back the amounts due to Minco China and Minco Gold totaling approximately \$1,041,000.

MINCO SILVER CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009

This management's discussion and analysis ("MD&A") of the operating results and financial position of Minco Silver Corporation and its subsidiaries ("Minco Silver" or "the Company") is for the nine months ended September 30, 2009. The MD&A, dated November 16, 2009 should be read in conjunction with the accompanying unaudited consolidated financial statements and notes prepared by management for the period ended September 30, 2009 and the audited consolidated financial statements and notes prepared by management for the year ended December 31, 2008. The Company's financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Except as noted, all financial amounts are expressed in Canadian dollars.

Management is responsible for the interim consolidated financial statements referred to in this MD&A, and provides officers disclosure certifications filed with securities commissions on SEDAR. The audit committee reviews the interim consolidated financial statements and MD&A, and recommends approval to the Company's Board of Directors.

Additional information, including the above mentioned audited consolidated financial statements for the year ended December 31, 2008 and the MD&A and annual information form (AIF) for the same period, which contain extensive disclosure of the history and properties of the Company, are available on SEDAR and may be accessed at www.sedar.com.

Company Overview

Minco Silver (TSX: MSV) was incorporated under the laws of British Columbia, Canada on August 20, 2004. Minco Silver is engaged in the acquisition, exploration and development of silver dominant mineral properties. The Company currently has 100% controlling interest in the assets of the Fuwan project with a 10% net profits interest in Foshan Minco held by Guangdong Geological Exploration and Development Corporation ("GGEDC"). The Fuwan Silver Deposit is situated along the northeast margin of the highly prospective Fuwan Silver Belt in Guangdong Province, Peoples' Republic of China ("China"). Guangdong Geological Exploration and Development Corporation ("GGEDC") was renamed as Guangdong Geological Bureau ("GGB").

In 2004, the Company, Minco Gold Corporation ("Minco Gold") and Silver Standard Resources Inc. ("Silver Standard") entered into a strategic alliance to jointly pursue silver opportunities in China. As part of the agreement, the Company will be the exclusive entity for both parties to pursue silver projects in China.

At the date of this MD&A, Minco Gold (formerly Minco Mining & Metals Corporation) owns 32.02% of the outstanding shares of the Company.

Results of Operations

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

Exploration Costs

(a) Fuwan Silver Belt

During 2008, the regional exploration activities were focused on an area along strike from the Fuwan Silver main deposit, where the Company drilled 18 holes totaling 5,003 meters, to test the major drilling targets on the extension of the Fuwan Silver Trend which were generated on the basis of all historical data and results of the ground magnetic and IP surveys completed in the second quarter of 2008.

During the nine months ended September 30, 2009, the Company did not conduct any regional exploration activities.

The following is a summary of exploration costs incurred for the eight most recent quarters for the Fuwan Silver Belt Property:

	2009				2008			2007
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Consulting fees	\$ -	\$ -	\$ -	\$ 84,563	\$ 44,783	\$ 18,268	\$ 84,709	\$ 291,322
Drilling	-	-	-	303,144	97,715	126,956	627,146	1,266,979
Labour costs	-	-	-	43,012	24,887	4,985	40,196	149,304
Exploration costs	-	-	-	90,595	130,376	42,952	50,354	570,110
	\$ -	\$ -	\$ -	\$ 521,314	\$ 297,761	\$ 193,161	\$ 802,405	\$ 2,277,715

(b) Changkeng Silver Mineralization

Minco Gold has assigned its right to earn 51% interest on Changkeng Silver Mineralization to the Company. While Minco Gold is responsible for all the costs related to the Gold Mineralization on the Changkeng Property, Minco Silver is responsible for the costs related to the Changkeng Silver Mineralization. During the nine months period ended September 30, 2009, the exploration cost of \$407,275 was incurred by Changkeng JV on the Changkeng Silver Mineralization. The Company recorded \$207,710 (2008 - \$Nil), which is 51% of the costs, as the exploration costs and will pay it to Minco Gold.

The total cost to acquire the Changkeng's Exploration Permit is about \$8 million (RMB 49 million), among which \$2,943,444 (RMB 19,363,300) was paid by Changkeng JV in 2008, and the remaining balance is RMB 29 million (approximately \$5.04 million). Minco Gold is responsible for 51% of the payment at the amount of \$1,501,156, which it has fully recorded in the year ended December 31, 2008.

In 2009, the Company and Minco Gold entered into an agreement and agreed the Company will pay Minco Gold 30% of Minco Gold's 51% share of the cost of the permit for the Changkeng Silver Mineralization. Accordingly, in the nine months ended September 30, 2009, the Company recorded the payable due to Minco Gold of \$1,205,298, and recorded it in the exploration permit costs of the period

Development Cost on Fuwan Silver Deposit

In March 2008, the Company determined that the Fuwan Silver Deposit enter into development stage. The Company changed its accounting policy to capitalize the costs related to the Fuwan Silver Deposit while the regional exploration costs related to Fuwan Silver Belt continues to be expensed.

In the nine months period ended September 30, 2009, the Company incurred a total of \$2,660,229 on development for the Fuwan Silver Deposit and recorded an accumulated cost of \$7,954,327 on development as at September 30, 2009.

The following is a summary of development costs capitalized/incurred for the Fuwan Silver Deposit for the seven quarters from the beginning of March 2008.

	2009				2008		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Consulting fees	\$ 125,002	\$ 143,907	\$ 136,343	\$ 248,859	\$ 117,186	\$ 114,385	\$ 262,052
Drilling	27,141	39,816	441	390,220	168,372	554,765	624,682
Labour costs	97,017	108,643	130,244	18,151	40,662	107,492	63,006
Feasibility study (IFS)	165,592	142,472	280,739	1,113,032	-	-	-
Stock-based compensation	163,930	171,509	116,832	76,954	61,165	104,157	117,810
Other development costs	414,980	131,578	263,984	430,266	283,162	355,165	42,555
	\$ 993,721	\$ 737,925	\$ 928,583	\$ 2,277,482	\$ 670,547	\$ 1,235,964	\$1,110,105

Summary of Quarterly Results

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

	2009			2008			2007
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Interest & sundry income	\$ 562	\$ 3,043	\$ 36,182	\$ 164,364	\$ 147,329	\$ 151,925	\$ 127,258
Net loss	\$(1,844,630)	\$(1,036,481)	\$(549,298)	\$(443,459)	\$(279,095)	\$(1,254,102)	\$(1,131,115)
Net income/(loss) per share – basic and diluted	\$ (0.06)	\$ (0.03)	\$ (0.02)	\$ 0.01	\$ (0.01)	\$ (0.04)	\$ (0.04)
							\$ (0.10)

*During the year ended December 31, 2008, the Company retrospectively changed its accounting policy to provide more appropriate reflection as to when the Company has completed the exploration phase on a given property and has identified a mineral deposit that the Company intends to develop through to production. From such time forward, mineral property development costs will be capitalized as mineral interests on the Company's balance sheet, and subject to the Company's existing policies related to impairment assessment and analysis.

*The first three quarters of 2008 (2008-Q1, Q2, Q3) have been restated to give the effect of the new accounting policy and the operating results have been restated in the table above.

During the periods presented, the Company had no discontinued operations or extraordinary items.

Administrative Expenses

The Company's administrative expenses include overhead associated with administering and financing the Company's development and exploration activities. The Company maintains a field office in Gaoming County, China and an office in Vancouver, Canada. In the nine months period ended September 30, 2009, after adjusting for foreign exchange loss of \$855,844 (September 30, 2008 – exchange gain of \$515,786) the Company incurred a total of \$1,480,560 on administrative expenses (September 30, 2008 - \$2,330,318). The Company shares its Vancouver and Beijing offices with Minco Gold, which allocates a portion of salaries, rent and office administration expenses at cost to the Company.

- The Company granted 1,110,000 stock options to directors, officers, employees and consultants at the price range from \$1.05 to \$1.89 per share in the nine months ended September 30, 2009. Also the Company recorded a total of \$811,934 on stock based compensation expense, including \$359,603 stock-based compensation expense which was recorded in the income statement and \$452,331 stock based compensation expense which was capitalized to mineral interests in 2009.

- Consulting fees for the nine months period ended September 30, 2009 were \$115,596; as compared to \$122,117 for the comparative period of 2008. Salaries and benefits for the nine months period ended September 30, 2009 were \$168,514, compared to \$191,372 for the comparative period of 2008. In the third quarter 2008, the Company paid a bonus to the management team, as a result the salaries and benefits incurred in the nine months ended September 30, 2008 was more than that of the same period in 2009.
- The Company incurred investor relations expense of \$179,253 for the nine months period ended September 30, 2009, compared to \$451,286 in the comparative period of 2008. The decrease was mainly due to decreased investor activities in the current period.

Interest and Sundry Income

To date the Company has not earned revenue from operations other than interest income accrued on short-term investments and the Sterling loan. In nine months period ended September 30, 2009 and 2008, interest and sundry income was \$39,787 and \$443,547, respectively. The decrease was mainly due to the decrease of short term deposits in 2009.

Short-term investment consists of a cashable guaranteed investment certificate with yield of 4.55% and maturity date on December 10, 2009. This investment is pledged as security for the Company's short term loan

As at December 31, 2008, short-term investments consist of cashable guaranteed investment certificates (\$3.5 million) and corporate notes (\$0.2 million). The yields on these investments were 1.50% to 4.55%.

Properties

The Company's principal property is the Fuwan Silver Project located in Guangdong Province, China. The Company's objective is to develop the Fuwan Silver Deposit with a view to commencing commercial production on the property. The Company will continue to identify new silver projects in China for possible exploration and development by way of joint venture or otherwise.

In 2005, the Company received three reconnaissance survey exploration permits (exploration licenses) which are located in the Sanzhou basin, Guangdong Province, China. Two exploration licenses, the Luoke-Jilinggang (75.55 sq. km.) and the Guyegang-Sanyatang (91.91 sq. km) with a total area of 167.46 sq. km, cover 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 projects.

P & E Mining Consultants Inc., a Brampton, Ontario based mining consulting company, was retained by the Company to prepare an independent technical report on the Fuwan Silver Property. The report entitled "Technical Report and Resource Estimate on the Fuwan Property, Guangdong Province, China" ("The Technical Report and Resource Estimate") dated November 3, 2005 is available on SEDAR at www.sedar.com. The report was updated on September 25, 2006 and amended and revised on November 2, 2006 and these are also available at www.sedar.com. The Technical Report and Resource Estimate were updated on April 15, 2007 and December 11, 2007 and both updates are also available at www.sedar.com.

A Preliminary Economic Assessment ("PEA") was completed and released on October 22, 2007. The positive PEA report was prepared by SRK Consulting Inc. and is available at www.sedar.com.

Drilling Programs

In 2008 the Company completed the Phase 6 drilling program on the Fuwan Silver Deposit, thus completing the program that was started previously (in 2007, the Company completed the Phase 3 drilling program; initiated and completed the Phase 4 and 5 programs as well as a hydro geological drilling program). The 2008 programs are described below in more detail:

- Phase 6 drilling program – the Phase 6 program primarily consisted of step-out drilling designed to expand the resource. 89 drill holes for a total of 25,497 meters have been completed (these numbers include 2 condemnation drill holes). The program is to further test the silver mineralization within the Fuwan property and attempt to extend the known mineralization to the southwest and southeast respectively. Step-out drilling is also planned to potentially further extend the known mineralization down-dip and along strike of the Fuwan trend. Drill spacing for the Phase 6 program varies from 40 x 80 meters to 160 x 160 meters.
- Condemnation drilling program – this program is a part of the Phase 6 drilling program. It was initiated in 2008; two drill holes for a total of 571 meters were completed. Condemnation drilling is planned for the proposed mill site from the Conceptual Site Layout prepared by SRK Consulting. This area will be tested for mineralization and major structures, and will provide data for future mill design considerations. The two drill holes completed to date did not reveal any mineralization within the tested area.
- Feasibility Study metallurgical drilling program – the purpose of this program was to take coarse material for abrasion tests from intersections which are typical for the main mineralized zones of the deposit. Two PQ size drill holes have been completed for a total of 445 metres.
- Regional exploration program – the program is designed to test the major drilling targets on the extension of the Fuwan Silver Trend which were generated on the basis of all historical data and results of the ground magnetic and IP surveys completed in the third quarter of 2008. Eighteen holes totaling 5,003 metres have been completed to date.
- Feasibility Study verification drilling program – this program is designed to verify existing geologic interpretation and confirm continuity of mineralized zones in the NE initial mining area. The program was proposed by Wardrop Engineering as a part of the IFS on the Fuwan Silver property. Five drill holes for a total of 1,007 meters were completed in September 2008.

As of the date of this MD&A, the Company has completed drilling programs that including 260 drill holes for a total of 69,074 meters over both the Fuwan Silver Deposit and the surrounding regional area.

The assay results from the Phase 6 drilling programs can be reviewed on the Company's website at www.mincosilver.ca or at www.sedar.com.

Resource Estimates

On May 12, 2008, the Company updated the resource estimate for the Fuwan Silver Deposit taking into consideration the Phases 1 to 6 drilling programs including the drilling activity in the Changkeng license area. This resource update has upgraded the indicated resource by 31 million ounces of silver to 16.0 million tonnes containing 93.5 million ounces of silver from 11.9 million tonnes containing 71.6 million ounces of silver. The total indicated silver resource is reported to be 93.5 million ounces and the total inferred silver resource is 63.3 million ounces. The purpose of this resource estimate was to expand the indicated resources for inclusion in the ongoing IFS on the Fuwan Silver property, and

1. Expand the overall Fuwan Silver Deposit resource base
2. Estimate silver resources that reflect Minco Silver's current exploration permit holdings.
3. Estimate silver resources on Minco Silver's 51% interest in the adjoining Changkeng license area.

Diamond drill data from a total of 422 holes was used for the resource calculation. 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 resource estimate prepared on the Fuwan Silver Deposit includes Au, Pb and Zn credits and is reported as 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 residing on 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 Inferred²	11,290,000	174	63,283,000	0.26	0.27	0.73

**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.

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 (referenced to 1 above).

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 (referenced to 2 above).

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 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.

International Feasibility Study (“IFS”)

Wardrop was retained in April of 2008 to conduct the IFS using the resource update released in May of 2008. To date, the following areas have seen significant progress to allow the Feasibility to be continued:

Production plan, process flow sheet, mine, plant and infrastructure design, plant site location, and preliminary tailing pond design.

Additional metallurgical tests to optimize the initial work completed for the Preliminary Economic Assessment in October of 2007 were also initiated. Minco Silver received a comprehensive metallurgical report on Fuwan samples from the Beijing General Research Institute of Mining & Metallurgy. The results confirmed initial work carried out by Process Research Associates with overall recoveries of silver, using conventional flotation, reported as above 96%. Recoveries for lead and zinc were above 95%.

In the first quarter of 2009, the Feasibility Study progressed with the basic engineering, requests for quotation and preparation of the capital cost estimate.

In the second quarter of 2009, the costs were optimized and preparations were being made to commence compiling the feasibility report.

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

The highlights of the study are noted as follows:

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	\$34.42/t
Total Cash Cost per Payable oz Ag	\$5.65/oz
Pre-Production Capital Costs	\$73.1 M
Silver Price Used for Feasibility Study Economics	13.57/oz Ag
Total Revenue	\$648.2 M
Total Operating Cost	\$313.8 M
Total Royalty Payment	\$24.3 M
Total Operating Cash Flow	\$310.0 M
Net Present Value Before Tax @ 6% Discount Rate	\$111.5 M
Net Present Value Before Tax @ 8% Discount Rate	\$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

Project Overview

Deposit

The Fuwan silver deposit (the "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.

Resource Estimation

P&E completed five resource estimates for the Fuwan silver deposit in November 2005, November 2006, June 2007, December 2007 and May 2008. The May 2008 estimate, which is an update of the December 2007 estimate on the basis of infill drilling, formed the basis of the Study. All resource estimation technical reports were done in compliance with NI 43-101 and CIM standards, most of which were filed on SEDAR. There has been no additional drilling on the deposit area since that time.

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

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

Reserve Estimation

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

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

Probable Mineral Reserves (Diluted and In-situ)

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

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

Mining

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

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

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

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

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

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

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

Mine production of 3000 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, zinc, and gold. The process plant will operate 330 d/a at an annual process rate of 990,000 t/a and three shifts per day. Overall process plant availability will be approximately 90%.

The run-of-mine (ROM) 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 (SAG)-ball mill-pebble crushing circuit (SABC). 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 (TSF) 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 highway distance), 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 minesite 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	\$18.01/t
Processing	\$ 9.90/t
Tailings	\$ 1.13/t
G&A	\$ 4.78/t
Surface Services	\$ 0.60/t
Total	\$34.42/t

Capital Costs

The estimate has been 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	
A – Mining (Wardrop)	21,637
B – Primary Crushing	660
C – Crushed Ore Stockpile and Reclaim	305
D – Secondary and Tertiary Crushing	52
E – Grinding, Flotation, Dewatering, Reagents & Service	9,140
F – Tailings Disposal Facilities	4,250
G – Plant Site, Infrastructure & Ancillary Facilities	8,627
H – Temporary Services	35
L – Site/Plant Mobile Equipment	1,190
N – Power Lines (Included in G1 – Power Supply)	Included in G1

Direct Works Subtotal	\$45,896
Indirect	
X – Project Indirect	13,330
Y1 – Land Acquisition	2,120
Y1 – Owner’s Costs	5,663
Z – Contingency	6,051
Indirect Subtotal	\$27,164
TOTAL PRE-PRODUCTION CAPITAL COSTS (US\$)	\$73,060
Working Capital	\$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 prices were as follows based on the 3 year historical average metal 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 sensitivity analysis results are in the table below:

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

Mr. Christopher N. Zahovskis, P. Eng., Chief Operating Officer for Minco Silver, is the Qualified Person responsible for overall supervision of the Feasibility Study and has reviewed and approved the contents of this report.

Mr. Dwayne L. Melrose, P. Geo., Vice President Exploration for Minco Silver, is the Qualified Person responsible for verification and quality assurance of the company's exploration data, analytical results and resource statements and has reviewed and approved the contents of this report.

Mr. Eugene Puritch, P. Eng., President of P&E Mining Consultants Inc. is an independent Qualified Person responsible for the Fuwan resource estimate and has reviewed and approved the contents of this report.

Mr. Jianhui Huang, Ph.D., P. Eng., of Wardrop Engineering Inc. is an independent Qualified Person as defined by NI 43-101. Mr. Huang has reviewed and approved the contents of this report.

Mr. Byron Stewart, P. Eng., of Wardrop Engineering Inc. is an independent Qualified Person as defined by NI 43-101. Mr. Stewart has reviewed and approved the contents of this report.

Mr. Scott Cowie, B. Eng., MAusIMM., of Wardrop Engineering Inc. is an independent Qualified Person as defined by NI 43-101. Mr. Cowie has reviewed and approved the contents of this report.

Subsequent to the end of September 30, 2009, both the Feasibility Study Report and the Technical Report were completed. An advanced copy of the Technical Report was submitted to the BCSC on October 26, 2009 and the actual filing on SEDAR will take place prior to November 12, 2009.

Environmental Impact Assessment

Environmental aspects of the feasibility study are being compiled by Environmental Resources Management ("ERM"), one of the world's leading providers of environmental consulting services, and will be prepared in accordance with International Finance Corporation and World Bank standards.

To satisfy Chinese regulatory requirements, Guangdong Nuclear Design Institute ("GNDI") has been contracted to complete the Chinese environmental impact assessment ("Regulator EIA").

The Company recently concluded the environmental baseline studies enabling the completion of the "Regulator EIA", which will be submitted to the Guangdong Provincial Environmental Protection Administration in the near term. The report identifies the ecological and physical environmental impacts of the proposed mining operation.

In the third quarter of 2009, a draft report of the Regulatory EIA report had been completed.

The EHSIA (Environmental, Health, Safety Impact Assessment) by ERM was also completed in September and the final report was being prepared. This report forms a part of the Feasibility Report.

Permitting

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

- The Exploration Report on the Fuwan Silver Deposit has been accepted and approved by the Ministry of Land and Resources ("MOLAR") in Beijing.
- The Chinese Preliminary Feasibility Study was completed by Changsha Non-Ferrous Mine Design Institute and approved by an expert panel.
- The reserve/resource has been registered and received approval from Guangdong Bureau of Land and Resources and MOLAR in Beijing.

- The Gaoming county government granted official approval for the development of the project.
- The application for the Mining Area Permit was approved by the Ministry of Land and Resources ("MOLAR") in Beijing and will be held for up to 3 years while preparations for the Mining License Application are made. The Mining Area Permit covers approximately 0.79 square kilometres, defines the mining limits for the Fuwan deposit, and restricts the use of this land to mining activities.
- China Nerin Engineering Co., Ltd. ("NERIN") is progressing well on the Mineral Resources Development and Utilization Plan. This report outlines the mining and processing methods and is based on the already approved Exploration Report and Chinese Preliminary Feasibility Study. Once completed, the report will be submitted to MOLAR in Beijing for review and approval.
- The Soil and Water Conservation Plan is completed and approved.
- The Safety Assessment is well advanced and a draft report completed.
- The Geological Hazard Assessment has been completed and approved in September 2009.
- The Land Usage application has been completed and submitted for approval.
- Minco Silver continues to make significant progress on additional reports required for the Mining License Application.
- On September 9 and 10, a meeting was held in Nanchang with a panel of experts along with NERIN, Wardrop and Minco. The purpose of the meeting was to review the outcome of the Feasibility Study. The panel endorsed the findings which will allow Nerin to complete the Mine Development and Utilization report. This report is critical in obtaining the Mining License.

Liquidity and Capital Resources

The Company does not generate revenues. The Company relies on equity and debt financing for its working capital requirements to fund its exploration, development, investment, permitting and administrative activities. As of this MDA date, The Company closed a private placement financing for gross proceeds of \$13,897,804 therefore the Company has enough cash to complete the environmental impact assessment for the Fuwan Silver Deposit and continue development and construction of the mine and related facilities.

Cash Flow

Operating Activities

The comprehensive loss for the nine months period ended September 30, 2009 was a total of \$3,430,409 which was partially offset by amortization expenses of \$45,437, stock based compensation of \$359,603 and foreign exchange loss of \$855,844 to have \$1,420,215 cash used in operating activities, compared to \$6,393,347 cash used in the comparative period of 2008. For the three months period ended September 30, 2009, cash used in operating activities was \$191,295, compared to \$43,434 cash used in the comparative period of 2008.

Financing Activities

For the nine months period ended September 30, 2009, \$336,979 of cash was generated from employee's exercise of stock options and also from financing activities, including the bank loan of \$498,738 which was secured by the Company's cashable guaranteed investment certificate, compared to \$2,945,716 cash generated from issuance of common shares in the comparative period of 2008.

For the three months ended September 30, 2009, cash in the amount of \$498,738 was generated from financing activities, compared to cash in the amount of \$77,063 used in the comparative period of 2008.

Investing Activities

For the nine months period ended September 30, 2009, cash in the amount of \$3,163,834 was generated from the redemption of short-term investments, compared to \$9,391,234 in the comparative period of 2008. Also, cash used in investing activities consists of \$2,113,433 for the Fuwan's Feasibility Study Project, compared to \$3,016,616 in the comparative period of 2008. In addition, cash used for Sterling consists of \$991,482 advanced payments to Sterling and \$574,186 advanced to the Escrow accounts set up for Sterling compared to cash in the amount of \$5,191,000 which represents the loan to Sterling in the comparative period of 2008.

For the three months ended September 30, 2009, cash in the amount of \$1,256,926 was used compared to cash in the amount of \$344,926 used in the comparative period of 2008.

Loan Receivable from Sterling Mining Company ("Sterling")

On July 22, 2008 the Company announced the execution of a Letter of Intent with Sterling to acquire 100% of the issued and outstanding common shares of Sterling, at a ratio of 0.51 of a Minco Silver share for each of Sterling's, based upon Minco Silver's closing price on July 21, 2008.

The offer valued Sterling at US\$62.3 million. The Company also extended a line of credit in the amount of US\$15.0 million under the terms of a Credit Facility Agreement dated July 21, 2008 ("the Facility") to be advanced from time to time to meet general working capital and other operating expenses to carry on Sterling's business, of which US\$5.0 million was advanced on July 30, 2008; bearing 10% simple interest plus fees and expenses. It was a term of the Letter of Intent and the Facility that Minco Silver's obligation to acquire Sterling and the payment of any and all subsequent advances was conditional upon the successful completion of an extended due diligence review of Sterling's operations and the execution of a definitive agreement.

On August 27, 2008, at the conclusion of Minco Silver's due diligence review, the Company terminated its obligation to acquire Sterling and its obligation to advance the additional US\$10.0 million under the Facility.

To secure the US\$5.0 million advance (plus interest and fees); Minco Silver and Sterling executed the following:

- (a) Secured Promissory Note to secure and evidence the US\$5.0 million advance in which Sterling promises to pay to the order of the Company;
- (b) All Assets Security Agreement and a Mortgage, Assignment of Leases and Rents Security Agreement and Fixture Filing in which Sterling agreed to provide a second charge security on all of the assets and properties of Sterling with the exception of the Sunshine Lease; and
- (c) Assignment and Assumption Agreement in which Sterling assigns the Sunshine Mine under a lease dated June 6, 2003 between Sterling and Sunshine Precious Metals, Inc. (the "Sunshine Lease") to the Company.

The Company's perfected secured interest is seconded to a previous loan in the amount of US\$1.4 million whereby another secured creditor has first priority over this amount. The Company also has a perfected secured interest in the Sunshine Lease.

The Company believes that the estimated fair value of Sterling's assets in which it holds a security interest is significantly in excess of the carrying value of the loan as at September 30, 2009. However, the note is presented as a non-current asset as the timeframe to realization is indeterminate.

On February 18, 2009 Minco Silver filed an action in the District Court of the First Judicial District of the State of Idaho commencing a foreclosure proceeding to foreclose on Sterling and appoint a receiver to realize on the US\$5 million advance. On March 3, 2009 Minco Silver's foreclosure

action was stayed in favour of Sterling's filing of a voluntary petition under Chapter 11 of the bankruptcy code in the Bankruptcy Court of the State of Idaho.

Prior to Sterling's bankruptcy, Sterling's management and board of directors elected to terminate the Sunshine Lease and transfer possession of the Sunshine Mine (representing approximately 85% of Sterling's assets) to Sunshine Precious Metals Inc. and SNS Silver Corporation.

On May 15, 2009 the Court issued a Memorandum of Decision in response to a motion filed by Sterling on behalf of its creditors including Minco Silver declaring that the Sunshine Lease was not terminated and can be reassumed by Sterling and any default under the terms of the Sunshine Lease as determined by the Court may be cured.

The Court also approved, on an interim basis, a US\$1 million post petition financing offer by Minco Silver to Sterling to fund the administration costs during Sterling's bankruptcy and costs to cure any defaults under the Sunshine Lease.

Shortly after the Court declared Sterling had the right to reassume the Sunshine Mine, SNS Silver Corporation vacated the property turning over possession of the property Sunshine Precious Metals, Inc.

On August 14, 2009 the Court ordered that Sunshine Precious Metals, Inc. vacate the Sunshine Mine to allow Sterling to reassume the property as set out in the Courts Memorandum of Decision dated May 15, 2009. The Sunshine Mine was turned over to Sterling on August 19, 2009.

On August 21, 2009 the Court declared the amount to cure and bring the Sunshine Lease to the Sunshine Mine into good standing at about US\$1.32 million.

Sterling Loan	September 30, 2009	December 31, 2008
Principal (US\$5.0 million)	\$ 5,430,500	\$ 6,114,000
Interest on principal (US\$322,125)	342,432	386,231
	<u>5,772,932</u>	<u>6,500,231</u>
Post petition financing and expenses (US\$1,056,868)	1,147,398	155,916
Interest on expenses	7,428	7,428
	<u>1,154,826</u>	<u>163,344</u>
Late payment penalty (US\$87,715)	95,267	107,493
	<u>\$ 7,023,025</u>	<u>\$ 6,771,068</u>

Off-Balance Sheet Arrangements

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

Outstanding Share Data

At the date of this MD&A, November 13, 2009, the Company has 40,593,669 common shares, 4,332,647 stock options and 4,087,589 common share purchase warrants outstanding.

Commitments

The Company has commitments in respect of office leases in China and Canada, requiring minimum payments of \$511,675, as follows:

2009	\$ 25,674
2010	99,069
2011	97,642
2012	96,074
2013	96,608
2014	96,608
	<hr/>
	\$ 511,675

Transactions with Related Parties

- (a) Amount due to Minco China as at September 30, 2009 was \$1,305,400 (December 31, 2008 – \$939,806). It represents the expenditures on the Fuwan Property and shared office expenses. The amount due is unsecured, non-interest bearing and payable on demand.
- (b) Amount due to Minco Gold as at September 30, 2009 was \$1,553,022 (December 31, 2008 - \$306,476). It represents the exploration costs on Changkeng Silver Mineralization, shared expenses for the Vancouver office and the sharing of salaries and administration costs. The amount due is unsecured, non-interest bearing and payable on demand.
- (c) In the nine months period ended September 30, 2009, the Company paid consulting fees totalling \$405,034 (September 30, 2008 – \$235,540) to companies controlled by the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Vice President, Exploration of the Company. These consulting fees are included in exploration costs, development costs, and management fees.
- (d) In the nine months period ended September 30, 2009, the Company paid or accrued \$86,348 (September 30, 2008 – \$58,998) in respect of rent, \$20,220 (September 30, 2008 – \$199,226) in respect of exploration costs, and \$386,358 (September 30, 2008 – \$578,832) in respect of shared office expenses and administration costs to Minco Gold.

The above transactions are conducted in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

Critical Accounting Estimates

The preparation of the Company's consolidated financial statements requires management to make various judgments with respect to estimates and assumptions. On an ongoing basis, management regularly reevaluates its estimates and assumptions; however actual amounts could differ from those based on such estimates and assumptions. Transactions requiring significant degrees of estimation on the useful life of capital assets

The Company follows the fair value method, as determined using the Black-Scholes option valuation model, of accounting for stock-based compensation as recommended by the Canadian Institute of Chartered Accountants Handbook Section 3870, Stock-based compensation and other stock-based payments. Under the fair value method, compensation cost is measured at fair value at the date of grant and is expensed over the award's vesting period.

The Company is required to make estimates of future production costs, future silver commodity pricing, and currency exchange fluctuations in the process of testing the impairment of its assets.

In testing the impairment of its mineral interests the Company is testing its resources and extended determination of silver reserves which requires a number of assumptions and estimates, including geological sampling and modeling as well as estimates of future silver prices and future production costs. Estimates of the resources and ultimately the estimates of reserves may change based on additional information obtained subsequent to the assessment date. This may include data obtained from exploration drilling, significant changes in the price of silver and changes in estimates of the cost of production. A change in the estimate of reserves could result in a change in the rate of depletion, development amortization, or impairment of the resources, resulting in a write down.

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 other than the loan receivable from Sterling which is discussed under Note 5 of the December 31, 2008 consolidated financial statements.

Change in Accounting Policy

On December 31, 2008, the Company changed its exploration project accounting policy to more appropriately align its policy with those applied by other comparable mineral exploration and development companies. The Company's new policy is to capitalize mineral property and mineral rights acquisition costs and to commence capitalization of mineral property exploration and development costs when a mineral resource having economic potential is identified on a property.

Prior to December 31, 2008, the Company's accounting policy was to capitalize mineral property and mineral rights acquisition costs and to commence capitalizing mineral property development costs only upon the establishment of proven and probable reserves based on results of a final feasibility. Exploration permit acquisition, exploration and development costs were expensed as incurred prior to the establishment of proven and probable reserves.

Effective March 5, 2008, management determined that the Fuwan Silver deposit met the criteria for treatment as a development property and accordingly commenced capitalization of expenditures from this date. The Company continued to expense exploration costs associated with other exploration activities including regional drilling programs. The effect of accounting policy change on the nine month period ended September 30, 2008 was to decrease exploration expense by \$5,766,242 and decrease administrative expenses by \$1,071,639 with the aggregate of \$6,837,881 capitalized to the Fuwan project. Loss per share (basic and diluted) decreased from \$0.30 to \$0.08 for the nine months period ended September 30, 2008. There was no impact of this policy change on the opening retained earnings of 2008.

Accounting Policy Changes

Goodwill and Intangible Assets

On January 1, 2009, the Company adopted the recommendations included in Section 3064, "Goodwill and Intangible Assets," of the CICA Handbook, which replaced CICA Section 3062, "Goodwill and Other intangible Assets". The adoption of this Section had no material impact on the Company's financial statements.

Mining Exploration Costs

Effective March 27, 2009, the Company adopted the Emerging Issues Committee (“EIC”) Abstract 174, “Mining Exploration Costs”. This standard provides guidance on the capitalization of exploration costs related to mining properties, in particular, and on impairment of long-lived assets. The adoption of this standard did not have a significant impact on the Company’s financial statements.

New Canadian Accounting Standards

Section 1582, Business Combinations, 1601, Consolidations and 1602, Non-controlling interests

In January 2009, the CICA issued three new sections to replace Section 1581, “Business Combinations” and Section 1600, “Consolidated Financial Statements.” Section 1582 will apply to a transaction in which the acquirer obtains control of one or more businesses (as defined in the Section). Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. A bargain purchase will result in the recognition of a gain. Acquisition costs will be expensed. Any non-controlling interest will be recognized as a separate component of shareholders’ equity and net income will be allocated between the controlling and non-controlling interests. These new standards will apply to fiscal years beginning on or after January 1, 2011. These Sections will not have an impact on the Company’s financial statements unless the Company enters into a business combination subsequent to January 1, 2011.

Financial Management Risk

The Company’s operations consist of the acquisition, exploration and development of properties in China. The Company examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include credit risk, liquidity risk, currency risk and interest rate risk. Management reviews these risks on a monthly basis and when material, they are reviewed and monitored by the Board of Directors.

Credit risk – Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if the counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by these counterparties, less any amounts owed to the counterparty by the Company where a legal right of set-off exists and also includes the fair value contracts with individual counterparties which are recorded in the consolidated financial statements. The Company considers the following financial assets to be exposed to credit risk:

- i Cash – In order to manage credit and liquidity risk the Company the cash balance of \$ 81,593 as at September 30, 2009 was placed with three institutions. The fair value is equal to the carrying value.
- ii Short term investment – Guaranteed investment certificate with maturities of greater than 90 days when acquired. At September 30, 2009, a guaranteed certificate in amount of \$ 0.5 million was placed in an institution which will be maturity on December 10, 2009. The yield on this investment is 4.55%. The fair value is equal to the carrying value
- iii Loan Receivable – The interest rate on this loan balance is 10%. At period end, repayment date of Loan Receivable is indeterminable. The fair value approximates carrying value.

The Company does not have any derivative financial instruments nor has it invested in asset backed paper instruments.

Liquidity risk – Liquidity risk includes the risk that the Company cannot meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to help determine the funds required to support the Company’s normal operating requirements and its exploration and development plans. The annual budget is approved by the Board of Directors. The Company insures that there are sufficient cash balances to meet its short-term business requirements.

The Company considers the following financial liabilities to be exposed to financial risk:

- i. Accounts payable and accrued liabilities – These balances are all current and non-interest bearing and the fair value is equal to carrying value.
- ii. Due to Minco China – This balance is unsecured and non-interest bearing. The fair value is equal to carrying value.
- iii. Due to Minco Gold – This balance is unsecured and non-interest bearing. The fair value is equal to carrying value.

Currency/Foreign exchange risk – The Company's functional currency is the Canadian dollar and therefore the Company's net earnings are impacted by fluctuations in the valuation of foreign currencies in relation to the Canadian dollar. The Company raises funds in Canadian dollars and lends either Canadian or US dollar amounts to support the Chinese operations. As the Company operates in China and many of its exploration and development expenditures are payable in either U.S. dollars or the Chinese currency RMB, there exist foreign currency risks arising from changes in exchange rates with the Canadian dollar. The Company maintains its excess cash in Canadian based assets. The Company does not hedge its exposure to currency fluctuations.

Interest rate risk – The interest rate risk is the risk that the fair value of future cash flows of a financial instrument fluctuates because of changes in market interest rates. Cash and cash equivalents, short-term investments and loans, entered into by the Company bear interest at a fixed rate thus exposing it to the risk of changes in fair value arising from interest rate fluctuations. The cash and the short term investments are invested in high grade, highly liquid instruments and as such the Company manages its exposure to potential interest rate fluctuations to short term. The Company has no interest bearing debt.

The Company's ability to raise capital to fund development and exploration activities is subject to the fluctuations in the market price of silver. The Company closely monitors commodity prices to determine the appropriate course of action to be taken.

The Company is engaged primarily in mineral exploration and manages related industry risk issues directly. The Company is at risk for environmental issues and fluctuations in commodity pricing.

Management is not aware of and does not anticipate significant environmental remediation costs or liabilities in respect of its current operations.

The Company is not exposed to significant credit concentration risk and interest rate risk.

Internal Controls over Financial Reporting

There has been no significant change in the Company's internal control over financial reporting during the nine months period ended September 30, 2009 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Internal Control over Financial Reporting is a process designed under the supervision of the Company's Chief Executive Officer and Chief Financial Officer to provide reasonable assurance in the reliability of the Company's financial information and the preparation of the audited financial statements. The design includes policies and procedures that:

1. Pertains to the maintenance of records;
2. Provide reasonable assurance that the transactions are recorded accurately and that the receipts and expenditures are made in accordance with the authorizations of management and directors; and
3. Provide reasonable assurance in the prevention and timely detection of material unauthorized acquisition, use or disposal of the Company's assets.

The Company has a limited number of staff and it is not always possible to achieve a complete segregation of incompatible duties. Management attempts to mitigate the risk of any material misstatement occurring through compensating controls and the "hands-on" involvement and knowledge of the senior management, however, a control system, no matter how well designed and functioning, can only provide reasonable, not absolute assurance the objectives of the control system are met.

Management's evaluation of the effectiveness of internal controls identified some deficiencies in the financial reporting process as of September 30, 2009. Specifically, due to the smaller nature of the Company, there was a lack of effective segregation of duties where responsibilities for the preparation, entry and approval of accounting transactions were shared in some locations. In addition, there was a lack of consistency in the application of the Company's standardized, formal policies and procedures around the financial closing and reporting of financial results; the Company did not have the required complement of personnel throughout the year (with appropriate levels of accounting knowledge, experience and training in the application of Canadian generally accepted accounting principles).

Management has concluded that the Company did have some financial reporting weaknesses which have impacted its ability to maintain effective internal control over financial reporting throughout the nine months period ended September 30, 2009 based on the criteria set forth in the Committee of Sponsoring Organization of the Treadway Commission framework.

Remediation of Material Weaknesses

To address the material weaknesses described above, management has started a project to redesign the financial reporting process with a view to evaluating and designing an implementation strategy of the redesigned process as part of the first three quarters of 2009, with the expected redesigned process being implemented through the fourth quarter of 2009.

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board ("AcSB") has set January 1, 2011 as the date for publicly-listed companies to adopt IFRS, replacing Canadian GAAP. Accordingly, IFRS compliant financial statements will be required for the first quarter of 2011. Comparative figures presented in these financial statements are also required to comply with IFRS.

During the quarter ended September 30, 2009, the Company initiated an IFRS diagnostic study to assess the impact of the transition to IFRS on the Company's accounting policies and to establish a project plan to implement IFRS. A number of key accounting areas where IFRS differs and accounting alternatives were to be reviewed. The Company has planned to start the process to make a determination of the impact of transition to IFRS on its financial statements and systems, if any, during the first quarter of 2010. This second phase of the conversion plan will include detailed assessments and technical analysis that will result in understanding potential impacts, decisions on accounting policy choices and the drafting of accounting policies. The Company expects this phase to be completed in the first half of 2010. The final phase of implementation and transitioning to IFRS is being planned for 2010. Training of Company personnel is continuing with the assistance of external advisors.

Subsequent Events

- a) On October 2, 2009 the court approved Minco Silver's Motion to increase the Sterling Post Petition Financing from US\$1 million to US\$3 million to pay for the amount to cure the Sunshine Lease and to fund the care and maintenance of the Sunshine Mine.
- b) On October 21, 2009 Minco Silver directed the release US\$402,997 held in escrow to be paid to the account of Sterling to cure a portion of the defaults under the Sunshine Lease and US\$80,000 held in escrow to be paid to the account of Sunshine Precious Metals, Inc. to bring all payments current on the Sunshine Lease.
- c) On October 22, 2009, the Company closed a non-brokered private placement financing. The financing placed a total 8,175,179 units at a price of \$1.70 per unit for gross proceeds of \$13,897,804. Each unit consists of one common share and one half of one common share purchase warrant. Each whole warrant entitles the subscriber to purchase a common share at a price of \$2.15 for a period of twelve months.
- d) On October 24, 2009, the Company repaid the bank loan in the amount of \$498,738 recorded as at September 30, 2009.
- e) Subsequent to the period end, the Company paid back the amounts due to Minco China and Minco Gold totalling approximately \$1,041,000.

Cautionary Statement on Forward-Looking Information

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

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 laws.

Dr. Ken Z. Cai

November 16, 2009