

Minco Silver Corporation

Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2016 and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of condensed consolidated interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of Minco Silver Corporation have been prepared by, and are the responsibility of, the Company's management. The accompanying unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

Minco Silver Corporation's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of condensed consolidated interim financial statements by an entity's auditor.

Dr. Ken Cai
President and CEO

Larry Tsang, CPA, CA
Interim Chief Financial Officer

Vancouver, Canada

August 9, 2016

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Minco Silver Corporation

Condensed Consolidated Interim Statements of Financial Position

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

	June 30, 2016	December 31, 2015
	\$	\$
Assets		
Current assets		
Cash and cash equivalents (note 3)	16,226,625	26,202,564
Short-term investments (note 4)	35,510,965	32,143,068
Receivables	690,329	517,359
Due from related parties (note 9)	402,537	177,330
Prepaid expenses and deposits	171,732	201,647
	<u>53,002,188</u>	<u>59,241,968</u>
Mineral interests (note 5)	59,167,230	63,676,055
Property, plant and equipment	355,112	434,999
	<u>112,524,530</u>	<u>123,353,022</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	226,141	638,550
	<u>226,141</u>	<u>638,550</u>
Equity		
Equity attributable to owners of the parent		
Share capital (note 8)	107,082,189	106,630,256
Contributed surplus	23,160,732	22,977,633
Accumulated other comprehensive income	7,363,942	14,813,721
Deficit	(36,838,510)	(34,468,043)
	<u>100,768,353</u>	<u>109,953,567</u>
Non-controlling interest (note 6)	11,530,036	12,760,905
Total equity	<u>112,298,389</u>	<u>122,714,472</u>
Total liabilities and equity	<u>112,524,530</u>	<u>123,353,022</u>

Approved by the Board of Directors:

(signed) Maria Tang Director

(signed) George Lian Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Minco Silver Corporation

Condensed Consolidated Interim Statements of Operations and Net Income (Loss) For the three and six months ended June 30, 2016 and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Administrative expenses (recovery)				
Audit, legal and regulatory	89,079	73,891	149,712	124,641
Amortization	26,546	23,500	51,027	50,036
Consulting	30,302	16,232	47,548	52,985
Directors' fees	22,250	29,750	49,750	60,250
Field office expenses	91,679	227,325	250,141	390,487
Foreign exchange loss (gain)	(179,738)	(22,998)	1,375,694	(1,316,394)
Investor relations	3,170	2,206	64,988	9,016
Office administration expenses	58,405	44,696	146,506	89,988
Property investigation	-	-	-	31,331
Rent	98,757	51,075	233,290	146,350
Salaries and benefits	152,689	99,308	281,859	180,337
Share-based compensation (note 8(b))	67,404	10,346	140,570	37,563
Travel and transportation	18,843	4,053	33,087	8,169
	479,386	559,384	2,824,172	(135,241)
Operating income (loss)	(479,386)	(559,384)	(2,824,172)	135,214
Finance and other income (expenses)				
Gain on disposal of investment (note 7)	-	4,188,330	-	4,792,888
Interest income	185,547	279,762	362,274	530,322
Other income (expenses)	9,358	666	9,358	(261,978)
Net income (loss) before tax for the period	(284,481)	3,909,374	(2,452,540)	5,196,473
Deferred income tax expenses	-	(250,838)	-	-
Net income (loss) for the period	(284,481)	3,658,536	(2,452,540)	5,196,473
Net income (loss) attributable to:				
Shareholders of the Company	(257,565)	3,658,536	(2,370,467)	5,196,473
Non-controlling interest (note 6)	(26,916)	-	(82,073)	-
	(284,481)	3,658,536	(2,452,540)	5,196,473
Income (loss) per share – basic and diluted	(0.00)	0.06	(0.04)	0.09
Weighted average number of common shares outstanding – basic and diluted	59,881,268	59,631,418	59,758,755	59,631,418

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Minco Silver Corporation

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

For the three and six months ended June 30, 2016 and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Net income (loss) for the period	(284,481)	3,658,536	(2,452,540)	5,196,473
Other comprehensive income (loss)				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Unrealized gain on investment, net of tax (note 7)	-	1,817	-	7,125,020
Realized gain reclassified to net loss on partial disposal of investment (note 7)	-	(3,496,286)	-	(4,100,844)
Exchange differences on translation from functional to presentation currency	(2,816,378)	(1,193,951)	(8,598,575)	3,6006,109
Other comprehensive income (loss) for the period	(2,816,378)	(2,872,633)	(8,598,575)	6,630,285
Comprehensive income (loss) for the period	(3,100,859)	785,903	(11,051,115)	11,826,758
Comprehensive income (loss) attributable to:				
Shareholders of the Company	(2,699,842)	785,903	(9,820,246)	11,826,758
Non-controlling interest	(401,017)	-	(1,230,869)	-
	(3,100,859)	785,903	(11,051,115)	11,826,758

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Minco Silver Corporation

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

For the six months ended June 30, 2016 and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

	Changes in Shareholders' Equity							Total equity
	Number of Shares	Share capital \$	Contributed surplus \$	Accumulated other comprehensive income \$	Deficit \$	Subtotal \$	Non-controlling interest	
Balance - January 1, 2015	59,631,418	106,630,256	22,615,759	4,194,260	(41,295,229)	92,145,046	-	92,145,046
Net income for the period	-	-	-	-	5,196,473	5,196,473	-	5,196,473
Other comprehensive income	-	-	-	6,630,284	-	6,630,824	-	6,630,824
Share-based compensation	-	-	157,126	-	-	157,126	-	157,126
Balance – June 30, 2015	59,631,418	106,630,256	22,772,885	10,824,544	(36,098,756)	104,128,929	-	104,128,929
Balance - January 1, 2016	59,631,418	106,630,256	22,977,633	14,813,721	(34,468,043)	109,953,567	12,760,905	122,714,472
Net loss for the period	-	-	-	-	(2,370,467)	(2,370,467)	(82,073)	(2,452,540)
Other comprehensive loss	-	-	-	(7,449,779)	-	(7,449,779)	(1,148,796)	(8,598,575)
Share-based compensation	-	-	355,300	-	-	355,300	-	355,300
Proceeds on issuance of shares from exercise of options	438,329	451,933	(172,201)	-	-	279,732	-	279,732
Balance – June 30, 2016	60,069,747	107,082,189	23,160,732	7,363,942	(36,838,510)	100,768,353	11,530,036	112,298,389

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Minco Silver Corporation
Condensed Consolidated Interim Statements of Cash Flows
For the six months ended June 30, 2016 and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

	2016	2015
	\$	\$
Operating activities		
Net income (loss) for the period	(2,452,540)	5,196,473
Adjustments for:		
Amortization	51,027	50,037
Foreign exchange loss (gain)	1,375,694	(1,316,394)
Share-based compensation (note 8(b))	140,570	37,563
Gain on partial disposal of investment	-	(4,792,888)
Changes in items of working capital:		
Receivables	(221,295)	(453,312)
Prepaid expenses and deposits	20,605	(156,394)
Accounts payable and accrued liabilities	(389,593)	(310,036)
Due from related parties (note 9)	(248,323)	(280,288)
Net cash used in operating activities	(1,723,853)	(2,025,239)
Financing activities		
Proceeds from stock option exercises	279,732	-
Net cash generated from financing activities	279,732	-
Investing activities		
Mineral project development costs	(901,726)	(553,669)
Advanced to related party	-	(1,600,000)
Proceeds from disposal of investments (note 7)	-	18,682,204
Property, plant and equipment	(6,259)	-
Purchase of short-term investments	(19,478,314)	(8,703,937)
Redemption of short-term investments	13,691,340	8,823,938
Net cash provided by (used in) investing activities	(6,694,959)	16,648,536
Effect of foreign exchange rates on cash	(1,836,859)	1,340,500
(Decrease) increase in cash and cash equivalents	(9,979,939)	15,963,797
Cash and cash equivalents - Beginning of period (note 3)	26,202,564	11,938,544
Cash and cash equivalents - End of period (note 3)	16,226,625	27,902,341

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2016 and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

1. General information and acquisition of assets

Minco Silver Corporation (“Minco Silver” or the “Company”) is engaged in exploring, evaluating and developing precious metals mineral properties and projects. Minco Silver was incorporated on August 20, 2004 under the laws of British Columbia, Canada and its Common Shares are listed on the Toronto Stock Exchange (“TSX”) and trades under the symbol “MSV”. The Company’s registered office is 2772 – 1055 West Georgia Street, Vancouver, British Columbia, Canada.

As at June 30, 2016, Minco Gold Corporation (“Minco Gold”) owned a 18.31% (December 31, 2015 – 18.45%) equity interest in Minco Silver.

On May 22, 2015, the Company entered into a share purchase agreement (the “SPA”) with Minco Gold and Minco HK. Pursuant to the SPA, the Company agreed to purchase all of the issued and outstanding shares of Minco Gold’s wholly-owned subsidiary, Minco Resources, which holds Minco China. Minco China owns certain subsidiaries including legal ownership of Changfu Minco Mining Co. Ltd, formerly Foshan Minco Fuwan Mining Co. Ltd., (“Changfu Minco”) and a 51% interest in Guangdong Mingzhong, which owns the Changkeng Gold Project. By acquiring control of Minco China, the Company obtained legal ownership of Changfu Minco and consequently no longer requires trust agreements related to the funding of the Fuwan Project (Note 9(a)). The acquisition closed on July 31, 2015.

This acquisition has been accounted for as an asset purchase, as Minco Resources and its subsidiaries did not meet the definition of a business as defined in IFRS 3 *Business Combinations*.

The following summarizes the consideration paid and estimates of fair value of assets acquired and liabilities assumed:

	\$
Consideration	
Short-term investment	10,016,397
Settlement of loan payable from Minco Gold to Minco Silver	3,700,000
Transaction costs	69,627
Total consideration	<u>13,786,024</u>
Net assets acquired	\$
Cash	1,249,209
Receivables	91,901
Prepaid expenses and deposits	126,035
Property, plan, and equipment	76,555
Mineral interest	25,312,695
Accounts payable and accrued liabilities	(195,595)
Due to related parties	(199,703)
Minority interest share of the assets acquired	(12,675,073)
	<u>13,786,024</u>

Majority of the consideration was paid in the form of a short-term investment and net cash inflow of \$1,347,693 as result of the transaction mainly represented cash balances within the entities acquired.

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2016 and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

2. Basis of preparation

These condensed consolidated interim financial statements include the accounts of Minco Silver Corporation and its wholly owned subsidiaries, Minco Yinyuan Co. (“Minco Yinyuan”), Minco Investment Holding HK Ltd (“Minco HK”), Changfu Minco, Zhongjia Jinggu Limited (“Zhongjia”), Minco Resource Limited (“Minco Resources”), Minco Mining (China) Corporation (“Minco China”), Yuanling Minco Mining Ltd. (“Yuanling Minco”), Tibet Miming Co. Ltd. (“Tibet Minco”), Huaihua Tiancheng Mining Ltd. (“Huaihua”), Beijing Minco International Resources Investment Services Ltd. (“Minco International Resources”) and its 51% interest in Mingzhong Mining Co. Ltd. (“Mingzhong”). Changfu Minco is subject to a 10% net profit interest held by Guangdong Geological Bureau (“GGB”). The Company, indirectly through Changfu Minco owns 90% of Zhongjia.

Information about subsidiaries:

Name	Principal activities (ownership interest)	Country of Incorporation
Minco Yinyuan	Treasury company (100%)	China
Minco HK	Holding company (100%)	China
Changfu Minco	Exploring, evaluating and developing mineral properties (90%)	China
Zhongjia	Service company (90%)	China
Minco China (i)	Exploring and evaluating mineral properties (100%)	China
Yuanling Minco (i)	Exploring and evaluating mineral properties (100%)	China
Tibet Minco (i)	Exploring and evaluating mineral properties (100%)	China
Huaihua (i)	Exploring and evaluating mineral properties (100%)	China
Minco Resources (i)	Holding company (100%)	China
Mingzhong (i)	Exploring and evaluating mineral properties (51%)	China
Minco International Resources (i)	Investment and service company (100%)	China

(i) *These subsidiaries were acquired by the Company on July 31, 2015 (Note 1). As a result, the operating results of these subsidiaries are not included in the comparative figures in these condensed consolidated interim financial statements for the six months ended June 30, 2015*

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2016 and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

2. Basis of preparation (continued)

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. These condensed consolidated interim financial statements should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2015, which were prepared in accordance with IFRS as issued by the IASB.

The accounting policies applied in these condensed consolidated interim financial statements are consistent with those applied in the preparation of the consolidated annual financial statements for the year ended December 31, 2015.

These condensed consolidated interim financial statements were approved by the board of directors for issue on August 9, 2016.

3. Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and guaranteed investment certificates with initial maturities of less than three months.

	As at June 30, 2016	As at December 31, 2015
	\$	\$
Cash	1,986,311	22,886,760
Term deposits	14,240,314	3,315,804
	<u>16,226,625</u>	<u>26,202,564</u>

As at June 30, 2016, cash and cash equivalents of \$4,844,099 (RMB 24,833,564) (December 31, 2015 - \$11,482,616 (RMB 53,728,309)) are in China. Under Chinese law, cash advanced to the Company’s Chinese subsidiaries as registered share capital is maintained in the subsidiaries’ registered capital bank account. Remittance of these funds back to Canada requires approvals by the relevant government authorities or designated banks in China or both.

4. Short-term investments

As at June 30, 2016, short-term investments consist of cashable guaranteed investment certificates with maturities ranged from six months to one year. The yields on these investments were between 1.30% and 2.25% as at June 30, 2016 and December 31, 2015. As at June 30, 2016, short-term investments of \$25,601,181 (RMB 131,245,989) (December 31, 2015 - \$22,079,638 (RMB 103,312,834)) were in China.

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2016 and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

5. Mineral interests

	June 30, 2015	December 31, 2015
	\$	\$
Fuwan Silver Deposit (a)	35,203,169	37,565,101
Changkeng Project (c)	23,964,061	26,110,954
Total mineral interests	<u>59,167,230</u>	<u>63,676,055</u>

(a) Fuwan Silver Deposit

Minco Silver has a 90% interest in Changfu Minco, the operating company and permit holder for the Fuwan project, subject to a 10% net profit interest held by GGB. There will be no distributions to or participation by GGB, until such time as Minco Silver's investment in the project is recovered. GGB is not required to fund any expenditures related to the Fuwan project. The Exploration Permit for the Fuwan project is the Luoke-Jilinggang exploration permit, which expires on July 20, 2017. The Mining Area Permit which defines the mining limits of the Fuwan Silver Deposit and restricts the use of this land to mining activities expires on April 10, 2018.

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 agreements or transfers.

The following is a summary of project development costs capitalized to mineral interests from January 1, 2016 to June 30, 2016.

	2016
	\$
Opening Balance – January 1, 2016	37,565,101
Consulting fees	145,008
Salaries and benefits	153,127
Share-based compensation	214,730
Mining design and license application	123,356
Environment impact assessment	64,406
Travel	10,958
Other costs	152,553
Foreign exchange loss	<u>(3,326,070)</u>
Ending Balance – June 30, 2016	<u>35,203,169</u>

(b) Fuwan Silver Belt

In 2005, the Company acquired silver exploration permits on the Fuwan belt, referred to as the Hecun Property and the Guyegang-Sanyatang Property. The Guyegang-Sanyatang permit expires on March 17, 2017. The Company is renewing the Hecun permit.

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2016 and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

5. Mineral interests (continued)

(c) Changkeng Silver Mineralization

In 2015, the Company announced that it had completed the acquisition of Minco Gold's 51% interest in the Changkeng Gold Project, which is held by Mingzhong. The Changkeng Project immediately adjoins the Fuwan Silver Deposit.

The following is a summary of project development costs capitalized to mineral interest from January 1, 2016 to June 30, 2016:

	2016
	\$
Opening Balance – January 1, 2016	26,110,954
Consulting	18,102
Mining design and license application	48,749
Salaries and benefits	69,211
Other costs	194
Foreign exchange loss	(2,283,149)
Ending Balance – June 30, 2016	23,964,061

6. Non-controlling interest

Below is summarized financial information of Mingzhong, the Company's 51% owned indirect subsidiary that was acquired in July 2015.

Summarized statement of financial positions

	June 30, 2016	December 31, 2015
	\$	\$
NCI percentage	49%	49%
Current assets	489,445	977,783
Current liabilities	57,617	154,860
	<u>431,828</u>	<u>822,923</u>
Non-current asset	<u>23,990,581</u>	<u>26,110,954</u>
Net assets	<u>24,422,409</u>	<u>26,933,877</u>
Accumulated non-controlling interests	<u>11,530,036</u>	<u>12,760,905</u>

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2016 and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

6. Non-controlling interest (Continued)

Summarized statements of comprehensive income

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Net loss (49%)	26,916	-	82,073	-
Loss allocated to NCI	26,916	-	82,073	-

Summarized statements of cash flows

	Six months ended June 30, 2016	Six months ended June 30, 2015
	\$	\$
Cash out flows from operating activities	(291,862)	-
Cash out flows from investing activities	(139,560)	-

7. Investments

During the six months ended June 30, 2015, the Company disposed all of its investment in common shares of Gold Road Resources Limited for net proceeds of \$18,682,204. As a result, the Company recorded a gain on disposal of investment of \$4,792,888 and \$3,024,176 net increase in other comprehensive income during this period.

The Company did not have investments as at and during the six months ended June 30, 2016.

8. Share capital

(a) Common Shares

Authorized: Unlimited number of common shares without par value.

(b) Long-term Incentive Plan

The Company may grant up to 15% of its issued and outstanding shares as options, restricted share units, performance share units and deferred share units, to its directors, officers, employees and consultants under its long-term incentive plan.

Stock Options

The Company's long-term incentive plan allows the board of directors to grant options for periods of up to ten years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on a date preceding the date the options are granted. These options are equity settled.

During the six months ended June 30, 2016, the Company did not grant any stock options

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2016 and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

8. Share capital (Continued)

Stock Options (continued)

The Company recorded \$170,787 of share-based compensation for the six months ended June 30, 2016 (2015 - \$69,443) to account for options vested during this period. Share-based compensation expense of \$120,432 (2015 - \$41,734) was recorded in the statement of operations and net income (loss) and share-based compensation expense of \$50,355 (2015 - \$27,706) was capitalized to mineral interests. Continuity of the Company's outstanding stock options is as follows:

	Number outstanding	Weighted average exercise price \$
Balance, January 1, 2015	6,477,835	2.58
Granted	1,690,000	0.42
Expired	(350,836)	3.03
Forfeited	(1,331,332)	1.72
Balance, December 31, 2015	6,485,667	2.16
Expired	(1,080,000)	5.36
Exercised	(438,329)	0.64
Forfeited	(270,000)	2.06
Balance, June 30, 2016 (note 12)	4,697,338	1.57

The weighted average share price at the day of exercise for options exercised during six months ended June 30, 2016 was \$1.14 (Six months ended June 30, 2015 – no options exercised). As at June 30, 2016, there was \$107,736 (June 30, 2015 - \$75,211) of total unrecognized compensation cost relating to unvested options.

Options outstanding				Options exercisable	
Range of exercise prices \$	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price \$	Number exercisable	Weighted average exercise price \$
0.42 – 0.79	1,303,338	4.22	0.42	309,997	0.42
0.82 – 2.00	1,684,000	2.00	1.31	1,684,000	1.31
2.01 – 2.35	1,485,000	0.74	2.35	1,485,000	2.35
2.36 – 5.04	225,000	0.02	5.04	225,000	5.04
	4,697,338	2.12	1.57	3,703,997	1.88

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2016 and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

8. Share capital (continued)

Performance Share Unit

Continuity of the Company's outstanding performance share units ("PSU") is as follows:

	Number outstanding	Weighted average fair value
		\$
Balance, January 1, 2015	885,000	0.80
Forfeited	(150,000)	0.80
Balance, December 31, 2015 and June 30, 2016	<u>735,000</u>	<u>0.80</u>

During the year ended December 31, 2013, the Company granted 940,000 performance share units to employees of the Company whereby 50% vests upon the Company receiving the final approval from Guangdong Provincial Government for the EIA report for the Fuwan Silver Project and the remaining 50% vests upon the completion of the Company's obtaining the mining license issued by MOLAR in respect to the Fuwan Silver Project. The weighted average grant date fair value of the PSU's was \$0.80 per unit. In valuing the PSUs, the Company used a forfeiture rate of 26% and an expected life of 3 years.

During the six months ended June 30, 2016, the Company recorded \$184,513 (2015 - \$87,683) of share-based compensation for PSUs. Share-based compensation of \$20,138 (2015 - a reversal of \$4,174) was recorded in the statement of operations and net loss and share-based compensation expense of \$164,375 (2015 - \$91,857) was capitalized to mineral properties.

9. Related party transactions

(a) Funding of Changfu Minco

Up to July 31, 2015, the Company was not able to invest directly in Changfu Minco as Changfu Minco was legally owned by Minco Gold. All historical funding supplied by the Company for exploration of the Fuwan Project went through Minco China via Minco Gold and Minco Resources to comply with Chinese law. In the normal course of business the Company used trust agreements when providing cash, denominated in US dollars, to Minco China via Minco Gold and Minco Resources for the purpose of increasing the registered capital of Changfu Minco.

Upon completion of the acquisition of the Changkeng Gold Project in 2015, the trust structure was eliminated.

(b) Shared expenses

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

Minco Silver and Minco Gold share offices and certain administrative expenses in Beijing (only up to July 31, 2015) and Vancouver.

Amounts due from Minco Base Metal as at June 30, 2016 were \$132,257 (December 31, 2015 - \$Nil), representing the shared office expenses to be reimbursed to the Company.

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2016 and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

9. Related party transactions (continued)

(b) Shared expenses (continued)

Amounts due from/to Minco Gold are as follows:

	June 30, 2016	December 31, 2015
Receivable - reimbursement of payments made by the Company on behalf of Minco Gold in China	\$ 295,792	\$ 214,727
Payable - share expenses	(25,512)	(37,397)
Net receivable	\$ 270,280	\$ 177,330

The amount due from/to related parties are unsecured, non-interest bearing and payable on demand.

During the three months ended June 30, 2016, the Company reimbursed Minco Gold of \$26,307 (June 30, 2015 – \$23,475) in respect of rent and \$68,087 (June 30, 2015 – \$104,112) in respect of shared head office expenses and administration costs incurred in Vancouver.

During the six months ended June 30, 2016, the Company reimbursed Minco Gold of \$48,763 (June 30, 2015 – \$49,383) in respect of rent and \$174,391 (June 30, 2015 – \$359,105) in respect of shared head office expenses and administration costs incurred in Vancouver.

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

(c) Key management compensation

During the three and six months ended June 30, 2016 and 2015, the following compensation was paid to key management. Key management includes the Company's directors and senior management. This compensation is included in development costs and administrative expenses.

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Cash remuneration	148,609	177,343	325,311	373,317
Share-based compensation	146,018	55,124	266,402	109,543
	294,627	232,467	591,713	482,860

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2016 and 2015

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

10. Geographical Information

The Company's business of exploration and development of mineral interest is considered as operating in one segment. The geographical division of the Company's non-current assets is as follows:

	June 30, 2016		
	Canada	China	Total
	\$	\$	\$
Current assets	22,547,770	30,454,418	53,002,188
Non-current assets	10,524	59,511,818	59,522,342

	December 31, 2015		
	Canada	China	Total
	\$	\$	\$
Current assets	25,679,714	33,562,254	59,241,968
Non-current assets	12,459	64,098,595	64,111,054

11. Financial instruments

Financial assets and liabilities that are recognized on the balance sheet at fair value can be classified in a hierarchy that is based on the significance of the inputs used in making the measurements. The levels in the hierarchy are:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Financial instruments that are not measured at fair value on the balance sheet are represented by cash and cash equivalents, short-term investments, receivables, accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying value due to their short term nature.

Due from related party amounts are unsecured, non-interest bearing and payable on demand (Note 9(b)). Minco Gold and Minco Based Metal are junior exploration companies.

12. Subsequent events

During July 2016, 225,000 stock options with averaged exercise price of \$5.04 expired and 91,666 stock options with exercise price of \$0.42 were exercised into 91,666 common shares of the Company.