

MINCO SILVER CORPORATION
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

This Management’s Discussion and Analysis (“MD&A”) of Minco Silver Corporation (“Minco Silver” or the “Company”) has been prepared based on available information up to March 27, 2018 and should be read in conjunction with the audited consolidated financial statements and related notes for the year ended December 31, 2017. The Company’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). All dollar amounts are expressed in Canadian dollars unless otherwise indicated. Refer to Note 3 of the December 31, 2017 audited consolidated financial statements for disclosure of the Company’s significant accounting policies.

The Company’s audit committee reviewed the consolidated financial statements and MD&A, and recommended approval to the Company’s board of directors.

Additional information, including the above mentioned audited financial statements for the year ended December 31, 2017 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 www.sedar.com under the Company’s profile.

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 precious metals mineral properties and projects.

The Company, through its wholly owned subsidiary Minco Investment Holding HK Limited (“Minco HK”), owns a 90% interest in *Changfu Minco Mining Co. Ltd.* (“*Changfu Minco*”) which owns the Fuwan Silver Project that is situated along the northeast margin of the Fuwan Silver Belt in Guangdong Province, People’s Republic of China (“China”). The Guangdong Geological Bureau (“GGB”) owns the remaining 10% interest in the Fuwan Silver project, through a net profit interest.

As at December 31, 2017, the Company had these Chinese subsidiaries: Minco Yinyuan Co. (“Minco Yinyuan”), Minco HK, Changfu Minco (90% ownership), Zhongjia Jinggu Limited (“Zhongjia”), Minco Mining (China) Corporation (“Minco China”), Yuanling Minco Mining Ltd. (“Yuanling Minco”), Tibet Mining Co. Ltd. (“Tibet Minco”), Huaihua Tiancheng Mining Ltd. (“Huaihua”), Minco Resources, Guangdong Mingzhong Mining Co. Ltd. (“Mingzhong”) (51% ownership), and Beijing Minco International Resources Investment Services Ltd. (“International Resources”).

At the date of this MD&A, the Company has 60,704,748 common shares, 1,000,000 performance share units and 7,306,200 stock options outstanding, for a total of 69,010,948 fully diluted common shares outstanding.

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1. Exploration and Project Development Activities

1.1 Disclosure of Technical Information

Technical information or other scientific information of the Fuwan Silver Project are disclosed in two Technical Reports, which are available on the System for Electronic Document Analysis and Retrieval (“SEDAR”) at www.sedar.com under the Company’s profile or on the Company’s website at www.mincosilver.com. Following is a summary:

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

A NI 43-101 compliant technical report entitled “Fuwan Silver Project Feasibility Study Technical Report” effective date September 1, 2009 (the “Feasibility Study”) was prepared by John Huang, P. Eng., S. Byron V. Stewart, P. Eng., Aleksandar Živković, P. Eng. and Scott Cowie, B. Eng. MAusIMM, and Eugene Puritch, P. Eng.. These preparers are qualified persons for NI 43-101. This technical report includes relevant information regarding the data, data validation and the assumptions, parameters and methods used in determining the ore reserves on the Fuwan Silver Project.

The Company acquired Changkeng Gold Project from Minco Gold Corp. (“Minco Gold”) on July 31, 2015. Technical Information of the Changkeng Gold Project is available from the NI 43-101 technical report prepared for Minco Gold entitled “Technical Report and Updated Resource Estimate on the Changkeng Gold Project Guangdong Province, China”, dated effective February 21, 2009 and prepared by Tracy Armstrong, P. Geo Ontario, Eugene Puritch, P. Eng. Ontario and Antoine Yassa, P. Geo. Québec who are qualified persons for the purposes of NI 43-101. This technical report includes relevant information regarding the data, data validation and the assumptions, parameters, and methods of the mineral resource estimates on the Changkeng Gold Project and is available at www.sedar.ca under the profile of Minco Gold.

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

The Company has not updated the three technical reports or feasibility study mentioned above since their initial publication. Readers are cautioned not to rely on the above mentioned technical reports/feasibility study for the assessment of the prospect of the Fuwan Silver Project and Changkeng Gold Project, and for the accuracy of certain numbers, including the mineral resources estimates, capital cost, development cost, preproduction cost and operating cost presented in this MD&A, which have been derived from the above mentioned technical reports.

1.2 Fuwan Silver Project

The Company’s principal property is the Fuwan Silver Project located in Gaoming County approximately 45 km southwest of Guangzhou, the fourth largest city in China with more than 14 million people and the capital city of Guangdong Province. The Company’s objective is to develop the Fuwan Silver/Changkeng Gold Project and commence commercial mining operations on the property. As of December 31, 2017, the Company, through Changfu Minco, has three reconnaissance survey exploration permits on the Fuwan Silver Project (Luoke-Jilinggan Permit, Hecun Permit, and the Guyegang-Sanyatang Property), having a total area of 125.74 sq. km, covering a major part of the northeast-trending Fuwan silver belt which hosts the known gold and silver occurrences in the Sanzhou basin, including the Fuwan Silver Project and the Changkeng Gold Project.

The Luoke- Jilinggan Permit expired on July 20, 2017 and is being renewed in the normal course.

The Guyegang-Sanyatang Permit has been recently renewed to March 17, 2019.

The Hecun Permit expires on August 12, 2018.

1.3 Changkeng Gold Project

The Changkeng Gold Project is adjoined to the Fuwan Silver Project and situated close to well-established water, power, and transportation infrastructure.

The Company has 51% interest in the Changkeng Project through its subsidiary Mingzhong, which is a cooperative joint-venture established with three Chinese partners.

The Changkeng exploration permit has been recently renewed and will expire on September 10, 2019.

1.3.3 Exploration Update

During the year ended December 31, 2017, the Company did not conduct any exploration activities, except for maintaining the exploration permits of the Fuwan Silver Project and the Changkeng Gold Project.

1.4 Feasibility Study, Resource Estimates, and Exploration Program

As the Company intends to combine and develop the Changkeng Gold Project and the Fuwan Silver Project as one project (“the Fuwan-Changkeng Project”), a new study for the combined Fuwan-Changkeng Project has been prepared by CHALIECO, a Chinese design engineering institute based in Changsha, Hunan, China during the year ended December 31, 2015. This feasibility report has been revised twice since 2015 to meet the Environmental Impact Assessment (“EIA”) requirements. The Company will make reference to the study in planning the next step of development of the Fuwan-Changkeng Project as sensitivity analysis conducted on metal prices, operating cost and capital cost undertaken as part of the study are within the conditions that currently exist.

1.5 Current Developments

Permitting

Following is a summary of the significant progress made in permitting of the Fuwan Silver Project:

- The Mining Area Permit, which covers approximately 0.79 sq. km, defines the mining limits of the Fuwan Silver Project and restricts the use of this land to mining activities was approved by the Ministry of Land and Resources (“MOLAR”). The Company has submitted the application to renew this Mining Area Permit at normal course
- the development plan of the combined Fuwan Silver Project and Changkeng Gold Project has been completed and is ready for submission to MOLAR.
- the latest EIA report for the combined Fuwan-Changkeng Project pending submitted to the government for approval.

Combination of Fuwan Silver Project and Changkeng Gold Project

During the year ended December 31, 2017, the Company is in the process of combining the Fuwan Silver Project and the Changkeng Gold Project which adjoins the Fuwan Silver Project. The Company and the business partners are reviewing the combination plan including the determination of the percentage ownership of the Company and minority shareholders in the combined Fuwan-Changkeng project.

2. Results of Operations

2.1 Selected Annual Information

The following table summarizes selected financial information for the last three fiscal years

	2017	2016	2015
	\$	\$	\$
Total revenue	-	-	-
Net income (loss)	(5,205,216)	(2,407,668)	6,680,947
Income (loss) per share			
– basic and diluted	(0.09)	(0.04)	0.11
Total assets	109,609,999	111,949,943	123,352,022
Total long-term financial liabilities	-	-	-
Cash dividends	-	-	-

For the year ended December 31, 2017 and 2016

Net loss for the year ended December 31, 2017 was \$5,205,216 (a loss of \$0.09/share) compared to \$2,407,668 (a loss of \$0.04/share) in 2016. The increase in loss was mainly a combined result of the following:

- An increase in foreign exchange loss of \$1,025,001. More details are discussed in the section 2.5.
- An increase in administrative expense of \$1,878,818. Details of the changes are discussed in the section 2.4.1

For the year ended December 31, 2016 and 2015

Net loss for the year ended December 31, 2016 was \$2,407,668 (\$0.04/share) compared to a net income of \$6,680,947 (earnings of \$0.11/share) in 2015. Loss has increased by \$9,088,615 which was mainly a combined result of the following:

- An increase in foreign exchange loss of \$4,514,300 (2016 – a loss of \$340,446; 2015 – a gain of \$4,173,854).
- A decrease in gain on disposal of investment of \$4,792,888 (2016 - \$Nil, 2015 - \$4,792,888
- A decrease in interest income of \$390,192 (2016 - \$521,021, 2015 - \$911,213).

Detail of these movements is discussed in the section 2.5.

2.2 Fourth Quarter

For the quarter ended December 31, 2017 and 2016

Three months ended December 31,	2017	2016	Net changes (2017 from 2016)
	\$	\$	\$
Administrative expenses	(1,052,901)	(618,777)	(434,124)
Foreign exchange gain (loss)	(32,091)	697,168	(729,259)
Interest and other income (expenses)	110,696	69,305	41,391
Net income (loss)	(974,296)	147,696	(1,121,992)

Net loss for the three months ended December 31, 2017 was \$974,296 compared to earnings of \$147,696 in the fourth quarter of 2016, an increase of loss of \$1,121,992. The increase in loss was mainly a combined result of an increase of \$434,124 in administrative expense (see discussion in the section 2.4.2) and an increase of \$729,259 in foreign exchange loss (see section 2.5).

2.3 Exploration Costs

As at December 31, 2017, the Company has the following accumulated cost incurred in connection with the Company's mineral interest:

	December 31, 2016	Addition	Effect of change in foreign exchange rate	December 31, 2017
	\$	\$	\$	\$
Fuwan Silver Project	35,287,777	1,455,619	(117,024)	36,626,372
Changkeng Gold Project	23,853,802	704,645	(86,230)	24,472,217
Total	59,141,579	2,160,264	(203,254)	61,098,589

Fuwan Silver Project

The following is a summary of capitalized development cost of the Fuwan Silver Project for the years ended December 31, 2017, 2016 and 2015.

	2017	2016	2015	Accumulated, December 31, 2017
	\$	\$	\$	\$
Consulting fees	192,826	390,802	657,446	6,216,871
Drilling	-	-	-	1,859,018
Labor costs	339,150	337,137	147,761	3,183,906
Feasibility study	-	-	110,813	1,991,340
Share-based compensation (recovery)	346,095	(215,602)	215,132	7,361,635
Mine design costs	-	8,882	18,826	661,687
Mining license application	207,033	365,316	181,992	4,527,964
Environment impact assessment	1,386	68,612	57,277	1,106,457
Travel	45,530	43,215	65,664	677,430
Site office occupancy costs and others	323,599	293,320	396,045	3,103,896
Total before foreign exchange	1,455,619	1,291,682	1,850,956	30,690,204
Effect of foreign exchange	(117,024)	(3,569,006)	4,092,318	5,936,168
	1,338,595	(2,277,324)	5,943,274	36,626,372

The Company's mineral assets are in China and its carrying value is recorded in RMB. A depreciation of RMB will have a negative impact to the carrying value of the mineral properties.

Changkeng Gold Project

The Company acquired the Changkeng Gold Project on July 31, 2015. The following is a summary of costs incurred and capitalized for the Changkeng Gold Project for the year ended December 31, 2017, 2016 and 2015:

	2017	2016	2015	Accumulated, December 31, 2017
	\$	\$	\$	\$
Acquisition	-	-	25,312,695	25,312,695
Consulting fees	192,826	18,102	-	210,928
Drilling	-	-	142,863	142,863
Feasibility study	-	-	112,201	112,201
Mining design and license application	774	48,749	-	49,523
Salary and benefits	163,786	131,259	90,693	385,738
Share-based compensation	346,095	-	-	346,095
Site office occupancy cost and others	1,164	1,928	446	3,538
Subtotal	704,645	200,038	25,898,658	26,563,581
Effect of foreign exchange	(86,230)	(2,457,190)	452,056	(2,091,364)
Total	618,415	(2,257,152)	26,110,954	24,472,217

2.4 Administrative Expenses

2.4.1 Results for Years Ended 2017, 2016 and 2015

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

The following table is a summary of the Company's administrative expenses for the years ended December 31, 2017, 2016 and 2015.

Administrative expenses	ref	<u>Net Changes</u>			
		2017	2016	2015	(2017 from 2016) (2016 from 2015)
		\$	\$	\$	\$
Audit, legal and regulatory		250,154	271,656	284,789	(21,502) (13,133)
Amortization		70,681	97,692	106,674	(27,011) (8,982)
Consulting	b	84,014	105,665	161,074	(21,651) (55,409)
Directors' fees		95,000	99,500	116,000	(4,500) (16,500)
Field office expenses	c	459,904	442,022	860,980	17,882 (418,958)
Investor relations		12,337	65,919	16,297	(53,582) 49,622
Office administration	d	258,626	345,643	237,310	(87,017) 108,333
Property investigation		-	-	31,331	- (31,331)
Rent	d	317,322	417,590	376,544	(100,268) 41,046
Salaries and benefit		611,652	519,352	440,095	92,300 79,257
Share-based compensation	a	2,245,859	143,313	146,742	2,102,546 (3,429)
Travel and transportation		50,029	68,408	27,780	(18,379) 40,628
Total		4,455,578	2,576,760	2,805,616	1,878,818 (228,856)

(a). Share-based compensation increased by \$2,102,546 to \$2,245,859 in 2017 from \$143,313 in 2016. The Company granted 4,000,000 options and 1,000,000 performance share units (“PSU”) during 2017. During 2016, the Company did not grant options and performance share units. In addition, in 2016 the Company reversed share-based compensation charged in prior years for the vesting of the PSU issued in 2013. These PSU were forfeited during 2016 due to the failure of meeting the performance criteria. Consequently share-based compensation in 2016 is lower. Share-based compensation expenses decreased by \$3,429 to \$143,313 in 2016 from \$146,742 in 2015. The decrease of share-based compensation in 2016 has been discussed above.

(b). Consulting costs have been decreasing since 2015. The Company engaged fewer consultants throughout these years.

(c). Field office expenses in 2017 and 2016 were lower compared to the \$860,980 incurred in 2015. The permitting process is slower than expected.

(d). Office administration expenses and rental expenses decreased in 2017 as the Company closed one branch office in China during 2017.

2.4.2 Result of Three Months Ended December 31, 2017, 2016 and 2015

Administrative expenses	ref	2017	2016	2015	2017 - 2016	2016 - 2015
		\$	\$	\$	\$	\$
Audit, legal and regulatory		63,828	66,094	90,110	(2,266)	(24,016)
Amortization		15,631	24,205	30,049	(8,574)	(5,844)
Consulting	a	21,747	34,730	72,606	(12,983)	(37,876)
Directors’ fees		22,250	25,250	28,250	(3,000)	(3,000)
Field office expenses	b	123,348	97,317	277,291	26,031	(179,974)
Investor relations		547	137	6,849	410	(6,712)
Office administration	c	65,892	125,005	72,117	(59,113)	52,888
Rent		69,477	97,644	97,190	(28,167)	454
Salaries and benefit	d	210,852	115,571	158,302	95,281	(42,731)
Share-based compensation	e	445,590	19,955	82,993	425,635	(63,038)
Travel and transportation		13,739	12,869	1,238	870	11,631
Total		1,052,901	618,777	916,995	434,124	(298,218)

Significant movements are as follows:

(a). Consulting fees have been decreased over these three years as the Company engaged fewer consultants.

(b). The Company incurred higher field office expense in the fourth quarter of 2017 to account for having more discussion with government and external consultants and potential business partners.

(d). Salaries and benefits for the three months ended December 31, 2017 increased by \$95,281 as the Company closed down one branch office and incurred additional compensation in the fourth quarter of 2017 for the closure.

(e) Share-based compensation was highest in the fourth quarter of 2017 as more options were vested in this period.

2.5 Finance and Other Income (Expenses)

To date the Company has not earned revenue from operations.

	2017	2016	2015	2017-2016	2016-2015
	\$	\$	\$	\$	\$
Foreign exchange gain (loss)	(1,365,447)	(340,446)	4,173,854	(1,025,001)	(4,514,300)
Gain on disposal of investment	15,332	-	4,792,888	15,332	(4,792,888)
Loss on short-term investment	(46,058)	-	-	(46,058)	-
Interest income	637,478	521,021	911,213	116,457	(390,192)
Other expenses	9,057	(11,483)	(391,392)	20,540	379,909
Total	(749,638)	169,092	9,486,563	(918,730)	(9,317,471)

Foreign exchange gain (loss)

The Company's foreign exchange gain (loss) is a result of two components:

- The effect of the change of exchange rate between US dollar and Canadian dollar on the US dollar denominated cash deposit and short-term investment maintained in Hong Kong and Canada.
- The effect of the change of exchange rate between US dollar and RMB on the US dollar denominated deposit and short-term investment held by the Company's Chinese subsidiaries. RMB is the functional currency of the Company's Chinese subsidiaries.

The US dollar depreciated against Canadian dollars and RMB by approximately 6.7% and 5.9% respectively in 2017, consequently foreign exchange loss increased by \$1 million.

The US dollar appreciated over RMB and Canadian dollar in 2015 which resulted in a foreign exchange gain. During 2016, US dollar depreciated against Canadian dollars and the effect was partially offset by an appreciation of USD against RMB. Consequently the Company had a small foreign exchange loss in 2016 and a foreign exchange gain in 2015. .

Gain on disposition of investment

The Company has been investing in common shares of public companies during 2015 to 2017 with the aim of earning investment income. The Company acquired common shares of an Australia public company in 2014 with a cost of approximately \$13.90 million and disposed these shares in 2015 to realize a profit of approximately \$4.80 million. There was no similar transaction in 2016 and 2017. Thus, the gain of disposal of investment was higher in 2015.

Interest income

The Company placed the funds on hands mainly in term deposits to earn interest income. Interest income increased by \$116,457 and decreased by \$390,192 in 2017 and 2016 respectively as the interest rate offered by financial institutions was the lowest in 2016.

3. Summary of Quarterly Results

Period ended	Net income (loss)	Income (loss) attributable to	
	attributable to	shareholders per share	
	shareholders	Basic	Diluted
	\$	\$	\$
12-31-2017	(952,660)	(0.02)	(0.02)
09-30-2017	(1,646,051)	(0.03)	(0.03)
06-30-2017	(1,653,585)	(0.03)	(0.03)
03-31-2017	(823,238)	(0.01)	(0.01)
12-31-2016	196,352	0.00	0.00
09-30-2016	(50,138)	(0.00)	(0.00)
06-30-2016	(257,565)	(0.00)	(0.00)
03-31-2016	(2,112,902)	(0.04)	(0.04)

Variations in quarterly performance over the eight quarters were primarily due to changes in foreign exchange rates and share-based compensation. Appreciation or depreciation of the US dollar can result in significant foreign exchange gains and losses due to the US dollar funds held by the Company.

4. Liquidity and Capital Resources

4.1 Cash Flows

	Years ended December 31,	
	2017	2016
	\$	\$
Operating activities	(1,579,263)	(1,831,192)
Financing activities	363,324	363,431
Investing activities	3,617,201	(3,638,748)

Operating activities

During the year ended December 31, 2017, cash used in its operating activities was not substantially different from 2016 as no significant change in business from 2016.

Financing activities

For the year ended December 31, 2017, the Company received \$200,101 from options exercised (2016 - \$363,431) and \$163,223 for the receipt of share subscription to the Company's 51%-owned Chinese subsidiary Mingzhong from its minority shareholders.

Investing activities

For the year ended December 31, 2017, the Company generated \$3,671,201 cash from investing activities compared to using cash of \$3,638,748 in 2016. The Company redeemed a US\$ 5 million short-term investment just before the 2017 year end. As a result, proceeds from investing activities in 2017 were higher. The Company reinvested this US\$5 million in a one-year term deposit after the 2017 year end.

4.2 Capital Resources

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

	December 31, 2017	December 31 2016
	\$	\$
Working capital	47,636,526	51,882,972
Cash and cash equivalents	22,102,526	20,195,199
Short-term investment	25,338,081	31,410,880

The Company had less working capital as at December 31, 2017 as the Company used the working capital to finance its day-to-day operations in 2017. In addition, the Company's unrealized foreign exchange loss incurred during 2017 also reduced the Company's working capital.

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

The Company believes the working capital on hand is sufficient to meet its current operational and development obligations in the next 12-month operating period, and the Company is not subject to external constraint in using its resources on hand.

The Company keeps a significant amount of its cash, cash equivalent, and short-term investment in China in order to meet the capital and operating expenditures in the future development of the Company's Fuwan-Changkeng project. For the cash denominated in RMB that is maintained in China, the remittance of funds to jurisdictions outside China is subject to government rules and regulations on foreign currency controls. Such remittance requires approval by the relevant government authorities or designated banks in China or both. The Company does not expect such withdrawal in the near future.

All of the Company's China operating subsidiaries had accumulated losses. However, if these Chinese subsidiaries become profitable in the future and have extra cash that can pay to the parent company outside China, the repatriations of profits out of China are subject to restrictions. In order to repatriate profits from China, the Company must comply with Chinese regulations pertaining to repatriations. Minco China must provide the following documents to its Chinese bank: (i) a board resolution authorizing the distribution; (ii) a capital verification report and an audit report; (iii) a tax certificate, which shows that Minco China has paid the related tax in compliance with Chinese laws; and (iv) a foreign exchange registration certificate. Minco China will comply with these requirements when needed.

4.3 Contractual Obligations

The Company has the following commitments in respect of its portion of office leases in China and Canada;

Contractual obligations	Payments due by period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
	\$	\$	\$	\$	\$
Rent, office lease	625,757	380,209	116,680	112,417	16,451
Total contractual obligations	625,757	380,209	116,680	112,417	16,451

5. Off-Balance Sheet Arrangements

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

6. Transactions with Related Parties

(a) Trust agreement with Minco Gold

During 2015, the Company entered into a trust agreement with Minco Gold to hold certain receivables and mineral interest in China. This trust agreement was eliminated in on June 30, 2017 when the Company remitted the proceeds from the disposition of all of the remaining Minco Gold assets to Minco Gold that had been held in trust.

(b) Shared expenses

Minco Silver, Minco Gold, and Minco Base Metals Corporation (“MBM”), a company with which the Company’s CEO has significant influence over, share offices and certain administrative expenses.

(c) Due to and due from related parties

December 31,	2017	2016
	\$	\$
Due from Minco Base Metal (i)	-	163,167
Due to Minco Gold (ii)	27,523	205,145
	<u>27,523</u>	<u>205,145</u>

(i) This is the administrative and shared expenses paid by the Company on behalf of Minco Base Metals that is to be reimbursed.

(ii) The amount of \$27,523 represents the shared expenses to be reimbursed to Minco Gold.

The December 31, 2016 amount of \$205,145 was the net payable to Minco Gold in connection with the trust agreement (section 6(a)) and with the shared expenses.

The amounts due are unsecured, non-interest bearing and payable on demand.

In the year ended December 31, 2017, the Company paid or accrued \$106,991 (December 31, 2016 – \$101,377, December 31, 2015 - \$101,701) in respect of rent and \$302,289 (December 31, 2016 – \$304,788, December 31, 2015 - \$563,588) in respect of shared head office expenses and administration costs to Minco Gold.

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

(e) Key management compensation

In the years ended December 31, 2017, 2016 and 2015, following amount was charged for key management’s compensation. The compensation accrued as at December 31, 2017 was \$82,257 (2016 - \$97,344). Key management includes the Company’s directors and senior management. This compensation is included in development costs and administrative expenses.

	Years ended December 31,		
	2017	2016	20145
	\$	\$	\$
Cash remuneration	812,861	757,649	784,608
Share-based compensation	2,109,551	(46,798)(i)	274,632
	<u>2,922,412</u>	<u>710,851</u>	<u>1,059,240</u>

(i) Share based compensation earned by management during 2016 consisted of the share based compensation earned from option vesting of 387,048, net of the effect of the PSU reversal of (\$433,846) (section 2.4.1)

7. Critical Accounting Estimates and Judgments

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

Impairment

Mineral Interests

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

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

Management has assessed for impairment indicators for the Company's mineral interests and has concluded that no indicators of impairment were identified and the Company plans to continue with its objective of developing the combined Fuwan / Changkeng project.

8. Accounting Standards and Amendments Issued But Not Yet Applied

IFRS 9 is a comprehensive standard to replace IAS 39, Financial Instruments: Recognition and Measurement. It includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. The effective date is for annual periods beginning on or after January 1, 2018. We believe there are no material impacts to the Company's financial statements for the adoption of the new IFRS 9 in 2018.

IFRS 16 replaces the previous leases standard IAS 17, Leases and Related Interpretations, and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). IFRS 16 is effective from January 1, 2019. We believe there are no material impacts to the Company's financial statements for the adoption of the new IFRS 16 in 2018.

9. Financial Instruments

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

The following table shows the carrying values of assets and liabilities for each of these categories at December 31, 2017 and December 31, 2016.

	December 31, 2017	December 31, 2016
Loans and receivables	\$	\$
Cash and cash equivalents	22,102,526	20,195,199
Short-term investments	25,338,081	31,410,880
Receivables	612,140	541,293
Due from related parties	-	163,167
Other financial liabilities		
Due to related party	27,523	205,145
Due to minority shareholders of a subsidiary	164,000	-
Accounts payable and accrued liabilities	474,699	424,635

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

Financial instruments also include due to and from related parties amounts, which are unsecured, non-interest bearing and payable on demand. The carrying value of the due from/to related parties approximates its fair value as the outstanding amount is expected to settle in the next 12-month operating period.

Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk. Risk management activities are carried out by management, who identifies and evaluates the financial risks.

Foreign exchange risk

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

The Company does not hedge its exposure to currency fluctuations. The Company has completed a sensitivity analysis to estimate the impact that a change in foreign exchange rates would have on the net loss of the Company, based on the Company's net US\$15.8 million monetary assets as at December 31, 2017. This sensitivity analysis shows that a change of +/- 10% in US\$ foreign exchange rate would have a +/- US\$1.6 million impact on net loss.

Interest rate risk

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

The Company has completed a sensitivity analysis to estimate the impact that a change in interest rates would have on the net loss of the Company. The Company mainly holds short-term investments such as guaranteed investment certificates at fixed interest rates. As a result, the Company is not exposed to significant interest rate risk

10. Risks Factor and Uncertainties

A comprehensive discussion of risk factors is included in the Company's AIF for the year ended December 31, 2017, dated March 27, 2018 available on SEDAR at www.sedar.com.

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

Management has established disclosure controls and procedures to ensure that information disclosed in this MD&A and the related financial statements was properly recorded, processed, summarized and reported to the Company's Board and Audit Committee.

Management has established disclosure controls and procedures to ensure that information disclosed in this MD&A and the related financial statements was properly recorded, processed, summarized and reported to the Company's Board and Audit Committee. Management has evaluated the effectiveness of the Company's disclosure controls and procedures as at December 31, 2017 and has concluded, based on its evaluation, that these controls and procedures provide reasonable assurance that material information relating to the Company is made known to management and reported as required. Management is also responsible for establishing and maintaining adequate internal controls over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The control framework used to design the Company's internal control over financial reporting is the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management has evaluated the effectiveness of design and operation of the Company's internal controls over financial reporting as at December 31, 2017. Based on the result of this assessment, management has concluded that the Company's internal controls over financial reporting are effective.

12. Cautionary Statement of Forward Looking Information

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

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

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

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

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

- The Company being able to successfully complete the Mining License Application process and begin construction of the Fuwan Silver Project and Changkeng Gold Project
- The approval of the Company's revised EIA by Chinese authorities.
- The continued availability of equity and debt financing to fund the completion of the Fuwan Silver Project and Changkeng mine and other exploration and development activities.
- The Company uses of proceeds from the Company's previous public offering as intended
- The continued ability of the Company to attract and retain key management personnel.
- The ability of the Company to evaluate precious metals project outside China for potential acquisition.
- The ability of the Company to renew the exploration permits, mining area permit before their expiry.
- The ability of the Company to pursue an alternative strategy in finding a large mining group in China as a business partner.
- The Company is able to withdraw money from China when needed (e.g. to finance acquisition of new mineral properties at areas other than China).

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

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