

Minco Silver Corporation

Condensed Consolidated Interim Financial Statements

For the three and six months end June 30, 2018 and 2017

(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 Canadian Institute of Chartered Professional Accountants for a review of condensed consolidated interim financial statements by an entity's auditor.

Dr. Ken Cai
President and CEO

Larry Tsang, CPA, CA
Chief Financial Officer

Vancouver, Canada

August 10, 2017

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Minco Silver Corporation

Condensed Consolidated Interim Statements of Financial Position

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

	June 30, 2018	December 31, 2017
	\$	\$
Assets		
Current assets		
Cash and cash equivalents (note 3)	25,728,686	22,102,526
Short-term investments (note 4)	21,094,926	25,338,081
Receivables	577,927	612,140
Due from related parties (note 9)	179,989	-
Prepaid expenses and deposits	292,480	250,001
	<u>47,874,008</u>	<u>48,302,748</u>
Mineral interests (note 5)	63,587,044	61,098,589
Property, plant and equipment	195,079	208,662
	<u>111,656,131</u>	<u>109,609,999</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	370,145	474,699
Due to minority shareholders of a subsidiary	352,518	164,000
Due to related parties (note 9)	37,071	27,523
	<u>759,734</u>	<u>666,222</u>
Equity		
Equity attributable to owners of the parent		
Share capital (note 8)	107,538,681	107,538,681
Contributed surplus	26,541,356	25,498,500
Accumulated other comprehensive income	8,884,726	6,530,421
Deficit	(43,477,301)	(41,767,830)
	<u>99,487,462</u>	<u>97,799,772</u>
Non-controlling interest (note 6)	11,408,935	11,144,005
Total equity	<u>110,896,397</u>	<u>108,943,777</u>
Total liabilities and equity	<u>111,656,131</u>	<u>109,609,999</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 Loss For the three and six months ended June 30, 2018 and 2017

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

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Administrative expenses				
Audit, legal and regulatory	127,628	37,853	177,350	78,439
Amortization	12,280	19,092	27,912	38,089
Consulting	19,415	21,485	39,240	41,231
Directors' fees	28,250	25,250	53,500	50,500
Field office expenses	133,617	124,478	258,481	220,886
Investor relations	338	531	6,204	11,298
Office administration expenses	69,746	75,895	111,249	112,526
Property investigation	349,692	-	349,692	-
Rent	64,141	88,039	141,738	167,278
Salaries and benefits	49,852	150,688	147,833	289,078
Share-based compensation (note 8(b))	396,616	839,279	763,417	1,122,202
Travel and transportation	23,210	10,247	48,060	26,771
Operating loss	(1,274,785)	(1,392,837)	(2,124,676)	(2,158,298)
Finance and other income (expenses)				
Foreign exchange gain (loss)	562,661	(458,197)	648,664	(667,881)
Gain from disposition of a subsidiary	31,499	-	31,499	-
Unrealized loss on short-term investment (note 4)	(871,991)	(5,108)	(886,902)	(5,800)
Interest income	190,956	159,663	419,431	284,398
Other income (expenses)	19,658	(8,719)	121,683	(8,797)
Net loss for the period	(1,342,002)	(1,705,198)	(1,790,301)	(2,556,378)
Net loss attributable to:				
Shareholders of the Company	(1,298,927)	(1,653,585)	(1,709,471)	(2,476,823)
Non-controlling interest	(43,075)	(51,613)	(80,830)	(79,555)
	(1,342,002)	(1,705,198)	(1,790,301)	(2,556,378)
Loss per share – basic and diluted	(0.02)	(0.03)	(0.03)	(0.04)
Weighted average number of common shares outstanding – basic and diluted	60,704,748	60,665,424	60,704,748	60,546,729

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

Minco Silver Corporation

Condensed Consolidated Interim Statements of Comprehensive Loss

For the three and six months ended June 30, 2018 and 2017

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

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Net loss for the period	(1,342,002)	(1,705,198)	(1,790,301)	(2,556,378)
Other comprehensive loss				
Exchange differences on translation from functional to presentation currency	(3,338,860)	(891,668)	2,700,065	(983,575)
Comprehensive income (loss) for the period	<u>(4,680,862)</u>	<u>(2,596,866)</u>	<u>909,764</u>	<u>(3,539,953)</u>
Comprehensive income (loss) attributable to:				
Shareholders of the Company	(4,213,950)	(2,430,171)	644,834	(3,333,216)
Non-controlling interest	<u>(466,912)</u>	<u>(166,695)</u>	<u>264,930</u>	<u>(206,737)</u>
	<u>(4,680,862)</u>	<u>(2,596,866)</u>	<u>909,764</u>	<u>(3,539,953)</u>

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, 2018 and 2017

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

	Changes in Shareholders' Equity							
	Number of Shares	Share capital \$	Contributed surplus \$	Accumulated other comprehensive income \$	Deficit \$	Subtotal \$	Non-controlling interest	Total equity
Balance - January 1, 2017	60,246,413	107,216,932	22,682,099	6,795,087	(36,692,296)	100,001,822	11,318,341	111,320,163
Net loss for the period	-	-	-	-	(2,476,823)	(2,476,823)	(79,555)	(2,556,378)
Other comprehensive loss	-	-	-	(856,393)	-	(856,393)	(127,182)	(983,575)
Share-based compensation	-	-	1,444,789	-	-	1,444,789	-	1,444,789
Proceeds on issuance of shares from exercise of options	435,001	306,000	(115,699)	-	-	190,301	-	190,301
Balance – June 30, 2017	60,681,414	107,522,932	24,011,189	5,938,694	(39,169,119)	98,303,696	11,111,604	109,415,300
Balance - January 1, 2018	60,704,748	107,538,681	25,498,500	6,530,421	(41,767,830)	97,799,772	11,144,005	108,943,777
Net loss for the period	-	-	-	-	(1,709,471)	(1,709,471)	(80,830)	(1,790,301)
Other comprehensive loss	-	-	-	2,354,305	-	2,354,305	345,760	2,700,065
Share-based compensation	-	-	1,042,856	-	-	1,042,856	-	1,042,856
Proceeds on issuance of shares from exercise of options	-	-	-	-	-	-	-	-
Balance – June 30, 2018	60,704,748	107,538,681	26,541,356	8,884,726	(43,477,301)	99,487,462	11,408,935	110,896,397

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

Minco Silver Corporation
Condensed Consolidated Interim Statements of Cash Flows
For the six months ended June 30, 2018 and 2017

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

	2018	2017
	\$	\$
Operating activities		
Net loss for the period	(1,790,301)	(2,556,378)
Adjustments for:		
Amortization	27,912	38,089
Foreign exchange loss (gain)	(648,664)	667,881
Share-based compensation (note 8(b))	763,417	1,122,202
Unrealized loss on investment	886,902	5,800
Gain from disposition of a subsidiary	(31,499)	
Changes in items of working capital:		
Receivables	48,643	(241,422)
Prepaid expenses and deposits	(37,836)	56,952
Accounts payable and accrued liabilities	(111,979)	(188,566)
Due to related parties (note 9)	(172,332)	(206,859)
Net cash used in operating activities	<u>(1,065,736)</u>	<u>(1,302,301)</u>
Financing activities		
Proceeds from a share subscription of a 51%-owned subsidiary	188,518	-
Proceeds from stock option exercises	-	190,301
Net cash generated from financing activities	<u>188,518</u>	<u>190,301</u>
Investing activities		
Development costs	(429,998)	(624,460)
Property, plant and equipment	(8,060)	14,914
Proceeds from disposal of subsidiary	30,102	-
Purchase of investments		(376,884)
Purchase of short-term investments	(1,299,017)	(6,569,341)
Redemption of short-term investments	5,365,314	8,872,639
Net cash generated from investing activities	<u>3,658,341</u>	<u>1,316,868</u>
Effect of exchange rates on cash and cash equivalents	<u>845,037</u>	<u>(372,441)</u>
Increase (decrease) in cash and cash equivalents	3,626,160	(167,573)
Cash and cash equivalents - Beginning of period	<u>22,102,526</u>	<u>20,195,199</u>
Cash and cash equivalents - End of period	<u>25,728,686</u>	<u>20,027,626</u>

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, 2018 and 2017

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

1. General information

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 2060 – 1055 West Georgia Street, Vancouver, British Columbia, Canada.

As at June 30, 2018, Minco Gold Corporation (“Minco Gold”) owned approximately an 18.04% (December 31, 2017 – 18.04%) interest in Minco Silver.

2. Basis of preparation

These condensed consolidated interim financial statements include the accounts of Minco Silver Corporation and its subsidiaries, Minco Yinyuan Co. (“Minco Yinyuan”), Minco Investment Holding HK Ltd (“Minco HK”), Changfu Minco Mining Co. Ltd, formerly Foshan Minco Fuwan Mining Co. Ltd., (“Changfu Minco”), Zhongjia Jinggu Limited (“Zhongjia”), Minco Resource Limited (“Minco Resources”), Minco Mining (China) Corporation (“Minco China”), Tibet Miming Co. Ltd. (“Tibet Minco”), 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 as at June 30, 2018 is as follows:

Name	Principal activities (ownership)	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 Resources	Holding company (100%)	China
Minco China	Exploring and evaluating mineral properties (100%)	China
Tibet Minco	Exploring and evaluating mineral properties (100%)	China
Minco International Resources	Investment and service company (100%)	China
Mingzhong	Exploring and evaluating mineral properties (51%)	China

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.

Effective May 10, 2018, the Company sold its 100% interest in Yuanling Minco Mining Ltd. (“Yuanling Minco”) in an arm’s length transaction. Gross proceeds on disposal were RMB 150,000 (approximately \$30,102). The Company recorded a gain of \$31,499 from the deconsolidation of this subsidiary.

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

Minco Silver Corporation

Notes to the Consolidated Financial Statements

For the three and six months ended June 30, 2018 and 2017

(Expressed in Canadian dollars, unless otherwise stated)

2. Basis of preparation (continued)

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, 2017, 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, 2017 except the adoption of IFRS 9, commencing January 1, 2018.

IFRS 9, Financial Instruments, addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 *Financial Instruments: Recognition and Measurement* for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. Requirements for financial liabilities are largely carried forward from the existing requirements in IAS 39 except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

There are no impacts to the Company's financial statements for the adoption of IFRS 9 (note 11)

These condensed consolidated interim financial statements were approved by the board of directors for issue on Aug 10, 2018.

3. Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and term deposits with initial maturities of less than three months.

	June 30, 2018	December 31, 2017
	\$	\$
Cash	9,430,959	9,983,575
Term deposits	16,297,727	12,118,951
	<u>25,728,686</u>	<u>22,102,526</u>

As at June 30, 2018, cash and cash equivalents of \$16,320,725 (or RMB 79,430,094) (December 31, 2017 - \$15,662,255 (or RMB 81,176,416)) resided 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, 2018, short-term investments consisted of the following:

	Currency	Amount (\$)	Term	Interest rate
Corporate bonds	USD	2,268,543	January 11, to November 4, 2019	3.22 % to 4.93%
Term deposit	RMB	15,526,388	6 to 12 months	1.6% to 2.15%
Term deposit	CAD	3,299,995	October 10, 2018	2.05%
		<u>21,094,926</u>		

Minco Silver Corporation

Notes to the Consolidated Financial Statements

For the three and six months ended June 30, 2018 and 2017

(Expressed in Canadian dollars, unless otherwise stated)

4. Short-term investments (continued)

As at June 30, 2018, short-term investments of \$15,526,388 (or RMB 78,196,044) (December 31, 2017 - \$15,441,479 (or RMB 80,032,150)) resided in China.

As at June 30, 2018, the Company invested in three corporate bonds each with face value of USD 800,000 (totaling \$3.1 million). Among these three investments, the bond issued by China Energy Reserve & Chemicals Group Co. ("CERCG") with the maturity date on January 15, 2019 was default on June 30, 2018 and the Company write down the fair value of this bond investment from USD802,000 (on December 31, 2017) to USD204,400 (on June 30, 2018) according to the closing price on an active trading market. The corporate bond market was under pressure recently and the fair value of the remaining two bond investments were also depressed. The total decrease in fair value of the Company's bond investment during the six months ended June 30, 2018 was \$886,902 (including a decrease of \$779,676 from the Company's CERCG's bond investment). The Company closely monitors the development of the bond market and will make appropriate actions when needed.

5. Mineral interests

	\$
Fuwan Silver Deposit (a)	38,180,318
Changkeng Project (c)	25,406,726
Total mineral interests	<u>63,587,044</u>

(a) Fuwan Silver Deposit

Minco Silver has a 90% interest in Changfu Minco, the Company's China's operating subsidiary and permit holder for the Fuwan Silver 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 Silver Project. The Exploration Permit for the Fuwan Silver Project is the Luoke-Jilinggang exploration permit, which expired on July 20, 2017, and is currently being renewed. The Mining Area Permit which defines the mining limits of the Fuwan Silver Project and restricts the use of this land to mining activities expires on April 10, 2018 and is being renewed.

Following is a summary of the capitalized development expenditures of the Fuwan Silver Project from January 1, 2018 to June 30, 2018.

	\$
Opening Balance – January 1, 2018	36,626,372
Consulting fees	118,640
Salaries and benefits	117,523
Share-based compensation (note 8)	139,720
Mining license application	22,378
Travel	7,377
Other	109,610
Effect of change in the exchange rate with RMB	1,038,698
Ending Balance – June 30, 2018	<u>38,180,318</u>

Minco Silver Corporation

Notes to the Consolidated Financial Statements

For the three and six months ended June 30, 2018 and 2017

(Expressed in Canadian dollars, unless otherwise stated)

5. Mineral interests (continued)

(b) Fuwan Silver Belt

As at June 30, 2018, the Company had two active exploration permits on the Fuwan Silver Belt: the Hecun Property and the Guyegang-Sanyatang Property. The Guyegang-Sanyatang permit expires March 17, 2019, and the Hecun permit expires on August 12, 2018.

During the six months ended June 30, 2017, the Company did not conduct any regional exploration activities on the Fuwan Silver Belt, except for maintaining the exploration permits.

(c) Changkeng Gold Project

The Company holds 51% interest in Mingzhong which owns the Changkeng Gold Project. The Changkeng Gold Project immediately adjoins the Fuwan Silver Project. The Changkeng exploration permit expires on September 10, 2019.

Development costs capitalized from January 1, 2018 to June 30, 2018 are as follow:

	\$
Opening Balance – January 1, 2018	24,472,217
Consulting	118,640
Share-based compensation (note 8)	139,720
Salaries and benefits	18,801
Other	242
Effect of change in the exchange rate with RMB	657,106
Ending Balance – June 30, 2018	25,406,726

The Company intends to renew all the permits when they are expired in the future. Permit renewal process is normal course for the Company's operations.

Although the Company has taken steps to verify the title to all of the Company's mineral properties 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.

6. Non-controlling interest ("NCI")

Below is a summary of the financial information of Mingzhong that holds the NCI:

Summarized statement for financial position

	June 30, 2018	December 31, 2017
	\$	\$
NCI percentage	49%	49%
Current assets	577,991	291,755
Current liabilities	(406,362)	(554,576)
Net current assets (liabilities)	171,629	(262,821)
Non-current asset	24,659,635	23,948,038
Net assets	24,831,264	23,685,217
Accumulated NCI	11,408,935	11,144,005

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2018 and 2017

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

6. Non-controlling interest (“NCI”) (continued)

Summarized income statement

	Three months ended June 30		Six months ended June 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Net loss	87,908	107,007	164,959	162,703
Loss allocated to NCI (49%)	43,075	51,613	80,830	79,555

Summarized cash flows

	Six months ended June 30, 2018	Six months ended June 30, 2017
	\$	\$
Cash out flows from operating activities	143,403	(171,391)
Cash inflow from financing activities	188,518	-
Cash out flows from investing activities	(18,599)	(58,896)

During 2017, Mingzhong initiated equity financing to raise capital to finance its operations and has received the following from its shareholders:

During the six months ended June 30, 2018, its minority shareholders paid \$188,518 for a share subscription. The equity financing is not completed as of the date of this report.

7. Investments

During the six months ended June 30, 2018, the Company did not invest in the common shares of public companies from open market.

During the year ended December 31, 2017, the Company acquired a portfolio of common shares of public companies from the open market. These investments are designated as fair-value-through-profit-or-loss (FVTPL) financial assets and valued at their fair value at inception and at each subsequent reporting period. The Company realized a gain of \$15,332 when the whole portfolio was disposed during 2017.

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2018 and 2017

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

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 2017, the Company granted stock options to employees, consultants and directors for the purchase of 4,000,000 common shares at an exercise price of \$1.40 per common share. These options vest over an 18 month period from the grant date and expire on February 19, 2022.

During the six months ended June 30, 2018, the Company granted 1,968,000 stock options to purchase common shares to employees, consultants and directors at an exercise price of \$0.69 per common share. These options vest over an 18 month period from the grant date and expire on February 14, 2023.

The Company recorded \$914,210 of the option component of share-based compensation for the six months ended June 30, 2018 (2017 - \$1,372,074). Share-based compensation of \$719,034 (2017 - \$1,100,701) was recorded in the statement of operations and \$195,176 (2017 - \$271,374) was capitalized to the mineral interests.

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2018 and 2017

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

8. Share capital (continued)

A continuity of the options outstanding is as follows:

	Number outstanding	Weighted average exercise price \$
Balance, January 1, 2017	4,280,672	1.43
Granted	4,000,000	1.40
Exercised	(458,335)	0.44
Expired	(1,415,000)	2.34
Forfeited	(257,000)	1.63
Balance, December 31, 2017	6,150,337	1.27
Granted	1,968,000	0.69
Expired	(812,000)	1.70
Forfeited	(210,000)	1.35
Balance, June 30, 2018	7,096,337	1.06

During six months ended June 30, 2018, the weighted average share price on the day options were exercised was \$Nil (2017 - \$1.33). As at June 30, 2018, there was \$478,372 (December 31, 2017 - \$568,722) 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 – 0.50	673,337	2.22	0.42	673,337	0.42
0.51 – 0.69	1,953,000	4.63	0.69	-	-
0.70 – 0.81	665,000	0.56	0.80	665,000	0.80
0.82 – 1.40	3,805,000	3.64	1.40	2,536,660	1.40
	7,096,337	3.49	1.06	3,874,997	1.13

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2018 and 2017

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

8. Share capital (continued)

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

	2018	2017
Risk-free interest rate	1.16%-2.09%	0.66%-1.16%
Dividend yield	0%	0%
Volatility	77% - 79%	75% - 79%
Forfeiture rate	23%	24%
Estimated expected lives	5 years	5 years

Option pricing models require the use of subjective estimates and assumptions including the expected stock price volatility. The stock price volatility is calculated based on the Company's historical volatility. Changes in the underlying assumptions can materially affect the fair value estimates.

Performance share units ("PSU")

A summary of the PSUs outstanding is as follows:

	Number outstanding	Fair value per unit \$
Balance, January 1, 2018	1,000,000	1.40
Forfeited	(50,000)	1.40
Balance, June 30, 2018	950,000	1.40

On February 20, 2017, the Company granted 1,000,000 PSUs to employees and consultants of the Company, whereby 50% of these PSU vest upon the receipt of the final approval for the Environmental Impact Assessment (EIA) report for the Fuwan Silver Project or Changkeng Gold Project or the Combination of both. The remaining 50% vests upon the receipt of the mining license issued by Ministry of Natural Resources for the Fuwan Silver Project, or Changkeng Gold Project, or the combination of both (collectively the "Performance Criteria").

Upon satisfaction of the Performance Criteria over the three-year performance cycle ended February 20, 2020, Each PSU represents one common share of the Company on vesting

The fair value of the PSU's was estimated as \$1.40 per unit at the grant date based on the share price on that date. The Company recognizes compensation expenses equal to the market value of the PSU granted over the vesting period using the Black-Scholes option pricing model taking into consideration forfeiture estimates made based on the Company's history.

During the six months ended June 30, 2018 the Company recorded \$128,646 (2017 - \$72,715) of share-based compensation to account for the vesting of PSUs. Share-based compensation of \$44,383 was recorded in the statement of operations (2017 - \$21,501) and \$84,263 was capitalized to the Fuwan Silver Deposit and the Changkeng Project (2017 - \$51,214) (Note 7 (a) and 7 (c)).

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2018 and 2017

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

9. Related party transactions

(a) 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

	June 30, 2018	December 31, 2017
	\$	\$
Due from Minco Base Metal (i)	179,989	-
Due to Minco Gold (ii)	37,071	27,523
Due to minority shareholders of a subsidiary (iii)	352,518	164,000

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

(ii) The amount of \$37,071 was the share expenses to be reimbursed to Minco Gold.

(iii) As at June 30, 2018, the Company received \$352,518 (December 31, 2017 - \$164,000) from the minority shareholders of Mingzhong, a Chinese subsidiary that the Company has approximately 51% ownership. The increase of share capital of Mingzhong was not completed on June 30, 2018.

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

During the three months ended June 30, 2018, the Company paid or accrued 11,087 (June 30, 2017 – \$26,023) in respect of rent and \$66,896 (June 30, 2017 – \$66,048) in respect of shared head office expenses and administration costs to Minco Gold.

During the six months ended June 30, 2018, the Company paid or accrued \$28,958 (June 30, 2017 – \$53,170) in respect of rent and \$145,043 (June 30, 2017 – \$175,073) in respect of shared head office expenses and administration costs to Minco Gold.

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

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2018 and 2017

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

9. Related party transactions (continued)

(d) Key management compensation

During the three and six months ended June 30, 2018 and 2017, the following compensation was paid and accrued to key management. Key management includes the Company's directors and senior management. This compensation has been included administrative expenses and the Company's mineral interests (note 5).

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Cash remuneration	177,362	163,988	343,117	326,030
Share-based compensation	472,563	740,193	814,519	1,045,909
	<u>649,925</u>	<u>904,181</u>	<u>1,157,636</u>	<u>1,371,939</u>

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 assets is as follows:

	Canada	China	Total
June 30, 2018:	\$	\$	\$
Current assets	14,569,318	33,304,690	47,874,008
Non-current assets	17,181	63,764,942	63,703,475
December 31, 2017:			
Current assets	16,519,308	31,783,440	48,302,748
Non-current assets	4,964	61,302,287	61,307,251

11. Financial instruments and fair value measurements

The following table shows the carrying values of the Company's financial assets and liabilities as at June 30, 2018 and December 31, 2017:

	June 30, 2018	December 31, 2017
Financial assets at amortized cost:	\$	\$
Cash and cash equivalents	25,728,686	22,102,526
Short-term investments	21,094,926	25,338,081
Receivables	577,927	612,140
Due from related parties	179,989	-
Financial liabilities at amortized cost:		
Due to minority shareholders of a subsidiary	352,518	164,000
Due to related parties	37,071	27,523
Accounts payable and accrued liabilities	370,145	474,699

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2018 and 2017

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

11. Financial instruments and fair value measurements (continued)

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 measured at amortized cost on the balance sheet are cash and cash equivalent, short-term investments, receivables, due to and from related parties, account payable and accrued liabilities. The fair values of these financial instruments approximate their carrying value due to their short-term nature.

The Company did not have financial assets measured at fair value through profit and loss on June 30, 2018.