

# **Minco Silver Corporation**

(A development stage enterprise)

Condensed Consolidated Interim Financial Statements

**For the three and nine months ended September 30, 2013 and 2012**

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

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# Minco Silver Corporation

(A development stage enterprise)

## Condensed Consolidated Interim Statement of Financial Position

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

	September 30, 2013	December 31, 2012
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 3)	30,168,285	22,586,298
Short-term investments (note 4)	29,961,221	42,550,265
Receivables	702,899	148,244
Due from related parties (note 7(b))	3,521,135	1,250,129
Prepaid expenses and deposits	404,081	388,880
	<u>64,757,621</u>	<u>66,923,816</u>
<b>Mineral interests</b> (note 5)	25,418,083	21,012,566
<b>Property, plant and equipment</b>	504,742	572,583
	<u>90,680,446</u>	<u>88,508,965</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	438,774	512,604
	<u>438,774</u>	<u>512,604</u>
<b>Shareholders' equity</b>		
<b>Share capital</b> (note 6(a))	106,140,836	105,669,226
<b>Contributed surplus</b>	21,448,496	18,555,614
<b>Accumulated other comprehensive income</b>	2,126,287	414,201
<b>Deficit</b>	(39,473,947)	(36,642,680)
	<u>90,241,672</u>	<u>87,996,361</u>
<b>Total liabilities and equity</b>	<u>90,680,446</u>	<u>88,508,965</u>

*Subsequent event (note 11)*

**Approved by the Board of Directors:**

(signed) Chan-Seng Lee Director

(signed) George Lian Director

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

# Minco Silver Corporation

(A development stage enterprise)

Condensed Consolidated Interim Statements of Operations and Net Loss

**For the three and nine months ended September 30, 2013 and 2012**

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

	Three months ended September 30,		Nine months ended September 30	
	2013	2012	2013	2012
	\$	\$	\$	\$
<b>Administrative expenses</b>				
Audit, legal and regulatory	65,531	106,066	243,725	364,824
Amortization	47,146	41,845	134,249	133,424
Consulting	17,510	7,968	43,729	157,522
Directors' fees	25,250	17,250	77,250	57,750
Field office expenses	122,421	110,755	373,564	326,314
Foreign exchange loss (gain)	352,401	803,436	(653,770)	657,106
Investor relations	49,900	59,686	162,187	204,363
Office administration expenses	47,022	31,985	146,475	126,254
Property investigation	14,951	-	41,525	-
Rent	80,893	78,364	212,677	229,514
Salaries and benefits	95,704	93,132	281,054	267,076
Share-based compensation (note 6(b))	571,260	836,362	2,084,617	2,347,329
Travel and transportation	9,249	9,654	24,740	17,836
	<u>1,499,238</u>	<u>2,196,503</u>	<u>3,172,022</u>	<u>4,889,312</u>
<b>Operating loss</b>	(1,499,238)	(2,196,503)	(3,172,022)	(4,889,312)
<b>Finance and other income (expenses)</b>				
Gain on settlement of break fee (note 8)	-	-	-	424,238
Interest income	205,703	219,872	592,042	637,968
Other expenses (note 7(a))	(204,275)	(301,337)	(251,287)	(373,562)
	<u>1,428</u>	<u>(81,465)</u>	<u>340,755</u>	<u>688,644</u>
<b>Net loss for the period</b>	<u>(1,497,810)</u>	<u>(2,277,968)</u>	<u>(2,831,267)</u>	<u>(4,200,668)</u>
<b>Loss per share – basic and diluted</b>	(0.03)	(0.04)	(0.05)	(0.07)
<b>Weighted average number of common shares outstanding – basic and diluted</b>	59,233,737	59,003,005	59,110,234	58,889,607

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

# Minco Silver Corporation

(A development stage enterprise)

Condensed Consolidated Interim Statements of Comprehensive Loss

**For the three and nine months ended September 30, 2013 and 2012**

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2013	2012	2013	2012
	\$	\$	\$	\$
<b>Net loss for the period</b>	(1,497,810)	(2,277,968)	(2,831,267)	(4,200,668)
<b>Other comprehensive income (loss)</b>				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation from functional to presentation currency	(493,984)	(725,442)	1,712,086	(516,130)
<b>Comprehensive loss for the period</b>	<u>(1,991,794)</u>	<u>(3,003,410)</u>	<u>(1,119,181)</u>	<u>(4,716,798)</u>

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

# Minco Silver Corporation

(A development stage enterprise)

## Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

### For the nine months ended September 30, 2013 and 2012

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

	Changes in Shareholders' Equity					
	Number of Shares	Share capital \$	Contributed surplus \$	Accumulated other comprehensive income (loss) \$	Deficit \$	Total \$
<b>Balance - January 1, 2012</b>	58,696,084	104,804,411	15,026,739	742,002	(31,966,130)	88,607,022
Net loss for the period	-	-	-	-	(4,200,668)	(4,200,668)
Exchange differences on translation from functional to presentation currency	-	-	-	(516,130)	-	(516,130)
Share-based compensation	-	-	3,409,127	-	-	3,409,127
Proceeds on issuance of shares from exercise of options	343,334	861,092	(457,591)	-	-	403,501
<b>Balance – September 30, 2012</b>	<b>59,039,418</b>	<b>105,665,503</b>	<b>17,978,275</b>	<b>225,872</b>	<b>(36,166,798)</b>	<b>87,702,852</b>
<b>Balance - January 1, 2013</b>	59,041,418	105,669,226	18,555,614	414,201	(36,642,680)	87,996,361
Net loss for the period	-	-	-	-	(2,831,267)	(2,831,267)
Exchange differences on translation from functional to presentation currency	-	-	-	1,712,086	-	1,712,086
Share-based compensation	-	-	3,357,492	-	-	3,357,492
Issuance of shares for restricted share units	280,000	459,200	(459,200)	-	-	-
Proceeds on issuance of shares from exercise of options	6,667	12,410	(5,410)	-	-	7,000
<b>Balance – September 30, 2013</b>	<b>59,328,085</b>	<b>106,140,836</b>	<b>21,448,496</b>	<b>2,126,287</b>	<b>(39,473,947)</b>	<b>90,241,672</b>

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

**Minco Silver Corporation**  
(A development stage enterprise)  
Condensed Consolidated Interim Statements of Cash Flows  
**For the nine months ended September 30, 2013 and 2012**

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

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows used in operating activities</b>		
Net loss for the period	(2,831,267)	(4,200,668)
Adjustments for:		
Amortization	134,249	133,424
Foreign exchange loss (gain)	(655,824)	554,141
Gain on settlement of break fee (note 8)	-	(424,238)
Share-based compensation (note 6(b))	2,084,617	2,347,329
Changes in items of working capital:		
Receivables	(543,316)	(85,746)
Prepaid expenses and deposits	5,306	1,942,379
Accounts payable and accrued liabilities	(86,659)	(429,747)
Due from related parties (note 7(b))	(2,553,116)	(680,737)
<b>Net cash used in operating activities</b>	<u>(4,446,010)</u>	<u>(843,863)</u>
<b>Cash flows from financing activities</b>		
Proceeds from exercise of stock options	7,000	403,501
<b>Net cash generated from financing activities</b>	<u>7,000</u>	<u>403,501</u>
<b>Cash flows from investing activities</b>		
Development costs	(1,778,521)	(1,275,482)
Proceeds on settlement of break fee (note 8)	-	693,968
Property, plant and equipment	(33,826)	(3,694)
Short-term investments	12,705,685	(4,387,116)
<b>Net cash generated from (used in) investing activities</b>	<u>10,893,338</u>	<u>(4,972,324)</u>
<b>Effect of exchange rates on cash</b>	<u>1,127,659</u>	<u>(241,001)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	7,581,987	(5,653,687)
<b>Cash and cash equivalents - Beginning of period</b>	<u>22,586,298</u>	<u>27,574,152</u>
<b>Cash and cash equivalents - End of period</b>	<u>30,168,285</u>	<u>21,920,465</u>

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

# Minco Silver Corporation

(A development stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three and nine months ended September 30, 2013 and 2012**

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

## 1. General information

Minco Silver Corporation (“Minco Silver” or the “Company”) is a development stage enterprise, engaged in exploring, evaluating and developing silver-dominant mineral properties and projects in China. 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”). The Company trades under the symbol “MSV” and its registered office is 2772 – 1055 West Georgia Street, Vancouver, British Columbia, Canada.

As at September 30, 2013, Minco Gold Corporation (“Minco Gold”) owned a 21.91% (December 31, 2012 – 22.02%) equity interest in Minco Silver.

## 2. Basis of preparation

These condensed consolidated interim financial statements include the accounts of Minco Silver Corporation and its wholly owned subsidiaries, Minco Silver Ltd., Minco Yinyuan Co (“Minco Yinyuan”), and Minco Investment Holdings HK Ltd. In addition, these consolidated financial statements include the accounts of Foshan Minco Fuwan Mining Co. Ltd. (“Foshan Minco”). Foshan Minco is legally owned by Minco Mining (China) Corporation (“Minco China”), an indirect subsidiary of Minco Gold, and held in trust for Minco Silver. As a result of this structure, Minco Silver must advance funds through Minco Gold, Minco Resources Limited (“Minco Resources”) and Minco China in order to fund the activities of Foshan Minco. Foshan Minco is subject to a 10% net profit interest held by Guangdong Geological Bureau (“GGB”). The Company, indirectly through Foshan Minco owns 100% of Zhongjia Jinggu Limited (“Zhongjia”).

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, 2012 and our condensed consolidated interim financial statements for the three months ended March 31, 2013, 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 condensed consolidated interim financial statements for the three months ended March 31, 2013.

These condensed consolidated interim financial statements were approved by the board of directors for issue on November 13, 2013.



# Minco Silver Corporation

(A development stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three and nine months ended September 30, 2013 and 2012**

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

## 3. Cash and cash equivalents

	Amount in original currency	September 30, 2013 Canadian dollar equivalent \$
Cash denominated in Canadian dollars	6,005,487	6,005,487
Cash denominated in US dollars	15,321,177	15,799,198
Cash denominated in Chinese RMB	49,954,112	8,363,600
		<u>30,168,285</u>
		December 31, 2012 \$
Cash denominated in Canadian dollars	116,871	116,871
Cash denominated in US dollars	13,101,378	13,060,764
Cash denominated in Chinese RMB	59,630,026	9,408,663
		<u>22,586,298</u>

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 may require approvals by the relevant government authorities or designated banks in China or both. As at September 30, 2013, \$20,609,014 was held by Minco China in trust for the Company (note 7(a)).

## 4. Short-term investments

As at September 30, 2013, short-term investments consist of cashable guaranteed investment certificates with one year to maturity. The yields on these investments were between 1.75% and 3.30%.

As at December 31, 2012, short-term investments consisted of cashable guaranteed investment certificates. The yields on these investments were between 0.95% and 1.75%.

## 5. Mineral interests

### (a) Fuwan Silver Deposit

Minco Silver has a 100% beneficial interest in Foshan 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 permit for the Fuwan project is the Luoke-Jilinggang exploration permit, which was renewed on July 18, 2013. The current exploration permit expires on July 20, 2015.

# Minco Silver Corporation

(A development stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three and nine months ended September 30, 2013 and 2012**

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

## 5. Mineral interests (continued)

Although the Company has taken steps to verify the title to mineral properties in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers.

The following is a summary of project development costs capitalized to mineral interests from January 1, 2013 to September 30, 2013.

	<b>2013</b>
	<b>\$</b>
<b>Opening Balance – January 1, 2013</b>	<b>21,012,566</b>
Consulting fees	689,986
Salaries and benefits	200,358
Share-based compensation	1,272,875
Mining license application	597,139
Environment impact assessment	78,120
Travel	72,153
Other development costs	140,970
Foreign exchange gain	1,353,916
<b>Ending Balance – September 30, 2013</b>	<b><u>25,418,083</u></b>

### (b) Fuwan Silver Belt

In 2005, the Company acquired three additional silver exploration permits on the Fuwan belt, referred to as the Guanhuatang Property, the Hecun Property and the Guyegang-Sanyatang Property. These three permits were renewed for a two-year period ending on April 7, 2014 and are currently held by Minco China in trust for the Company.

During the three and nine months ended September 30, 2013, the Company did not conduct any regional exploration activities on the Fuwan Silver Belt, except for maintaining the exploration permits.

### (c) Changkeng Silver Mineralization

Minco Gold has assigned its right to earn a 51% interest in the Changkeng Silver Mineralization to the Company. Minco Gold is responsible for all the costs related to the gold mineralization on the Changkeng Property; the Company is responsible for the costs related to the silver mineralization. The Changkeng exploration permit expired on September 10, 2013. The application document to renew the permit has been submitted to Ministry of Land and Resources. The Company expects to receive the renewed exploration permit in November 2013.

During the three and nine months ended September 30, 2013, the Company did not conduct any exploration activities at the Changkeng project, except for maintaining the exploration permit.

# Minco Silver Corporation

(A development stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three and nine months ended September 30, 2013 and 2012**

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

## 6. 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 nine months ended September 30, 2013, the Company granted stock options for 1,900,000 common shares to its directors, officers and employees at a weighted exercise price of \$1.67 per share that vest over an 18-month period from the issuance date.

The Company recorded \$2,593,836 of share-based compensation for stock options for the nine months ended September 30, 2013 (2012 - \$3,409,127). Share-based compensation expense of \$2,008,251 (2012 - \$2,347,329) was recorded in the statement of operations and net loss and share-based compensation expense of \$585,585 (2012 - \$1,061,798) was capitalized to mineral interests.

# Minco Silver Corporation

(A development stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three and nine months ended September 30, 2013 and 2012**

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

## 6. Share capital (continued)

A summary of the options outstanding is as follows:

	Number outstanding	Weighted average exercise price \$
Balance, January 1, 2012	4,353,204	3.85
Granted	2,455,000	2.33
Exercised	(345,334)	1.17
Expired	(305,000)	2.61
Forfeited	(908,701)	4.16
Balance, December 31, 2012	5,249,169	3.34
Granted	1,900,000	1.67
Exercised	(6,667)	1.05
Expired	(326,666)	2.58
Forfeited	(80,000)	2.78
Balance, September 30, 2013	6,735,836	2.91

The weighted average share price on the day options were exercised was \$1.99 (Nine months ended September 30, 2012 - \$2.04).

<u>Options outstanding</u>				<u>Options exercisable</u>	
Range of exercise prices \$	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price \$	Number exercisable	Weighted average exercise price \$
1.05-1.50	530,000	2.00	1.21	388,333	1.13
1.51-2.25	1,900,836	4.02	1.73	767,490	1.78
2.26-3.00	2,225,000	3.45	2.35	2,225,000	2.35
3.01-4.50	280,000	1.80	3.27	280,000	3.27
4.51-6.45	1,800,000	2.38	5.30	1,718,332	5.31
	6,735,836	3.14	2.91	5,379,155	3.17

# Minco Silver Corporation

(A development stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three and nine months ended September 30, 2013 and 2012**

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

## 6. Share capital (continued)

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

	2013	2012
Risk-free interest rate	1.19% - 1.76%	1.04% - 1.58%
Dividend yield	0%	0%
Volatility	71% - 100%	72% - 106%
Forfeiture rate	26%	26%
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 and therefore, in management's opinion, existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

### *Restricted Share Units, Performance Share Units*

During the nine months ended September 30, 2013, the Company granted 560,000 RSUs to the CEO. RSU's are equity – settled and measured based on the value of the Company's share price at the date of grant and vest over a 12- month period from the date of grant. The weighted average grant date fair value of the RSU's was \$918,400. 280,000 RSUs vested on August 1, 2013, and the remaining 280,000 RSUs vests on February 1, 2014.

As at September 30, 2013, the Company had not granted any performance share units.

During the nine months ended September 30, 2013, the Company recorded \$763,656 of share-based compensation for RSUs. Share-based compensation of \$76,366 was recorded in the statement of operations and net loss and share-based compensation expense of \$687,290 was capitalized to mineral properties.

## 7. Related party transactions

### (a) Funding of Foshan Minco

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

# Minco Silver Corporation

(A development stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three and nine months ended September 30, 2013 and 2012**

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

## 7. Related party transactions (continued)

On August 12, 2011, the Company, Minco Gold and Minco China, entered into a trust agreement in which Minco Gold and Minco China confirmed that they received the US\$10 million and Minco China was required to exchange these US funds into RMB in order to increase Foshan Minco's registered share capital. As at September 30, 2013, all the funds had been transferred from Minco China to Minco Yinyuan and Foshan Minco, and this trust agreement was effectively settled.

During the nine months ended September 30, 2013, the Company advanced US \$20 million to Minco China via Minco Resources and Minco Gold in accordance with a trust agreement signed on April 30, 2013 in which Minco Silver agreed to advance US \$20 million to Minco China to increase Foshan Minco's registered capital. Minco China will exchange these US funds into RMB.

During the nine months ended September 30, 2013, Minco China paid and accrued consultancy fees totaling RMB 1,225,000 (\$201,423) (2012 – RMB 2,274,904 (\$360,340)) due to a third party, who assisted in the completion of currency exchange of the US funds into RMB.

As at September 30, 2013, Minco China held US\$ 14,288,055 (\$14,733,842) and RMB 35,091,229 (\$5,875,172) in trust for the Company.

### (b) Shared expenses

Minco Silver and Minco Gold share offices and certain administrative expenses in Beijing and Vancouver.

Amounts due from related parties as at September 30, 2013 were \$3,521,135 (December 31, 2012 – \$1,250,129) and consisted of the following:

Amount due to Minco China as at September 30, 2013 of \$19,290 (December 31, 2012 – \$1,075,820) representing expenditures incurred by Minco China on behalf of Foshan Minco.

Amount due from Minco Gold as at September 30, 2013 of \$3,540,425 (December 31, 2012 – \$2,325,949) representing funds advanced from Minco Silver to Minco Gold to support its operating activities in Canada, net of shared head office expenses.

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

The above two amounts will be net settled and accordingly have been presented as a net balance on the consolidated statements of financial position.

During the three months ended September 30, 2013, the Company paid or accrued \$39,808 (September 30, 2012 – \$37,904) in respect of rent and \$120,206 (September 30, 2012 – \$111,617) in respect of shared head office expenses and administration costs to Minco Gold.

During the nine months ended September 30, 2013, the Company paid or accrued \$117,367 (September 30, 2012 – \$95,245) in respect of rent and \$446,919 (September 30, 2012 – \$414,934) 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

(A development stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three and nine months ended September 30, 2013 and 2012**

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

## 7. Related party transactions (continued)

### (c) Key management compensation

In the three months and nine months ended September 30, 2013 and 2012, 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 September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
	\$	\$	\$	\$
Cash remuneration	184,000	140,201	498,912	476,531
Share-based compensation	640,856	775,593	2,415,731	2,111,782
	<u>824,856</u>	<u>915,794</u>	<u>2,914,643</u>	<u>2,588,313</u>

## 8. Settlement of Sterling break fee

On June 30, 2009, the Company filed a proof of claim with the U.S. Bankruptcy Court in Idaho to collect a break fee, in the amount of US\$2,750,000 from Sterling Mining Company ("Sterling"). The settlement amount of US\$675,000 (\$693,968) was approved by the US Bankruptcy Court in Idaho and received by the Company on June 26, 2012. The Company incurred legal fees and other costs of \$269,729 (US\$262,357) in its effort to collect the break fee. The Company recorded a \$424,238 (US\$412,642) gain on settlement of break fee.

## 9. Fair value measurements

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).

The Company has no financial assets or liabilities measured at fair value.

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

# Minco Silver Corporation

(A development stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three and nine months ended September 30, 2013 and 2012**

*(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 assets and net loss is as follows:

### Segment income (loss)

	Three months ended September 30, 2013		
	Canada	China	Total
	\$	\$	\$
General and administration	(884,244)	(614,994)	(1,499,238)
Finance and other income (expenses)	147,990	(146,562)	1,428
	<u>(736,254)</u>	<u>(761,556)</u>	<u>(1,497,810)</u>

	Three months ended September 30, 2012		
	Canada	China	Total
	\$	\$	\$
General and administration	(1,412,076)	(784,427)	(2,196,503)
Finance and other income (expenses)	203,318	(284,783)	(81,465)
	<u>(1,208,758)</u>	<u>(1,069,210)</u>	<u>(2,277,968)</u>

	Nine months ended September 30, 2013		
	Canada	China	Total
	\$	\$	\$
General and administration	(2,912,052)	(259,970)	(3,172,022)
Finance and other income (expenses)	497,333	(156,578)	340,755
	<u>(2,414,719)</u>	<u>(416,548)</u>	<u>(2,831,267)</u>

	Nine months ended September 30, 2012		
	Canada	China	Total
	\$	\$	\$
General and administration	(3,792,976)	(1,096,336)	(4,889,312)
Finance and other income (expenses)	1,010,178	(321,534)	688,644
	<u>(2,782,798)</u>	<u>(1,417,870)</u>	<u>(4,200,668)</u>



# Minco Silver Corporation

(A development stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three and nine months ended September 30, 2013 and 2012**

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

## 10. Geographical information (continued)

### Assets by geography

	September 30, 2013		
	Canada	China	Total
	\$	\$	\$
Current assets	36,360,935	28,396,686	64,757,621
Non-current assets	26,188	25,896,637	25,922,825
Total assets	<u>36,387,123</u>	<u>54,293,323</u>	<u>90,680,446</u>

  

	December 31, 2012		
	Canada	China	Total
	\$	\$	\$
Current assets	57,113,081	9,810,735	66,923,816
Non-current assets	1,873	21,583,276	21,585,149
Total assets	<u>57,114,954</u>	<u>31,394,011</u>	<u>88,508,965</u>

## 11. Subsequent event

On October 10, 2013, the Company granted 940,000 performance share units to the employees of the Company that vests as performance criteria are met.