

# **Minco Silver Corporation**

(A development stage enterprise)

Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2014 and 2013**

(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 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

Ellen Wei, C.A.  
Chief Financial Officer

Vancouver, Canada

May 12, 2014

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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)*

	<b>March 31, 2014</b>	<b>December 31, 2013</b>
<b>Assets</b>	<b>\$</b>	<b>\$</b>
<b>Current assets</b>		
Cash and cash equivalents (note 4)	22,963,831	23,580,514
Short-term investments (note 5)	37,052,509	36,976,308
Receivables	569,822	291,778
Due from related parties (note 8(b))	3,568,728	3,584,387
Prepaid expenses and deposits	433,518	423,568
	<hr/> 64,588,408	<hr/> 64,856,555
<b>Mineral interests</b> (note 6)	28,599,759	27,369,966
<b>Property, plant and equipment</b>	449,823	483,281
	<hr/> 93,637,990	<hr/> 92,709,802
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	219,081	523,984
	<hr/>	<hr/>
<b>Shareholders' equity</b>		
<b>Share capital</b> (note 7(a))	106,600,036	106,140,836
<b>Contributed surplus</b>	21,943,137	21,950,949
<b>Accumulated other comprehensive income</b>	4,758,298	3,723,746
<b>Deficit</b>	(39,882,562)	(39,629,713)
	<hr/> 93,418,909	<hr/> 92,185,818
<b>Total liabilities and equity</b>	<hr/> 93,637,990	<hr/> 92,709,802

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 months ended March 31, 2014 and 2013**

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

	<b>2014</b>	<b>2013</b>
	\$	\$
<b>Administrative expenses</b>		
Audit, legal and regulatory	56,865	83,200
Amortization	48,885	41,850
Consulting	11,430	16,254
Directors' fees	45,500	26,750
Field office expenses	167,874	120,411
Foreign exchange gain	(531,492)	(482,621)
Investor relations	11,604	75,890
Office administration expenses	64,131	42,467
Property investigation	26,975	13,843
Rent	105,746	65,136
Salaries and benefits	96,484	83,223
Share-based compensation (note 7(b))	313,312	746,990
Travel and transportation	24,074	10,448
	<hr/>	<hr/>
	441,388	843,841
<b>Operating loss</b>	(441,388)	(843,841)
<b>Finance and other income (expenses)</b>		
Interest income	242,433	207,546
Other expenses (note 8(a))	(53,894)	-
	<hr/>	<hr/>
	188,539	207,546
<b>Net loss for the period</b>	<hr/>	<hr/>
	(252,849)	(636,295)
<b>Loss per share – basic and diluted</b>	(0.00)	(0.01)
<b>Weighted average number of common shares outstanding – basic and diluted</b>	59,505,418	59,046,826

*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 Comprehensive Income (Loss)

**For the three months ended March 31, 2014 and 2013**

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

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>Net loss for the period</b>	(252,849)	(636,295)
<b>Other comprehensive income</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation from functional to presentation currency	1,034,552	634,071
<b>Comprehensive income (loss) for the period</b>	<b>781,703</b>	<b>(2,224)</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 Changes in Shareholders' Equity

**For the three months ended March 31, 2014 and 2013**

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

	<b>Changes in Shareholders' Equity</b>					
	Number of Shares	Share capital \$	Contributed surplus \$	Accumulated other comprehensive income \$	Deficit \$	Total \$
<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	-	-	-	-	(636,295)	(636,295)
Exchange differences on translation from functional to presentation currency	-	-	-	634,071	-	634,071
Share-based compensation	-	-	1,189,319	-	-	1,189,319
Proceeds on issuance of shares from exercise of options	6,667	12,410	(5,410)	-	-	7,000
<b>Balance – March 31, 2013</b>	<b>59,048,085</b>	<b>105,681,636</b>	<b>19,739,523</b>	<b>1,048,272</b>	<b>(37,278,975)</b>	<b>89,190,456</b>
<b>Balance - January 1, 2014</b>	59,328,085	106,140,836	21,950,949	3,723,746	(39,629,713)	92,185,818
Net loss for the period	-	-	-	-	(252,849)	(252,849)
Exchange differences on translation from functional to presentation currency	-	-	-	1,034,552	-	1,034,552
Share-based compensation	-	-	451,388	-	-	451,388
Issuance of shares for restricted share units	280,000	459,200	(459,200)	-	-	-
<b>Balance – March 31, 2014</b>	<b>59,608,085</b>	<b>106,600,036</b>	<b>21,943,137</b>	<b>4,758,298</b>	<b>(39,882,562)</b>	<b>93,418,909</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 three months ended March 31, 2014 and 2013**

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

	<b>2014</b>	<b>2013</b>
	\$	\$
<b>Operating activities</b>		
Net loss for the period	(252,849)	(636,295)
Adjustments for:		
Amortization	48,885	41,850
Foreign exchange gain	(530,480)	(482,959)
Share-based compensation (note 7(b))	313,312	746,990
Changes in items of working capital:		
Receivables	(272,427)	(205,306)
Prepaid expenses and deposits	(566)	24,317
Accounts payable and accrued liabilities	(309,422)	(35,274)
Due to related parties (note 8(b))	247,256	89,897
<b>Net cash used in operating activities</b>	<u>(756,291)</u>	<u>(456,780)</u>
<b>Financing activities</b>		
Proceeds from exercise of stock options	-	7,000
<b>Net cash generated from financing activities</b>	<u>-</u>	<u>7,000</u>
<b>Investing activities</b>		
Development costs	(387,606)	(447,300)
Property, plant and equipment	(3,493)	-
Advances to related parties	(100,000)	(300,000)
Purchase of short-term investments	(920,119)	-
Redemption of short-term investments	1,000,000	1,000,000
<b>Net cash generated from (used in) investing activities</b>	<u>(411,218)</u>	<u>252,700</u>
<b>Effect of exchange rates on cash</b>	<u>550,826</u>	<u>403,752</u>
<b>Increase (decrease) in cash and cash equivalents</b>	(616,683)	206,672
<b>Cash and cash equivalents - Beginning of period</b>	<u>23,580,514</u>	<u>22,586,298</u>
<b>Cash and cash equivalents - End of period</b>	<u>22,963,831</u>	<u>22,792,970</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 months ended March 31, 2014 and 2013**

*(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”) and trades under the symbol “MSV”. The Company’s registered office is 2772 – 1055 West Georgia Street, Vancouver, British Columbia, Canada.

As at March 31, 2014, Minco Gold Corporation (“Minco Gold”) owned a 21.81% (December 31, 2013 – 21.91%) 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. and Minco Investment Holdings HK Ltd. In addition, these condensed consolidated interim 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 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 90% of Zhongjia Jinggu Limited (“Zhongjia”).

Information about subsidiaries:

Name	Principal activities (ownership interest)	Country of Incorporation
Minco Silver Ltd.	Holding company (100%)	British Virgin Island
Minco Yinyuan	Exploring, evaluating and developing mineral properties (100%)	China
Minco HK	Holding company (100%)	Hong Kong
Foshan Minco	Exploring, evaluating and developing mineral properties (90%)	China
Zhongjia	Exploring, evaluating and developing mineral properties (90%)	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.

# Minco Silver Corporation

(A development stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2014 and 2013**

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

## 2. Basis of preparation (continued)

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. These condensed consolidated interim financial statements should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2013, which were prepared in accordance with IFRS as issued by the IASB.

Except as described in note 3, 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, 2013.

These condensed consolidated interim financial statements were approved by the board of directors for issue on May 12, 2014.

## 3. Adoption of new accounting standard

Effective January 1, 2014, the Company adopted the following standard:

IFRIC 21 - *Levies*

This standard was issued on May 20, 2013 and provided guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, *Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain. The adoption of this standard did not have an impact on the Company’s condensed consolidated interim financial statements.

## 4. Cash and cash equivalents

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

	As at March 31, 2014	As at December 31, 2013
	\$	\$
Cash	14,460,826	15,796,733
Term deposits	8,503,005	7,783,781
	<u>22,963,831</u>	<u>23,580,514</u>

# Minco Silver Corporation

(A development stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2014 and 2013**

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

## 4. Cash and cash equivalents (continued)

	Amount in original currency	March 31, 2014 Canadian dollar equivalent \$
Cash denominated in Canadian dollars	516,305	516,305
Cash denominated in US dollars	11,308,034	12,510,078
Cash denominated in Chinese RMB	55,396,302	9,937,448
		<u>22,963,831</u>
		December 31, 2013 \$
Cash denominated in Canadian dollars	352,604	352,604
Cash denominated in US dollars	12,528,722	13,401,975
Cash denominated in Chinese RMB	56,174,871	9,825,935
		<u>23,580,514</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 March 31, 2014, \$12,438,156 of the Company's cash was held by Minco China in trust for the Company (note 8(a)).

## 5. Short-term investments

	Amount in original currency	March 31, 2014 Canadian dollar equivalent \$
Cash denominated in Canadian dollars	30,128,240	30,128,240
Cash denominated in US dollars	1,000,000	1,106,300
Cash denominated in Chinese RMB	32,432,269	5,817,969
		<u>37,052,509</u>
		December 31, 2013 \$
Cash denominated in Canadian dollars	31,108,240	31,108,240
Cash denominated in US dollars	1,000,000	1,069,700
Cash denominated in Chinese RMB	27,432,269	4,798,368
		<u>36,976,308</u>

# Minco Silver Corporation

(A development stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2014 and 2013**

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

## 5. Short-term investments (continued)

As at March 31, 2014 and December 31, 2013, short-term investments consist of cashable guaranteed investment certificates with maturities between six months and one year. The yields on these investments were between 3.08% and 3.30%.

## 6. Mineral interests

### (a) Fuwan Silver Deposit

Minco Silver, indirectly through Minco HK, has a 90% 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 Exploration Permit for the Fuwan project is the Luoke-Jilinggang exploration permit, which expires on July 20, 2015. The Mining Area Permit, which covers approximately 0.79 sq. km, defines the mining limits of the Fuwan Silver Deposit and restricts the use of this land to mining activities was approved by the Ministry of Land and Resources ("MOLAR"). The Mining Area Permit was renewed for a two –year period expiring on April 10, 2016.

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

The following is a summary of project development costs capitalized to mineral interests from January 1, 2014 to March 31, 2014.

	<b>2014</b>
	<b>\$</b>
<b>Opening Balance – January 1, 2014</b>	<b>27,369,966</b>
Consulting fees	104,851
Salaries and benefits	67,510
Share-based compensation	138,076
Mining license application	131,581
Environment impact assessment	12,872
Travel	7,431
Other development costs	63,361
Foreign exchange gain	704,111
<b>Ending Balance – March 31, 2014</b>	<b><u>28,599,759</u></b>

# Minco Silver Corporation

(A development stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2014 and 2013**

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

## 6. Mineral interests (continued)

### (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. The Company has decided not to renew the Guanhuatang property permit, which expired on April 4, 2014. The Company is in the process of renewing the two remaining permits, which are held by Minco China in trust for the Company, with the Ministry of Land and Resources.

During the three months ended March 31, 2014, 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 expires on September 10, 2015.

During the three months ended March 31, 2014, the Company did not conduct any exploration activities at the Changkeng project.

## 7. 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 three months ended March 31, 2014, the Company granted stock options for 1,425,000 common shares to its directors, officers and employees at a weighted exercise price of \$0.80 per share that vest over an 18-month period from the issuance date.

The Company recorded \$380,208 of share-based compensation for stock options for the three months ended March 31, 2014 (2013 - \$965,409). Share-based compensation expense of \$303,575 (2013 - \$724,599) was recorded in the statement of operations and net loss and share-based compensation expense of \$76,633 (2013 - \$240,809) was capitalized to mineral interests.

# Minco Silver Corporation

(A development stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2014 and 2013**

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

## 7. Share capital (continued)

A summary of the options outstanding is as follows:

	Number outstanding	Weighted average exercise price \$
Balance, January 1, 2013	5,249,169	3.34
Granted	1,900,000	1.67
Exercised	(6,667)	1.05
Expired	(326,666)	2.58
Forfeited	(110,000)	2.60
Balance, December 31, 2013	6,705,836	2.92
Granted	1,425,000	0.80
Expired	(305,000)	1.05
Forfeited	(298,334)	3.74
Balance, March 31, 2014	7,527,502	2.56

The weighted average share price on the day options were exercised was \$Nil (Three months ended March 31, 2013 - \$1.99). As at March 31, 2014, there was \$582,118 (2013 - \$327,507) total unrecognized compensation cost relating to unvested options.

<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 \$
0.80-1.41	1,420,000	4.81	0.80	-	-
1.42-2.00	2,039,166	3.59	1.69	1,432,489	1.70
2.01-2.35	2,138,336	2.96	2.35	2,138,336	2.35
2.36-3.65	280,000	1.30	3.27	280,000	3.27
3.66-6.45	1,650,000	1.89	5.30	1,574,999	5.31
	7,527,502	3.18	2.56	5,425,824	3.09

# Minco Silver Corporation

(A development stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2014 and 2013**

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

## 7. Share capital (continued)

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

	2014	2013
Risk-free interest rate	1.31% - 1.69%	1.12% - 1.47%
Dividend yield	0%	0%
Volatility	71% - 76%	70% - 100%
Forfeiture rate	26%	27%
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.

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

During the year ended December 31, 2013, the Company granted 560,000 RSUs to the Company's 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 in tranches 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 vested on February 1, 2014.

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

During the three months ended March 31, 2014, the Company recorded \$39,000 (2013 - \$223,911) of share-based compensation for RSUs. Share-based compensation of \$3,900 (2013 - \$22,391) was recorded in the statement of operations and net loss and share-based compensation expense of \$35,100 (2013 - \$201,520) was capitalized to mineral properties.

During the three months ended March 31, 2014, the Company recorded \$32,180 (2013 - \$Nil) of share-based compensation for PSUs. Share-based compensation of \$5,837 (2013 - \$Nil) was recorded in the statement of operations and net loss and share-based compensation expense of \$26,343 (2013 - \$Nil) was capitalized to mineral properties.

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Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2014 and 2013**

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

## 8. 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.

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 December 31, 2013, all these funds had been transferred from Minco China to Minco Yinyuan and Foshan Minco, and this trust agreement was effectively settled.

During the year ended December 31, 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.

Minco China is required to exchange the US dollars into RMB, before the money can be used to increase the registered capital of Foshan Minco. The exchange of US dollars into RMB requires approval from the State Administration of Foreign Exchange ("SAFE"). In order to obtain SAFE approval to effect the foreign currency exchange, Minco China, on behalf of Minco Silver has engaged a third party consultant to enter into purchase and sales transaction to exchange US dollars into RMB. During the three months ended March 31, 2014, Minco China paid and accrued consultancy fees totaling RMB 276,500 (\$49,777) (2013 – \$Nil) due to a third party, who assisted in the completion of currency exchange of the US funds into RMB.

As at March 31, 2014, Minco China held US \$11,220,614 (\$12,413,365) (December 31, 2013 – US \$12,526,138 (\$13,399,210)) and RMB 138,200 (\$24,791) (December 31, 2013 – RMB 14,613,570 (\$2,556,161)) 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 March 31, 2014 were \$3,568,728 (December 31, 2013 – \$3,584,387) and consisted of the following:

Amount due to Minco China as at March 31, 2014 of \$141,912 (December 31, 2013 – \$15,847) representing expenditures incurred by Minco China on behalf of Foshan Minco.



# Minco Silver Corporation

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Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2014 and 2013**

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

## 8. Related party transactions (continued)

Amount due from Minco Gold as at March 31, 2014 of \$3,710,640 (December 31, 2013 – \$3,600,234) 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. Minco Gold is a junior exploration company, consequently its ability to repay the loan is subject to the entity's ability to raise funds. The liquidity position of Minco Gold may result in uncertainty as to the timing of repayment.

During the three months ended March 31, 2014, the Company paid or accrued \$37,904 (March 31, 2013 – \$38,357) in respect of rent and \$202,499 (March 31, 2013 – \$169,092) in respect of shared head office expenses and administration costs to Minco Gold.

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

### (c) Key management compensation

In the three months ended March 31, 2014 and 2013, 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.

	<b>Three months ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
	\$	\$
Cash remuneration	210,315	174,146
Share-based compensation	297,811	841,015
	<u>508,126</u>	<u>1,015,161</u>

## 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, 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 months ended March 31, 2014 and 2013**

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

## 9. Fair value measurements (continued)

Due from related parties amounts are unsecured, non-interest bearing and payable on demand. Minco Gold is a junior exploration company. Minco Gold's ability to repay the loan is subject to the entity's ability to raise funds. This could cause uncertainty as to the timing of repayments.

## 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:

### Income (loss) by geography

	Three months ended March 31, 2014		
	Canada	China	Total
	\$	\$	\$
General and administration	(653,030)	211,642	(441,388)
Finance and other income	123,854	64,685	188,539
	<u>(529,176)</u>	<u>276,327</u>	<u>(252,849)</u>

	Three months ended March 31, 2013		
	Canada	China	Total
	\$	\$	\$
General and administration	(793,282)	(50,559)	(843,841)
Finance and other income	190,937	16,609	207,546
	<u>(602,345)</u>	<u>(33,950)</u>	<u>(636,295)</u>

### Assets by geography

	March 31, 2014		
	Canada	China	Total
	\$	\$	\$
Current assets	34,406,866	30,181,542	64,588,408
Non-current assets	18,197	29,031,385	29,049,582
Total assets	<u>34,425,063</u>	<u>59,212,927</u>	<u>93,637,990</u>

# Minco Silver Corporation

(A development stage enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2014 and 2013**

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

## 10. Geographical information (continued)

	<b>December 31, 2013</b>		
	<b>Canada</b>	<b>China</b>	<b>Total</b>
	\$	\$	\$
Current assets	35,111,455	29,745,100	64,856,555
Non-current assets	22,193	27,831,054	27,853,247
Total assets	<u>35,133,648</u>	<u>57,576,154</u>	<u>92,709,802</u>