MINCO 明科银矿公司
SILVER CORPORATION

ANNUAL INFORMATION FORM

For the year ended December 31, 2011

Dated March 30, 2012

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INTRODUCTION

All dollar amounts in this annual information form (the "**Annual Information Form**") are in Canadian dollars, except where otherwise indicated. The reporting currency of Minco Silver Corporation ("**we**", "**us**", "**our**", "**Minco Silver**" or the "**Company**") is the Canadian dollar.

Certain information contained in this Annual Information Form concerning the industry in which we operate has been obtained from publicly available information from third party sources. We have not verified the accuracy or completeness of any information contained in such publicly available information. In addition, we have not determined if there has been any omission by any such third party to disclose any facts, information or events which may have occurred prior to or subsequent to the date as of which any such information became publicly available or which may affect the significance or accuracy of any information contained in any such information and summarized herein.

Certain statements contained in this Annual Information Form constitute forward-looking statements. These statements relate to future events or our future performance, business prospects or opportunities. Forward-looking statements include, but are not limited to, statements with respect to commercial mining operations, anticipated mineral recoveries, projected quantities of future mineral production, interpretation of drill results, anticipated production rates and mine life, operating efficiencies, capital budgets, costs and expenditures and analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

All statements other than statements of historical fact may be forward-looking statements. Statements concerning mineral resource estimates may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be encountered if a property is developed, and in the case of mineral resources, such statements reflect the conclusion based on certain assumptions that the mineral deposit can be economically exploited. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "seek", "anticipate", "plan", "continue", "estimate", "expect, "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "outlook" and similar expressions) are not statements of historical fact and may be forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. We believe that the expectations reflected in those forward looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this Annual Information Form should not be unduly relied upon. These statements speak only as of the date of this Annual Information Form. We do not intend, and do not assume any obligation, to update these forward-looking statements except as required by law. These forward-looking statements involve risks and uncertainties, including but not limited to the following: results of exploration and development activities; our historical experience with development-stage mining operations; identifying acquisitions of additional mining properties of merit; uninsured risks; regulatory changes; defects in title; availability of materials and equipment; timeliness of government approvals; changes in commodity prices, and particularly silver prices; general economic, market and business conditions; actual operating and financial performance of facilities, equipment and processes relative to specifications and expectations; unanticipated environmental impacts on operations; competition for, among other things, properties, capital and skilled personnel; implementation of our business plans; the availability of capital on acceptable terms; fluctuations in currency exchange rates; adequate infrastructure in the jurisdictions in which we operate; foreign operations; enforceability of judgments outside of Canada; dependence on key personnel; and conflicts of interest of our management. Actual results may differ materially from those expressed or implied by such forward-looking statements. For additional information, see the section of this Annual Information Form entitled "Risk Factors".

Wayne Spilsbury, a director of Minco Silver Corporation, is a member of the Association of Professional Engineers and Geoscientists of British Columbia, a Fellow of Australasian Institute of Mining and Metallurgy and is a "qualified person", as defined in NI 43-101. Mr. Spilsbury has supervised the preparation of the technical content of this annual information.

The following tables set forth, for each period indicated, information concerning the exchange rates between RMB, US dollars and Canadian dollars based on the Bank of Canada nominal noon exchange rates. The tables below illustrate the portion or multiples of a Canadian dollar it would take to buy one RMB or US dollar.

Fiscal Year Ended December 31,	**CDN$ per RMB**			
	Average(1)	**Low**	**High**	**Period End**
2011	**0.1531**	**0.0.1456**	**0.1663**	**0.1616**
2010	0.1521	0.1459	0.1578	0.1509
2009	0.1672	0.1508	0.1900	0.1533

Fiscal Year Ended December 31,	**CDN$ per USD**			
	Average(1)	**Low**	**High**	**Period End**
2011	**0.9891**	**0.9449**	**1.0604**	**1.1070**
2010	1.0299	0.9946	1.0778	0.9946
2009	1.1420	1.0292	1.3000	1.0466

(1) The average of the daily nominal noon exchange rates during the year.

GLOSSARY OF TERMS

(a) "**AIC**" has the meaning ascribed thereto in the section entitled "The Business – The Fuwan Project".

(b) "**Assignment Agreement**" means the assignment agreement entered into among Minco Gold, Minco China and Minco Silver dated March 10, 2010

(c) "**Changkeng Permit**" means the reconnaissance survey exploration permit (#T01120080102000011). The original permit expired on September 10, 2011. It was renewed for two years with the new expiry date of September 10, 2013, in respect of the 1.19km^2 Changkeng gold property in Gaoyao City of Guangdong Province in southern China.

(d) "**Changkeng Property**" means the 1.19 km2 Changkeng gold property in Gaoyao City of Guangdong Province in southern China which adjoins the property underlying the Fuwan Silver Permit.

(e) **"China Joint Venture Law"** has the meaning ascribed thereto in the section entitled "Background to Mining in China –Chinese Foreign Cooperative Joint Ventures".

(f) "**CJV**" has the meaning ascribed thereto in the section entitled "Background to Mining in China – Foreign Investment".

(g) "**Confirmation Agreement"** means the confirmation agreement entered into among Minco Gold, Minco China and Minco Silver dated August 24, 2006.

(h) "**DOC**" has the meaning ascribed thereto in the section entitled "The Business – The Fuwan Project".

(i) "**EIA**" means environmental impact assessment.

(j) "**EJV**" has the meaning ascribed thereto in the section entitled "Background to Mining in China – Foreign Investment."

(k) "**Feasibility Study**" or "**Fuwan Technical Report**" means the technical report dated October 23, 2009 entitled "*Fuwan Silver Project Feasibility Study Technical Report*" prepared by Wardrop, A Tetra Tech Company.

(l) "**FIE**" has the meaning ascribed thereto in the section entitled "Background to Mining in China – Foreign Investment".

(m) **"Foshan Minco"** Means Foshan Minco Fuwan Mining Co., Ltd. a corporation incorporated in the City of Foshan and under the laws of the People's Republic of China, that the company holds a 90% interest in.

(n) "**Fuwan Permits**" means, collectively the Luoke-Jilinggang Permit, the Guyegang Permit, the Guanhuatang Permit, and the Hecun Permit.

(o) "**Fuwan Project**" means the 205 km^{2}Fuwan silver property which is located in Guangdong Province in southern China consisting of the following two components: (i) the properties which are the subject of the Fuwan Permits; and (ii) Minco Silver's interests in the silver mineralization on the Changkeng Property.

(p) "**Fuwan Silver Deposit**" means the portion of the Fuwan Project which is subject to the feasibility study completed by Wardrop.

(q) "**Hecun Permit**" means the reconnaissance survey exploration permit (#T01120080402000422) in respect of the 16.96km^2 lead-zinc property in Gaoming region, Foshan City of Guangdong province held by Minco China in trust for Foshan Minco.

(r) "**GDP**" has the meaning ascribed thereto in the section entitled "Background to Mining in China – General Background."

(s) "**GGB**" means Guangdong Geological Bureau of China.

(t) "**GSGEM**" has the meaning ascribed thereto in the section entitled "The Business – The Fuwan Project".

(u) "**Guanhuatang Permit**" means the reconnaissance survey exploration permit (#T01120080502000491) in respect of the 37.29 km2 Guanhuatang silver and multi-metals property in Foshan City of Guangdong Province held by Minco China in trust for Foshan Minco.

(v) **"Guyegang Permit"** means the reconnaissance survey exploration permit (#T01120080402000421) in respect of the 74.74km^2 silver and multi-metals property in Gaoming Region, Foshan city of Guangdong Province issued to Minco China in trust for Foshan Minco.

(w) "**ICBC**" means the Industrial and Commercial Bank of China.

(x) "**Luoke-Jilinggang Permit**" means the reconnaissance survey exploration permit (#T01120080402000336) in respect of the 76.62 km2 Luoke-Jilinggang silver and multi-metals property in Gaoyao City and Gaomin City of Guangdong Province issued to Foshan Minco and having validity from July 20, 2011 to July 20, 2013, incorporating the original Fuwan permit and original Luoke-Jilinggang permits)

(y) **"Minco China"** means Minco Mining (China) Corporation a wholly owned subsidiary of Minco Gold incorporated in Beijing under the laws of China.

(z) **"Minco Gold"** means Minco Gold Corporation (formerly "Minco Mining & Metals Corporation").

(aa) "**MOC**" has the meaning ascribed thereto in the section entitled "Background to Mining in China –Chinese Foreign Cooperative Joint Ventures".

(bb) "**MOLAR**" means Ministry of Land and Resources.

(cc) "**NERIN**" has the meaning ascribed thereto in the section entitled "The Business – The Fuwan Project".

(dd) "**P&E**" means P&E Mining Consultants Inc.

(ee) "**RMB**" means the Chinese currency Renminbi.

(ff) "**SAFE**" has the meaning ascribed thereto in the section entitled "The Business – The Fuwan Project".

(gg) "**SDRC**" has the meaning ascribed thereto in the section entitled "Background to Mining in China –Chinese Foreign Cooperative Joint Ventures".

(hh) "**SRK**" has the meaning ascribed thereto in the section entitled "The Business – The Fuwan Project".

(ii) "**Sterling**" means Sterling Mining Company.

(jj) "**Tranzcom**" has the meaning ascribed thereto in the section entitled "Cease Trade Orders, Bankruptcies, Penalties or Sanctions".

(kk) "**TSX**" means the Toronto Stock Exchange.

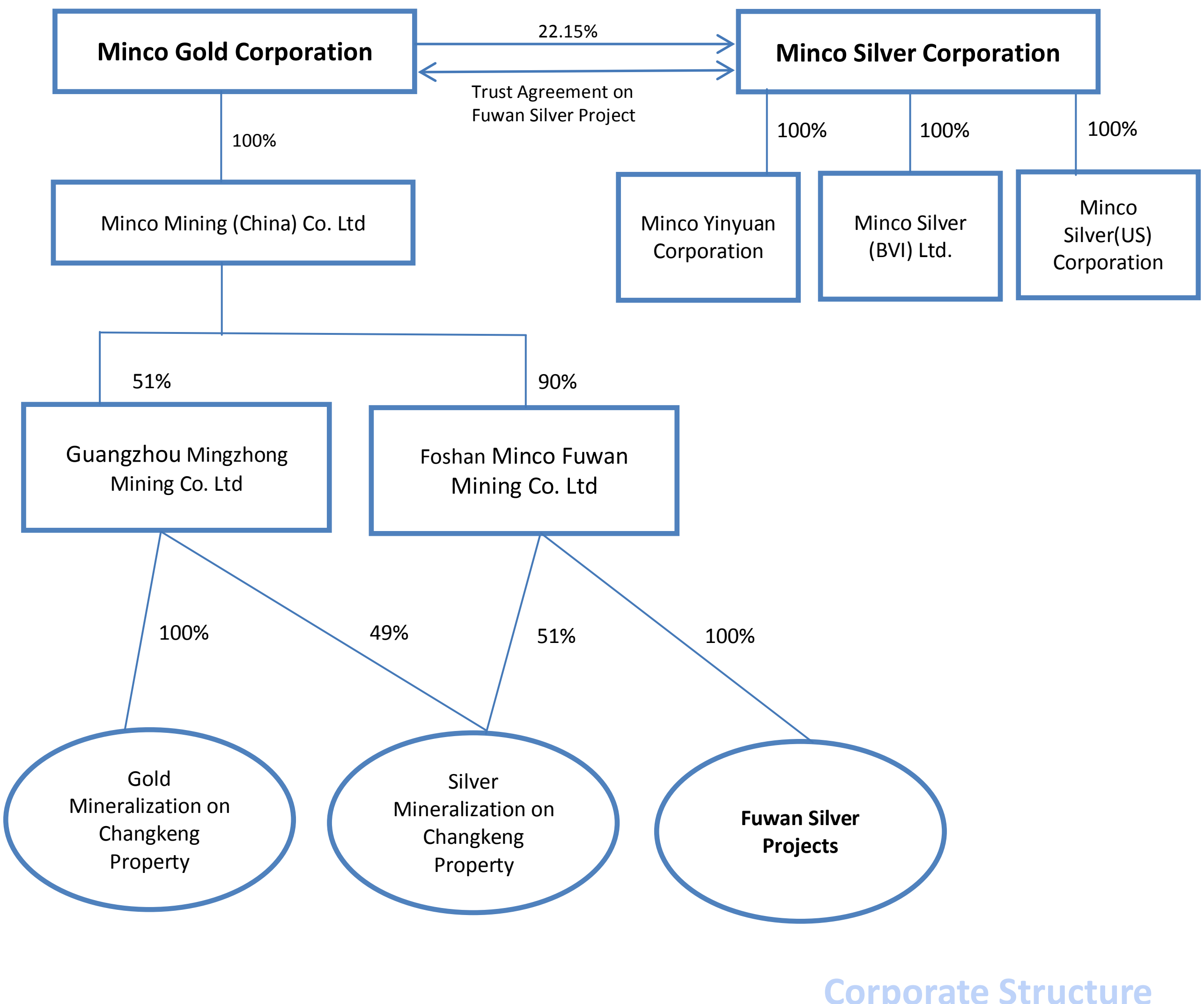
(ll) "**Wardrop**" means Wardrop, a Tetra Tech Company.

(mm) "**WFOE**" means a wholly foreign owned entity for the purposes of Chinese law.

CORPORATE STRUCTURE

The full corporate name of our company is "Minco Silver Corporation". Our head and registered office is located at #2772-1055 West Georgia Street, Vancouver, British Columbia V6E 3R5. We were incorporated under the *Business Corporations Act* (British Columbia) on August 20, 2004 and our common shares trade on the TSX under the symbol "MSV".

Our material subsidiaries and their respective jurisdictions of organization are set out in the diagram below:



In the organization chart above, parts of the Minco Gold corporate structure are visible. Minco Gold is a publically traded company listed on the TSX under the symbol "MMM" and is a related party connected to the Company through common management. Minco Gold also own 22.15% of the common shares of Minco Silver. The Minco Gold organizational structure is relevant to Minco Silver due to the fact that Foshan Minco, the entity through which Minco Silver's Fuwan Project is held, is a legal subsidiary of Minco China and Minco Gold. Minco Gold and Minco China hold the interest in Foshan Minco in trust for Minco Silver. For more information on the history of this arrangement please see "The Business – The Fuwan Project" below.

The legal structure described above, reflects restrictions under Chinese law for foreign companies to invest in registered Chinese entities. Funding from Minco Silver to Foshan Minco must pass through Minco China. Minco

China is a WFOE for the purposes of Chinese law and is the parent company of Foshan Minco under Chinese law. This transaction flow will be necessary until such time as Foshan Minco becomes Minco Silver's legal subsidiary in China when Minco Silver incorporates a WFOE to allow it to pass funds directly to Foshan Minco. As Foshan Minco is a subsidiary of Minco Silver for accounting purposes, loans or funds advanced from Minco Silver to Minco Gold or Minco China are discharged when such funds are advanced from Minco China to Foshan Minco as the funds have moved back inside the Minco Silver consolidated group. Minco Gold and Minco China are used by Minco Silver as conduits to transfer funds to Foshan Minco; however, they have no ongoing obligation with respect to funds advanced through to Foshan Minco and are not subject to repayment obligations.

For the remainder of this document, the consolidated operations of our Company and its subsidiaries will be referred to collectively as "we", "our", "us", the "Company" or "Minco Silver", unless otherwise specifically noted or the context requires otherwise.

GENERAL DEVELOPMENT OF THE BUSINESS

We are a development stage company focused on the exploration and development of mineral resource projects. Our primary focus is to advance our principal property, the Fuwan Project, towards production. The Fuwan Project is located 45 kilometres southwest of Guangzhou City, China. We also have the right to acquire 51% of the Silver Mineralization on the Changkeng Property which is jointly owned by the Company with Minco Gold Corporation. We are also seeking to identify and acquire additional silver dominant projects that we believe will enhance shareholder value.

Three Year History

The Company acquired its interests in the Fuwan Project in 2004. Following a six-phase drilling program conducted during the period of 2005 to early 2008, a resource estimate on the project was completed by P&E Mining Consultants Inc. in January 2008 and an environmental base line study was completed in early 2010. The Company has made significant progress in permitting and in advancing the regulatory EIA during the past three years. The Company recently completed a preliminary mine design on the Fuwan Project.

On September 28, 2009 the Company announced the completion of a Feasibility Study on the Fuwan Silver Deposit. The Feasibility Study valued the Fuwan Project at US$111.5 million in net present value terms, assuming a 6% discount rate. In September of 2010 the Company, through its subsidiary, Foshan Minco received a commitment from the Industrial and Commercial Bank of China to provide the Company with a RMB 300,000,000 project debt facility (the "**Project Debt Facility**") subject to the Company receiving the mining license for the Fuwan Project. The Project Debt Facility will provide the Company with approximately 60% of the total projected capital expenditures which will be required to complete the building of the mine at the Fuwan Project. On July 20, 2011 the Company renewed the exploration permit for the Fuwan Project. The current permit, issued by the MOLAR is valid until July 20, 2013.

Financings

In the last three years, the Company completed the following equity financings:

On October 22, 2009, the Company completed a non-brokered private placement (the "**2009 Private Placement**") of 8,175,179 units at a price of $1.70 per unit (the "**2009 Units**") for gross proceeds of $13,897,804.30. Each 2009 Unit consisted of one common share of the Company and one half of a common share purchase warrant. The warrants expired on October 22, 2010 and each whole warrant was exercisable into one common share of the Company at a price of $2.15. Cash finders' fees in the amount of $244,706.72 were paid to various finders in connection with the 2009 Private Placement.

On April 14, 2010 and April 21, 2010, the Company completed a non-brokered private placement (the "**2010 Private Placement**") of 1,972,500 units at a price of $1.71 per unit (the "**2010 Units**") for gross proceeds of $3,933,000. Each 2010 Unit consisted of one common share of the Company and one half of a common share purchase warrant. Each whole warrant acquired in the 2010 Private Placement entitles the holder thereof to purchase one additional common share of the Company on or before April 21, 2011 at an exercise price of $2.15.

Cash finders' fees in the amount of $41,467.50 were paid to various finders in connection with the 2010 Private Placement.

On March 3, 2011, the Company completed an underwritten public offering by way of a short form prospectus of 7,600,000 common shares of the Company at $5.95 per share for total gross proceeds of $45,220.000 million (the "**2011 Offering**"). The Offering was qualified by a short form prospectus dated February 22, 2011 filed by the Company with the securities regulatory authorities in each of the Provinces of Canada other than Québec. In consideration for their services, the underwriters received a cash commission equal to 5.5% of the gross proceeds of the 2011 Offering and an aggregate 418,000 warrants each exercisable into one common share of the Company at $5.95 for a period of 18 months following the closing of the 2011 Offering.

BACKGROUND TO MINING IN CHINA

General Background

Industry is the most important sector of the economy of the China, accounting for 52.9% of its gross domestic product ("**GDP**") in 2004. The mining industry accounted for an estimated 6% of the national industrial output in 2004. In 2003 the mining industry employed more than 20 million people. Since 1978, China has been moving from a planned economy to a more open, market-oriented system, with the result that the economic influence of privately owned enterprises and foreign investors has been steadily increasing. The result of this economic development has been the quadrupling of GDP since 1978.

Agricultural output doubled in the 1980s, and industry has posted major gains, especially in coastal provinces, where foreign investment has helped spur output of both domestic and export goods. Growth has not been without setbacks, as issues such as inflation, excessive capital investment, inefficient state owned enterprises and banks, and deterioration in the environment have periodically caused the state to backtrack, re-tightening central controls from time to time.

The Chinese legal system is comprised of written statutes and the interpretation of these statutes by the People's Supreme Court. Continuing efforts are being made to improve civil, administrative, criminal and commercial law especially since China's accession into the WTO. This includes the development of laws governing foreign investment in China, including a regime for Sino-foreign cooperative joint ventures and increased foreign participation in mineral resource exploration and mining.

Foreign Investment

Direct foreign investment in China usually takes the form of equity joint ventures ("**EJVs**"), cooperative joint ventures ("**CJVs**") and WFOEs. These investment vehicles are collectively referred to as foreign investment enterprises ("**FIEs**"). An EJV is a Chinese legal person and consists of at least one foreign party and at least one Chinese party. The EJV generally takes the form of a limited liability company. It is required to have registered capital to which each party to the EJV subscribes. Each party to the EJV is liable to the EJV up to the amount of the registered capital subscribed by it.

The profits, losses and risks of the EJV are shared by the parties in proportion to their respective contributions to the registered capital. There are also rules and regulations governing specific aspects of EJVs or FIEs, including capital contribution requirements, debt equity ratio, foreign exchange control, labour management, land use and taxation. Unlike an EJV, a CJV may be, but need not be, incorporated as a separate legal entity. The relationship between the parties is contractual in nature. The rights, liabilities and obligations of the parties are governed by the CJV contract, as is each party's share of the goods produced or profits generated. A CJV is considered a legal person with limited liability if it is incorporated as a separate legal entity.

The establishment of FIEs requires the approval of various Chinese government authorities. Generally, the approval authority is determined on the basis of the total amount of investment involved and the location of the project in question. The State Council must approve restricted foreign invested projects having an investment of US$100 million or more and encouraged and permitted foreign investment projects having an investment of US$500 million or more. Subject to the above, the State Development and Reform Commission and the Ministry of Commerce in

China are authorized by the State Council to approve foreign investment projects under a restricted catalogue having an investment of US$50 million or more, and foreign investment projects under the encouraged or permitted catalogue having an investment of US$100 million or more.

Provincial authorities in China are authorized to approve projects less than the above thresholds under various catalogues. However, companies which conduct exploration or mining are required to obtain the approval of the Ministry of Commerce as required by doc. 70 issued by the State of Council in 2000.

Cooperative Joint Ventures

CJVs are a form of foreign direct investment in China and are governed by the *Law of the PRC on Sino-foreign Cooperative Joint Ventures* (implemented in 1988 and revised in 2000) and the *PRC Sinoforeign Cooperative Joint Venture Law Implementing Rules* (implemented in 1995) (collectively the "**CJV Law**"). Foreign investment in mining in China may also take the form of Sino-foreign equity joint ventures or WFOEs. The CJV Law permits a CJV to choose to operate as a "legal person" by forming a limited liability company, subject to approval by relevant governmental authorities.

A limited liability company would own all of the CJV's assets, and the liabilities of the investor are limited as provided in the CJV contract entered into between them. The CJV Law requires investors in a CJV to make an investment or other contribution, which may take the form of cash, material, technology, land use rights, or other property rights. Investors must satisfy their contribution obligations within the time frame prescribed by their CJV subject to applicable Chinese regulations.

Failure to satisfy contribution obligations by investors may lead to penalties and even to the business license being revoked by the governmental authorities. Profits of a CJV are distributed as agreed by investors in the CJV contract and distributions need not be proportionate to each investor's contributions. The CJV contract also determines how liquidation proceeds are to be distributed when the CJV contract is terminated.

Government Regulations of Mineral Resources and Ownership

Exploration for and exploitation of mineral resources in China are governed by the *Mineral Resources Law of the PRC* of 1986, amended effective January 1, 1997, and the *Implementation Rules for the Mineral Resources Law of the PRC*, effective March 26, 1994. In order to further implement these laws, on February 12, 1998, the State Council issued three sets of regulations: (i) *Regulation for Registering to Explore Mineral Resources Using the Block System*, (ii) *Regulation for Registering to Mine Mineral Resources*, and (iii) *Regulation for Transferring Exploration and Mining Rights* (together with the mineral resources law and implementation rules being referred to herein as the "**Mineral Resources Law**"). Under the Mineral Resources Law, MOLAR is charged with supervision nationwide of mineral resources prospecting and development.

The mineral resources administration authorities of provinces, autonomous regions and municipalities, under the jurisdiction of the state, are charged with supervision of mineral resources prospecting and development in their respective administration areas. The people's governments of provinces, autonomous regions and municipalities, under the jurisdiction of the state, are charged with coordinating the supervision by the mineral resources administration authorities on the same level. The Mineral Resources Law, together with the *Constitution of the PRC*, provides that mineral resources are owned by the state. The State Council, the highest executive body of the state, regulates mineral resources on behalf of the state. The ownership rights of the state include: (i) occupy, (ii) use, (iii) earn, and (iv) dispose of, mineral resources, regardless of the rights of owners or users of the land under which the mineral resources are located. Therefore, the state is free to authorize third parties to enjoy its rights to legally occupy and use mineral resources and may collect resource taxes and royalties pursuant to its right to earn. In this way, the state can direct and regulate the development and use of the mineral resources of China.

Mineral Resources Permits

The *Provisions in Guiding Foreign Investment and the Industrial Catalogue in Guiding Foreign Investment*, which was updated on April 1, 2002, January 1, 2005 and October 31, 2007 (collectively, the "**Investment Guiding**

Regulations") govern foreign investment in China and categorize industries into four types where foreign investment is: (i) encouraged, (ii) permitted, (iii) restricted, or (iv) prohibited.

In mining industries, "encouraged" projects include the exploration and mining of coal (and its derived resources), iron, manganese, copper and zinc minerals, etc. "Restricted" projects include the exploration and mining of the minerals of tin, antimony and other noble metals including gold and silver, etc. "Prohibited" projects include the exploration and mining of radioactive minerals and rare earth. Foreign investment is "permitted" if the exploration and mining of the minerals is not included in the other three categories. Subject to the Investment Guiding Regulations, foreign investment in the exploration and mining of minerals is generally encouraged, in particular in relation to minerals in the western region of China.

Until January 2000, the production, purchasing, distributing, manufacturing, using, recycling, import and export of silver was strictly regulated by the *Regulations of the People's Republic of China on the Control of Gold and Silver*. Since then, China's silver market has been fully opened and silver is now treated as a commodity not subject to any special control or restrictive regulation by the state. However, foreign investment in the exploration and mining of silver remains restricted. China has adopted, under the Mineral Resources Law, a licensing system for the exploration and exploitation of mineral resources. MOLAR and its authorized provincial or local departments are responsible for approving applications for exploration permits and mining permits. The approval of MOLAR is also required to transfer those rights.

Applicants must meet certain conditions for qualification set by the state. Pursuant to the Mineral Resources Law, the applicant for a mining right must present stated documents, including a plan for development and use of the mineral resources and an evaluation report of the environmental impact thereof. The Mineral Resources Law allows individuals to excavate sporadic resources, sand, rocks and clay for use as materials for construction and a small quantity of mineral resources for sustenance. However, individuals are prohibited from mining mineral resources that are more appropriate to be mined in scale by an enterprise, the specified minerals that are subject to protective mining by the state and certain other designated mineral resources, as may be determined by MOLAR. Once granted, all exploration and mining rights are protected by the state from encroachment or disruption under the Mineral Resources Law. It is a criminal offence to steal, seize or damage exploration facilities, or disrupt the working order of exploration areas.

Exploration Rights

Exploration permits are registered and issued to "licensees". The period of validity of an exploration permit can have a maximum term of three years. The exploration permit is described by a "basic block". An exploration permit for metallic and non-metallic minerals has a maximum of 40 basic blocks.

When a mineral that is capable of economic development is discovered, the licensee may apply for the right to develop such mineral. The period of validity of an exploration permit can be extended by application and each extension can be no more than two years in duration. During the term of the exploration permit, the licensee has the privileged priority to obtain the mining right to the mineral resources in the exploration area covered by the exploration permit provided it meets the conditions of qualification for mining rights holders. Further, the licensee has the rights, among others, to: (i) explore without interference within the area under permit during the permit term, (ii) construct exploration facilities, and (iii) pass through other exploration areas and adjacent ground to access the permitted area. After the licensee acquires the exploration permit, the licensee is obliged to, among other things: (i) start exploration within the prescribed term, (ii) explore according to a prescribed exploration work scheme, (iii) comply with state laws and regulations regarding labour safety, water and soil conservation, land reclamation and environmental protection, (iv) make detailed reports to local and other licensing authorities, (v) close and occlude the wells arising from prospect work, (vi) take other measures to protect against safety concerns after the prospect work is completed, and (vii) complete minimum exploration expenditures as required by the *Regulations for Registering to Explore Resources Using the Block*.

Mining Rights

Holders of mining rights, or "concessionaires", are granted licenses to mine for maximum terms of 10 to 30 years, based on the magnitude of the mining project. The concessionaires may extend the term of a mining license with an application at least 30 days prior to expiration of the term. The user fee for the mining right is equal to RMB 1,000 per square kilometre per year. Where there is any prior state investment in or state sponsored geological work conducted on a mineral property, the state must be compensated based on the assessed value of the state input before mining rights can be granted. Concessionaires enjoy the rights, among others, to: (i) conduct mining activities during the term and within the mining area prescribed by the mining license, (ii) sell mineral products (except for mineral products that the State Council has identified for unified purchase by designated units), (iii) construct production and living facilities within the mine area, and (iv) use the land necessary for production and construction, in accordance with applicable law. Concessionaires are obliged to, among other things: (i) conduct mine construction or mining activities within a defined time period, (ii) conduct efficiently production, rational mining and comprehensive use of the mineral resources, (iii) pay resources tax and mineral resources compensation (royalties) pursuant to law, (iv) comply with state laws and regulations regarding labour safety, water and soil conservation, land reclamation and environmental protection, (v) be subject to the supervision and management from both the departments in charge of geology and mineral resources, and (vi) complete and present mineral reserves forms and mineral resources development and use statistics reports, according to applicable law.

Transferring Exploration and Mining Rights

A mining enterprise may transfer its exploration or mining rights to others, subject to the approval of MOLAR or its authorized departments at the provincial or local level, as the case may be. An exploration permit may only be transferred if the transferor has: (i) held the exploration permit for two years as of the issue date, or discovered minerals in the exploration block, which are able to be explored or mined further, (ii) a valid and subsisting exploration permit, (iii) completed the stipulated minimum exploration expenditure, (iv) paid the user fees and the price for prospect rights pursuant to the relevant regulations, and (v) obtained the necessary approval from the authorized department in charge of the minerals. Mining rights may only be transferred if the transferor needs to change the ownership of such mining rights because it is: (i) engaging in a merger or split, (ii) entering into equity or cooperative joint ventures with others, (iii) selling its enterprise assets, or (iv) engaging in a similar transaction that will lead to the alteration of the property ownership of the enterprise. A mining permit may only be transferred if the transferor has: (i) commenced production for no less than one year, (2) a valid and subsisting mining permit without title dispute, and (iii) paid the user fees, the price for the mining right, resource tax and mineral resource compensation pursuant to laws.

Environmental Laws

In the past ten years, laws and policies for environmental protection in China have moved towards stricter compliance and stronger enforcement. The basic laws in China governing environmental protection in the mineral industry sector of the economy are the *Environmental Protection Law*, the *Environment Impact Assessment Law* and the *Mineral Resources Law*. The State Administration of Environmental Protection and its provincial counterparts are responsible for the supervision of implementation and enforcement of environment protection laws and regulations. Provincial governments also have the power to issue implementing rules and policies in relation to environmental protection in their respective jurisdictions. Applicants for mining rights must submit environmental impact assessments and those projects that fail to meet environmental protection standards will not be granted licenses.

In addition, after exploration the licensee must perform water and soil maintenance and take steps towards environmental protection. After the mining rights have expired or the concessionaire stops mining during the permit period and the mineral resources have not been fully developed, the concessionaire shall perform water and soil maintenance, land recovery and environmental protection in compliance with the original development scheme, or must pay the costs of land recovery and environmental protection. After closing, the mining enterprises shall perform water and soil maintenance, land recovery and environmental protection in compliance with mine closure approval reports, or must pay the costs of land recovery and environmental protection.

Chinese Foreign Cooperative Joint Ventures

Legal Framework

Each of the various joint venture entities through which the Company carries or may carry out business in China has been or will be formed under the laws of China as a sino-foreign CJV enterprise and is or will be a legal person with limited liability. All joint ventures entered into, or to be entered into, by the company must be approved by both the Ministry of Commerce ("**MOC**") and the State Development and Reform Commission ("**SDRC**") in Beijing or their provincial bureaus.

The establishment and activities of each of the Company's joint venture entities are governed by the *Law of the People's Republic of China on Sino-Foreign Cooperative Joint Ventures* and the regulations promulgated thereunder (the "**China Joint Venture Law**"). As with all sino-foreign CJV enterprises, the Company's joint venture enterprises will be subject to an extensive and reasonably well-developed body of statutory law relating to matters such as establishment and formation, distribution of revenues, taxation, accounting, foreign exchange and labour management. On January 1, 1997, an amendment to the Mineral Resources Law of China became effective. Among other things, the amended law deals with foreign ownership of Chinese mines and mineral rights, and allows, under some circumstances, the transfer of exploration rights and mining rights.

Pursuant to this law, new regulations were made effective on February 12, 1998. MOLAR administers a new computerized central mineral title registry established in Beijing which has streamlined the application for exploration and mining permits.

A joint venture contract sets out the entire agreement among the parties and contemplates the establishment of a "Chinese Legal Person," a separate legal entity. Before a joint venture can be created, an assessment or feasibility study of the proposed joint venture must be prepared and approved by the SDRC or its provincial bureau, which will consider whether the proposed project broadly conforms to the economic policy issued by the government and any prescribed regulations.

Upon receiving SDRC approval in principle, the parties then negotiate and prepare a joint venture contract and submit it to the MOC, or its provincial bureaus, which approves the specific terms of all joint venture contracts between Chinese and foreign parties. Within one month after the receipt of a certificate of approval from MOC, a joint venture must register with the State Administration of Industry and Commerce (the "**SAIC**"). Upon registration of the joint venture, a business license is issued to the joint venture. The joint venture is officially established on the date on which its business license is issued. Following the receipt of its business license, the joint venture applies to the MOLAR to approve and grant to the joint venture its exploration permits and/or mining licenses.

Governance and Operations

Governance and operations of a sino-foreign CJV enterprise are governed by the a Chinese Joint Venture Law, the parties' joint venture agreement and the articles of association of each joint venture entity. Pursuant to relevant Chinese laws, certain major actions of the joint venture entity require unanimous approval by all of the directors present at the meeting called to decide upon actions, such as amendments to the joint venture agreement and the articles of association; increase in, or assignment of, the registered capital of the joint venture; a merger of the joint venture with another entity; or the termination and dissolution of the joint venture enterprise.

Term

Under the joint venture agreement, the parties will agree to a term of the joint venture enterprise from the date a business license is granted. However, the term may be extended with the unanimous approval of the board of directors of the joint venture entity and the approval of the relevant Chinese governmental entities.

Employee Matters

Each joint venture entity is subject to the Chinese employment laws and regulations. In compliance with these laws and regulations, the management of the joint venture enterprise may hire and discharge employees and make other determinations with respect to wages, welfare, insurance and discipline of its employees. Generally, in the joint venture agreement, the standard of salary, social welfare insurance and traveling expenses of senior management will be determined by the board of directors of the joint venture entity. In addition, the joint venture will establish a special fund for enterprise development, employee welfare and incentive fund, and a general reserve. The amount of after-tax profits allocated to the special funds is determined at the discretion of the board of directors on an annual basis.

Distributions

After provision for a reserve fund, an enterprise development fund and an employee welfare and incentive fund, and after provision for taxation, the profits of a joint venture enterprise will be available for distribution to the Company and its other shareholders, such distribution to be authorized by the board of directors of the joint venture entity.

Assignment of Interest

Under the China Joint Venture Law, any assignment of an interest in a joint venture entity must be approved by the relevant governmental authorities. The China Joint Venture Law also provides for pre-emptive rights and consent of the other party for proposed assignments by one party to a third party.

Liquidation

Under the China Joint Venture Law, the joint venture entity may be liquidated in certain limited circumstances including the expiry of its term or any term of extension, inability to continue operations due to severe losses, failure of a party to honour its obligations under the joint venture agreement and articles of association in such a manner as to impair the operations of Chinese governmental entities and force majeure.

Resolution of Disputes

In the event of a dispute between the parties, attempts will be made to resolve the dispute through consultation. This is the practice in China and the Company believes that its relationship with Chinese governmental entities is such that it will be able to maintain a good working relationship with respect to the operations of its joint venture enterprises. In the absence of a friendly resolution of any dispute, the parties may agree that the matter will be settled by an arbitration institute. The parties may jointly select an arbitration institution to resolve disputes in the joint venture contract if it has been stated in the joint venture contract or when the dispute is raised. Awards of the arbitration institute are enforceable in accordance with the laws of China by Chinese courts. In the absence of a valid arbitration agreement, both parties or either party may decide to resort to Chinese courts to resolve disputes between them over the terms of the joint venture contract.

Expropriation

The China Joint Venture Law also provides that China generally will not nationalize and requisition enterprises with foreign investment. However, in special circumstances where demanded by social public interest, enterprises with foreign investment may be requisitioned by legal procedures, and appropriate compensation as determined by the state will be paid.

Division of Revenues

Revenues derived from operating joint ventures, once all necessary agreements, permits and licenses are obtained, will be divided between the Company and the entities which are parties to the joint venture according to the terms of each individual joint venture, which terms will vary from project to project. The Company will be subject to various taxes on its revenues.

THE BUSINESS

The Company's principal property is the Fuwan Project located in Guangdong Province, China. The Company's objective is to develop the Fuwan Property with a view to commencing commercial mining operations on the property. The Company will also continue to identify new silver projects for possible acquisition. As at the end of its most recently completed financial year the Company shares offices in Vancouver and Beijing with Minco Gold, including 21 employees and consultants, of which 12 are located at its Vancouver officer and nine in Beijing. Foshan Minco employs an additional 24 employees in China.

The Fuwan Project

1. Introduction

The Fuwan Project is comprised of (i) the properties which are the subject of, the Luoke- Jilinggang Permit held by Foshan Minco, and the Hecun Permit and the Guyegang Permit, each of which are held by Minco China in trust for and on behalf of Minco Silver; and (ii) the silver mineralization located on the Changkeng Property. Minco China holds a fourth permit, the Guanhuatang Permit, in trust for Minco Silver but the resource estimate for the Fuwan Project described in the Fuwan Technical Report does not include the Guanhuatang property. Foshan Minco, the entity through which Minco Silver's Fuwan Project is held, is a subsidiary of Minco China and Minco Gold. Minco Gold and Minco China hold the interest in Foshan Minco in trust for Minco Silver.

The Company also holds a 90% beneficial interest in Foshan Minco. GGB is the holder of a 10% equity interest in Foshan Minco. The interests of Minco Silver in Foshan Minco are held in trust for it by Minco China, a wholly owned subsidiary of Minco Gold. Minco Gold is a British Columbia company listed on the TSX and holds approximately 22.15% of the issued shares of Minco Silver.

The permits, licenses and other legal interests in the Fuwan Project are the subject matter of the Confirmation Agreement and the Assignment Agreement. Pursuant to the Confirmation Agreement, Minco Gold and Minco China agreed to hold all licenses, permits and other assets held by Minco China in respect of the Fuwan Project and all licenses, permits and other assets acquired subsequent to the date of the Confirmation Agreement in trust for Minco Silver.

Subsequent to the date of the Confirmation Agreement, Minco Gold and Minco China caused Foshan Minco to be established in accordance with the laws of the People's Republic of China for the purpose of holding the Luoke-Jilinggang permit. Pursuant to the Assignment Agreement, Minco Gold and Minco China agreed to assign all of their interests in Foshan Minco to Minco Silver. As at the date of this Annual Information Form, the legal interest in Foshan Minco has not been transferred to Minco Silver or registered pursuant to the laws of the Peoples Republic of China.

Minco Silver’s interests in the Guanhuatang, Guyegang and Hecun permits and other assets related to the Fuwan Project continue to be held in trust by Minco China for Minco Silver pursuant to the terms of the Confirmation Agreement. Pursuant to the Assignment Agreement, Minco Gold and Minco China agreed to assign their interests in these permits to Minco Silver. As at the date of this Annual Information Form, the legal interests in the Guanhuatang, Guyegang and Hecun permits have not been transferred to Minco Silver or registered pursuant to the laws of the Peoples Republic of China.

Under the terms of the Confirmation Agreement, Minco Gold and Minco China have agreed to do any such acts and things as are requested by Minco Silver in connection with Minco Silver’s exploration and development of the Fuwan Project and each of Minco Gold and Minco China have agreed not to sell, assign or encumber the assets that are held by it relating to the Fuwan Project.

Minco Silver and Minco Gold have common directors and management and share office premises in Vancouver, and Beijing. Through these common connections, Minco Silver is able to monitor Minco Gold and Minco China’s activities and ensure that Minco Gold and Minco China continue to hold and maintain all permits, licenses and other assets pertaining to the Fuwan Project in trust for Minco Silver pursuant to the terms of the Confirmation Agreement and Assignment Agreement and to ensure that no actions are taken by Minco Gold and Minco China that could adversely affect Minco Silver's rights to the Fuwan Project.

It is the intention of Minco Silver, Minco Gold and Minco China to effect the transfer of the legal interest in Foshan Minco and in all permits, licenses and other assets held by Minco China in the Fuwan Project, and to register such legal interests in accordance with the laws of the People's Republic of China, at the time of the issuance of a mining license for the Fuwan Silver Deposit.

In addition to the Confirmation Agreement and Assignment Agreement, the Company and Minco Gold have also entered into a Cost Sharing Agreement dated March 10, 2010 regarding the Changkeng property in which Minco Gold, through its subsidiary Minco China, holds the right to earn up to a 51% interest. In 2004, Minco Gold assigned to the Company the right to earn up to a corresponding 51% in the silver mineralization in the Changkeng property on the understanding that the 51% interest in the gold mineralization being retained by Minco Gold. Pursuant to the Cost Sharing Agreement, the Company has agreed to reimburse Minco Gold 100% of any exploration and development costs that may be incurred by Minco Gold in respect of the silver mineralization on the Changkeng Property. Any silver mineralization on the Changkeng property is considered to form part of the Fuwan Project.

2. Exploration Programs

Minco Silver conducted a comprehensive exploration program on the Fuwan Project during the 2005 – 2008 period. The exploration program includes a six phases of drilling totaling 260 drill holes comprising 69,074 meters of diamond drilling over both the Fuwan Silver Deposit and the surrounding regional area, detailed hydrological studies for the Fuwan deposit area, metallurgical testing, and geotechnical studies. An exploration report was prepared on the Fuwan deposit at the end of the exploration program and was approved by MOLAR.

The assay results from the drilling programs can be reviewed on the Company's website at *www.mincosilver.ca* or at *www.sedar.com*

3. Resource estimates

An NI 43-101 technical report was prepared by P&E for the Fuwan Project. The technical report dated January 25, 2008 prepared by P&E can be reviewed on the Company's website at *www.mincosilver.ca* or at *www.sedar.com*

Following the completion of the phase 6 drilling program, the resource estimates on the Fuwan Project were updated by P&E. The company released the updated resource estimates in a news release disseminated on May 12, 2008, entitled "Minco Silver Announces a 31% Increase in the Indicated Resource on its Fuwan Silver Project".

Diamond drill data from a total of 422 holes was used for the resource calculation in the updated resource estimate. These programs were conducted on a 60m x 60m diagonal spacing within the existing 80m x 80m rectangular drill grid spacing. The Fuwan Silver Deposit remains open along strike to the southwest and up and down its relatively flat dip to the northwest and southeast.

The updated resource estimate for the Fuwan Silver Deposit includes Au, Pb and Zn credits and has an indicated Resource of approximately 16.0 million tonnes at 182g/t Ag, 0.20g/t Au, 0.20% Pb and 0.57% Zn and an Inferred Resource of 11.2 million tonnes at 174g/t Ag, 0.26g/t Au, 0.27% Pb and 0.73% Zn. Details of the resources for the silver mineralization of the Changkeng and Fuwan properties are shown in the following table.

Resource Estimate[1] @ 40g/t Ag Cut-Off Grade.

Resource Area & Classification	Tonnes	Ag (g/t)	Ag (oz)	Au (g/t)	Pb (%)	Zn (%)
Fuwan Permits Indicated	13,948,000	188	84,268,000	0.17	0.20	0.56
Changkeng Permit Indicated**	2,027,000	142	9,235,000	0.40	0.20	0.61
Total Indicated	15,975,000	182	93,503,000	0.20	0.20	0.57
Fuwan Permits Inferred	10,241,000	171	56,147,000	0.26	0.26	0.72
Changkeng Permit Inferred ***	1,049,000	212	7,136,000	0.29	0.37	0.86
Total Inferred[2]	11,290,000	174	63,283,000	0.26	0.27	0.73

Notes:

** The indicated resources reported on the Changkeng permit represent 51% of the actual indicated resources which reflects the proportion of ownership by Minco Silver Corporation. Total Changkeng indicated silver resources are 4,054,000 tonnes and 18,470,000 ounces of silver.

*** The inferred resources reported on the Changkeng permit represent 51% of the actual inferred resources which reflects the proportion of ownership by Minco Silver Corporation. Total Changkeng inferred silver resources are 2,098,000 tonnes and 14,272,000 ounces of silver.

1 Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.

2 The quantity and grade of reported inferred resources in this estimation are conceptual in nature and there has been insufficient exploration to define these inferred resources as an indicated or measured mineral resource and it is uncertain if further exploration will result in upgrading them to an indicated or measured mineral resource category.

For the purposes of the resource update report, the resource was defined using the April 2008, 24 month trailing average metal prices of US$13.69/oz Ag, US$710/oz Au, US$1.01/lb Pb and US$1.48/lb Zn. Costs of $12.00/tonne for mining, $11.50/tonne for processing/tailings management and $5.50/tonne for G&A for a total of $29.00/tonne and a process recovery of 97% for Ag, along with Au, Pb & Zn credits of approximately $10.00/tonne were utilized to derive a cut-off grade of 40 g/t Ag.

The mineral resources in the press release were estimated using the CIM, Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council on December 11, 2005.

4. International Feasibility Study

The Fuwan silver deposit (the "**Deposit**") falls into the broad category of sediment-hosted epithermal deposits and is characterized by 8 zones of vein and veinlet mineralization within zones of silicification. Zones 7 and 8 are not included in the reserve estimate. The predominant sulphide minerals are sphalerite and galena with lesser pyrite, as well as rare arsenopyrite, chalcopyrite, and bornite. The deposit is poor in gold.

By September 1, 2009, the Feasibility Study was completed by Wardrop. The results of this study were released to the public through a press release on September 28, 2009. The Study defines an operation based on underground mining and milling of the ore producing a silver/lead concentrate and a zinc concentrate on site in the township of Fuwan, approximately 45km southwest of the provincial capital of Guangzhou, China.

Detailed technical information on the Fuwan Project, including project description and location, climate, local resources, infrastructure, physiography, history, geological setting, exploration, mineralization, drilling sampling and mineral resource estimates, can be found in the Fuwan Technical Report, the entirety of which is incorporated by reference herein.

The following summary has been extracted from the Fuwan Technical Report.

Fuwan Technical Report

The Fuwan silver-gold-lead-zinc deposit is owned by Minco Silver and is located in Guangdong province of southern China, about 45 km southwest of the provincial capital Guangzhou. The deposit was tested with 422 holes up to May 2008 with an aggregate length of approximately 96,000 m.

In November 2007, SRK Consulting Canada Inc. ("**SRK**") completed a Preliminary Economic Assessment of the Fuwan deposit. In May 2008, Changsha Engineering and Research Institute of Nonferrous Metallurgy ("**CINF**") completed a Pre-feasibility Study.

Minco Silver has retained Wardrop to produce a Feasibility Study of the Fuwan property that is compliant with the reporting standards of NI 43-101.

The principal consultants utilized by Minco Silver in the preparation of the Fuwan Technical Report are as follows:

- Wardrop – mining, processing, capital cost (mining) and financial analysis
- P&E – geology and resource estimation
- Environmental Resources Management – environmental
- China Nerin Engineering Co. Ltd. ("**NERIN**")/Wardrop – infrastructure, overall site water management, hydrogeology, tailings and waste rock disposal, and capital cost (excluding mining).

To date, six phases of drilling totaling 260 drill holes comprising 69,074 meters of diamond drilling over both the Fuwan Silver Deposit and the surrounding regional area have been completed. The drill results were used to calculate the resource estimates as contained in the Feasibility Study and summarized in the section titled "International Feasibility Study" below.

The assay results from the drilling programs can be reviewed on the Company's website at *www.mincosilver.ca* or at *www.sedar.com*

Geology & Resource Estimation

The Fuwan silver deposit is located at the northwest margin of a triangular Upper Paleozoic fault basin at the juncture of the northeast-trending Shizhou fault to the northwest, the east-west trending Dashi fault to the south, and the northwest trending Xijiang fault to the northeast. There are known precious and base metal occurrences and deposits that occur predominantly along the margins of the basin.

The basin contains Lower Carboniferous limestone and unconformably overlying Triassic siliciclastic rocks. A low-angle fault zone (from several to tens of metres in thickness) is developed along the contact between the Lower Carboniferous unit and the Upper Triassic unit, and is occupied by lenticular zones of brecciated limestone and silicified sandy conglomerate. The fault zone may have acted as both a conduit for mineralizing fluids and as a host for the silver mineralization in the area. Second order faults, parallel to the major fault and also containing silver mineralization, occur in the footwall limestone.

The Fuwan silver deposit falls into the broad category of sediment-hosted epithermal deposits and is characterized by vein and veinlet mineralization within zones of silicification. The predominant sulphide minerals are sphalerite and galena with lesser pyrite, as well as rare arsenopyrite, chalcopyrite, and bornite. The deposit is poor in gold (typically <0.2 ppm).

Diamond drill data from 231 out of a total of 422 holes were used for the resource calculation. Most holes were drilled at 80 m spaced sections and the central portion of the deposit was drilled at 40 m spaced sections that gave an effective 60 m x 60 m diagonal drill pattern.

Eight zones of silver mineralization have been identified:

- Zone 1, lying entirely within the fault plane, contains a relatively large volume of silver mineralization particularly in the west part.
- Zone 2, partially within the brecciated and silicified fault zone, contains the greatest volume of silver mineralization.
- Zone 3 occurs in the footwall of the main fault zone.
- Zones 4, 5, and 6 are situated entirely within the footwall along planar fractures in the limestone.
- Zone 7 is located in the Luzhou area, along strike to the southwest of the main Fuwan silver deposit.
- Zone 8 is located on the east side of the Xijiang River, along strike to the north east of the main Fuwan silver deposit.

Zones 7 and 8 are not included in the Fuwan resource estimate. The following is a summary of the May 2008 Fuwan resource estimate prepared by P&E at a cutoff of 40 g/t silver.

Table 1.1 Resource Estimate Summary at a 40 g/t Silver Cutoff – May 2008

Resource Area & Classification	Tonnes	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)
Fuwan Permit Indicated	13,948,000	188	0.17	0.20	0.56
Fuwan Permit Inferred	10,241,000	171	0.26	0.26	0.72

Notes:
- Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title. Taxation, socio-political, marketing, or other relevant issues.
- The quantity and grade of reported inferred resources in this estimation are conceptual in nature and there has been insufficient exploration to define these inferred resources as an indicated or measured mineral resources and it is uncertain if further exploration will result in upgrading them to an indicated or measured mineral resources category.
- The mineral resources in this report were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council December 11, 2005.

Mining

Reserve Estimate

The resource estimate provided by P&E classified the resources for the Fuwan Zones 1 to 4 as indicated and inferred (Table 1.1). Only indicated mineral resources as defined in NI 43-101 were used to establish the probable mineral reserves. No reserves were categorized as proven.

Some of the wireframes for the resources provided geologically improbable shapes in the indicated resources in the May 2007 block model that would be difficult to mine. The mine design battery limit was to accept the resource estimate and interpretation at face value and prepare a mine design around it.

It will be essential for infill drilling to be undertaken during the basic engineering and detailed mine design phases for the production of detailed stope and development layouts for construction and mining. It is also Wardrop's opinion that there appeared to be no marker horizons to follow high grade zones within the limestone. It will be difficult if not impossible to follow economic mineralization visually during mining. Infill drilling will be essential to define the true ore body outlines ahead of development and stoping.

In order to obtain the mining permits in China, it is necessary to use an official Chinese resource estimate prepared according to Chinese codes. The Chinese resource may not be the same as the NI 43-101 resource used for this study.

Wardrop received the block model that was used for the P&E resource estimate then applied mining and economic parameters to the model in order to form the basis of the reserve estimate. Since the deposit is polymetallic, it was decided to estimate the net smelter return (NSR) for each block in the model in order to design the stope outlines and evaluate economic viability.

The NSR value was calculated assuming the three-year historical average metal prices from the London Metal Exchange (LME) as at May 31, 2009:

- US$13.00/oz for silver
- US$688.00/oz for gold
- US$0.88/lb for lead
- US$1.28/lb for zinc.

Factors for each contributing metal were calculated and input into the block model to calculate the NSR for each block within the model. The metallurgical and smelting metal recoveries, smelter and refining charges, and metal prices were incorporated into the following NSR formula:

NSR = (0.31 * in-situ g/t Ag grade) * (6.07 * in-situ g/t Ag grade) * (311.66 * in-situ % Pb grade) * (1,563.94 * in-situ % Zn grade)

NSR Cutoff Value

A cutoff value of US$37.13/t NSR was used for the reserve estimate and was selected based on estimated operating costs as shown in Table 1.2.

Table 1.2 - Operating Costs for the Reserve Estimate

Area	Unit Cost (US$/t)
Mine	18.41
Process	10.77
Tailings Management	1.30
Surface Services	0.79
General & Administrative	5.86
Total	**37.13**

Wardrop used a stope recovery factor of 95%, an average mining extraction rate of 97%, and an average 7% internal dilution, 8% external dilution, and 3% fill dilution to estimate the total amount of diluted probable mineral reserves. Ore reserve calculations conservatively assumed dilution to contain no metal. The probable mineral reserve estimate is 9,117,980 t at 189 g/t Ag, 0.146 g/t Au, 0.196% Pb, and 0.566% Zn. Table 1.3 lists the reserve estimate by zone.

Table 1.3 - Probable Reserve Estimate Summary

Zone	Tonnes	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)
1	1,327,580	186	0.180	0.064	0.324
2	4,806,443	192	0.167	0.177	0.568
3	2,451,699	192	0.105	0.257	0.636
4	532,259	150	0.068	0.421	0.822
Probable Mineral Reserve	**9,117,980**	**189**	**0.146**	**0.196**	**0.566**

Geotechnical

In general, the ground conditions within the ore body are predicted to be good with few localized stability problems. However, at the unconformity, particularly difficult ground conditions are expected with a fault zone that will probably be exposed in immediate stope backs.

The recommended support for waste development is as follows:

- backs – 2.4 m long bolts on 1.2 m by 1.2 m pattern
- walls – 2.4 m long bolts on 1.5 m by 1.5 m pattern
- allow 25% coverage with a welded wire mesh square measuring 100 mm by 100 mm with 4 mm diameter wire
- allow 25% coverage with shotcrete 50 mm nominal thickness.

Areas that intersect the unconformity will require full bolt, mesh, and shotcrete support.

Stopes have been sized to avoid the use of cable bolting. Drift-and-fill stopes will be 4 m wide with the unconformity in back, and 6 m wide with no unconformity. Any stope back with the unconformity exposed will require full bolt, mesh, and shotcrete support.

Hydrogeology

Wardrop performed a hydrogeological review of the available data. This review incorporated the results of field investigations undertaken by the local consultant 757 Exploration Team on both the Fuwan exploration area and the adjacent Changkeng exploration area in 2007 and 2008, as well as historic information from a variety of sources.

The scope of the recent hydrogeological investigations included the performance of 29 small scale pumping tests on a series of 13 geological exploration holes converted to groundwater monitoring and test wells. These tests were undertaken on multiple formations within each monitoring well, or at multiple pumping rates in order to allow for assessment of the hydrogeological characteristics of the various geological units. The results of these test indicated that the sandstone unit was in general a low conductivity unit, with limited potential for groundwater production. In some boreholes, high conductivities were noted, potentially due to interconnectivity with the underlying carbonate unit. The carbonate unit, which has been extensively affected by a shallow fault zone passing along the sandstone/ carbonate interface (referred to as the unconformity), and demonstrates karst conditions (i.e., solution enlarged fracturing and void spaces). Pumping tests performed on this unit suggested a moderate rate of groundwater production.

Two large scale pumping tests were subsequently undertaken, one in the Fuwan exploration area and one in the Changkeng exploration area. These tests involved the long term pumping (4 to 7 days) of a reamed out exploration borehole at rates of 15 to 24 L/s, and the regular monitoring of water levels in a series of surrounding monitoring wells completed in both the carbonate unit and the overlying sandstone. Analysis of the resulting pumping test data showed the carbonate unit to have a relatively high conductivity (1.1. x 10-5 m/s) and good hydraulic connectively over a large area (drawdown cone 9 m deep at the pumping well and extending at least 1.5 km in all directions. This pumping test data also suggests that the geological faults in the area do not have any significant influence on the drawdown cone so likely do not act as a source of groundwater recharge.

Although this testing did not identify any significant concern with respect to the faults, the scale of the pumping test response indicates that the karst formation is highly connected over a significant area with a transmissivity at the high end of the published range for carbonate systems.

Preliminary estimates for groundwater inflow into a simplified single stope running along the base of the mineral deposit (260 m below sea level) over its entire length (1100 m) were developed using a variety of standard formulas. These formulas applied to dewatering of a linear excavation, relative comparison to local recorded dewatering requirements, simplified water balance, and general inflow into a tunnel excavation. These preliminary estimates suggested that groundwater inflow could potentially be in the range of 4,550 to 27,011 m3/day. Due to the natural heterogeneity of the subsurface conditions, inflow rates within certain excavation areas may be higher or lower than this average rate, with initial rates also being higher than later stage flow rates. There remains some unknown areas and further work is required to better understand the underground hydrogeology.

In order to refine the potential groundwater inflow rates, the existing geological and hydrogeological information, along with surface water and meteorological data, as collected by various parties should be compiled into a detailed hydrogeological model of the area, and calibrated against the existing large scale pumping test data set. Supplementary pumping test in the area of the F3 Fault should also be considered in order to complete the data set.

Due to the potential for large volume groundwater inflows into the proposed mine excavations, predictive and mitigations measures such as probe hole advancement in all proposed excavation areas, the installation of groundwater collection and drainage galleries, and installation of water tight doors or bulkheads at regular intervals will be required.

The potential for interconnection between the Xijiang River and proposed underground mine workings has been evaluated qualitatively from a geological point of view by 757 Team. Their interpretation was that the fine river bottom sediments (clay and silt) and low conductivity T3 unit underlying the river area would minimize direct hydraulic connection between the river and the Fx1 + C1 water bearing unit. The primary potential source of connection was therefore the apparent Changkeng, F2 and F3 fault traces which appear to extend out under the river. The SRK report indicated that the Xijiang River appears to be poorly connected hydraulically with the proposed underground mine envelope in the areas tested.

Mining Methods

Minco Silver will develop a mechanized mine at the Fuwan deposit. A 2 m minimum mining height was adopted for mechanized mining. The selection of a mining method is dependent upon ore body geometry, ground conditions, and ore grade.

Drift-and-fill mining, and a small amount of room-and-pillar mining, will be used for flat lying zones. As the ore body has reasonably good grades, a trade-off study was undertaken to assess at what grade it would be worth backfilling with cemented fill and carrying out a primary/secondary drift-and-fill type mining method allowing 100% extraction without leaving any ore pillars.

Ore zones with lower grades will be mined by the room-and-pillar method. This method is selective and zones of low grade can be left as pillars. A variation of this method is post pillar cut-and-fill: where the ore height is greater than 6 to 7 m, the panel is taken in two cuts. The first cut is taken and backfilled, then a second cut is taken over the top of the first cut working off the backfill.

Stope and pillar dimensions, ground support in development headings, and stopes will depend on ore body geometry and ground condition.

The cut-and-fill method will be used for ore zones dipping between 15° and 50°. In order to minimize waste development, Wardrop recommends using in-ore twin ramp development. Each panel will be about 100 m long and typically 60 m vertically. Twin ramps will be driven in ore from top and bottom access to meet in the middle of the stope. A minimum 3 m-wide pillar (or a 1:1 ore to pillar width) will be left between the ramps. The ramp below the pillar must always remain open for air passage and provide through-ventilation. After the ventilation airway is no longer needed, the pillar could be recovered; however, any estimate should only assume an effective 50% recovery of the pillar.

Backfill

All stopes will be backfilled after mining is completed. Free draining hydraulic backfill was selected as the most appropriate method due to the flat-lying and relatively large horizontal extent of the ore body, coupled with the distant location of the process plant and difficulties with access above the ore body. This backfilling method will allow up to 45 to 50% of the tailings to be disposed of as hydraulic backfill underground, reducing the required size of the surface tailings pond.

Backfill will be prepared from tailings produced in the plant and distributed to the underground stopes by a pipeline through the main access ramp. For primary stope filling in drift-and-fill, 5% cement will be added. Backfill for cut-and-fill, room-and pillar, and secondary stopes of drift-and-fill mining will not be cemented.

Mine Access

The mine will be accessed by a single decline developed at gradient of -15%. It will be used for access of personnel, equipment, materials, and services; it will also be utilized as an intake airway.

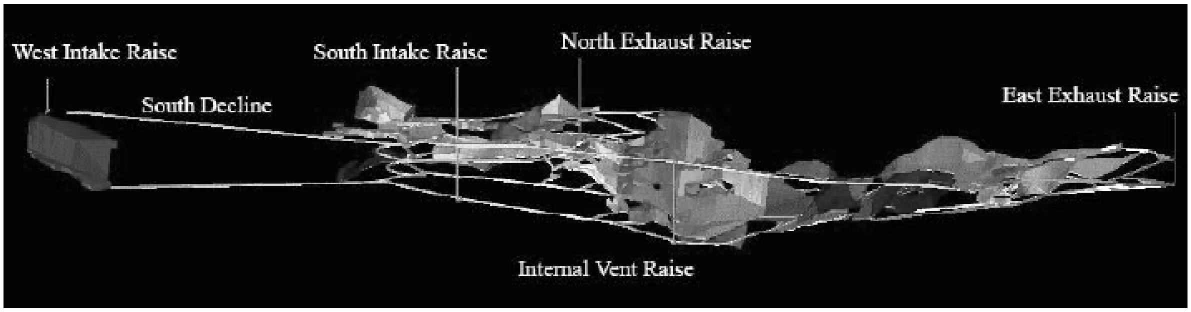
The location of the decline portal was selected on the south-west side of the deposit near the process plant. The size of the decline was selected at 4.5 m wide by 4.5 m high to accommodate the mining equipment and provide required clearances.

The four levels will be developed for haulage and for provision of fresh air supply to mining blocks. Ventilation access drifts will be excavated to connect the level development and ramps to the ventilation raises.

The 4.0 m diameter central south fresh air intake ventilation raise will have a manway equipped with ladders and platforms to provide an auxiliary exit from the mine in case of emergency. Two 4.0 m diameter exhaust raises will be developed on the east and north side of the ore body and will be connected to the level development to provide flow-through ventilation. They will also be equipped with ladders.

Another 3.0 m diameter fresh air ventilation raise will be constructed in Year 6 of production on the west side of the deposit to provide intake air for mining block #201, and will be equipped with a man-way for emergency exit.

Figure 1.1 Access Development



Development headings will be driven with electro-hydraulic twin boom jumbos. Ventilation raise development will be done by raise boring crews.

The broken rock will be mucked from the face by 7 t load-haul-dump (LHD) and hauled by 25 t trucks to the surface waste dump. The same equipment will be used for mucking broken ore from the production stopes and hauling to the mill for processing.

A 7 t capacity LHD with a 4.0 m3 bucket and a 25 t underground mine truck with a 13.0 m3 box were selected for ore and waste haulage.

A summary of ore and waste production is provided in Table 1.4.

Table 1.4 Production by Material Type

Year	Ore	Waste	Total
-2		83,515	83,515
-1		226,832	226,832
1	990,0000	83,486	1,073,486
2	990,0000	83,720	1,073,720
3	990,0000	63,183	1,053,183
4	990,0000	52,480	1,042,480
5	990,0000	57,452	1,047,452
6	990,0000	43,329	1,033,329
7	990,0000	11,932	1,001,932
8	990,0000	20,108	1,010,108
9	990,0000	19,887	1,009,887
10	207,981		207,981
Total	**9,117,981**	**745,924**	**9,863,905**

Personnel requirement estimates are based on the mine production rate and mine schedule. A mining contractor will begin work in the pre-production development stage to allow time for the owner to recruit staff for the project. The contractor will continue mine access development during production.

Underground staffing requirements peak at 54 personnel during full production, including 9 mine operating and 5 mine maintenance salaried dayshift personnel, 32 shift technical staff, and 8 shift supervisors. Underground hourly labour requirements peak at 312 in Year 5 during full production, including 248 mine operating and 64 mine maintenance hourly personnel. The personnel requirements do not include the labour required for access development performed by the contractor.

Mine Services

A two-bay sump will be located at the bottom of the mine and will be constructed to allow suspended solids to settle out of the ground water before pumping. The sump will be equipped with four high-pressure pumps: two working and two on stand-by. A 300 mm (12″) diameter steel dewatering pipe will be installed in the main access decline to pump water from the sump to the final tailing pump box on surface.

Industrial-quality water will be distributed in 4″ and 2″ diameter pipelines throughout the underground workings for drilling equipment, dust suppression, and firefighting. The major electrical power consumption in the mine will be from the main and auxiliary ventilation fans, drilling equipment, and mine dewatering pumps A high voltage cable will enter the mine via the main access decline and will be distributed from the main underground substation via boreholes to electrical substations located on each sublevel. High voltage power will be reduced to 600 V at electrical sub-stations. All power will be three-phase; lighting and convenience receptacles will be single phase 127 kV power.

A leaky feeder communication system will be installed throughout the mine. The system will interface with the surface communication system. It will be also used for centralized blasting. Telephones will be located at key infrastructure locations such as the underground electrical sub-stations, refuge areas, lunchrooms, and pumping stations. Key personnel and mobile equipment operators will be supplied with an underground radio.

The mobile drilling equipment such as jumbos, rock bolters, and scissor lifts with ammonium nitrate and fuel oil (ANFO) loaders will be equipped with their own compressors. No reticulated compressed air system will be required. Six portable compressors will be used to satisfy compressed air consumption for miscellaneous underground operations.

Explosives will be stored on surface in permanent magazines. Detonation supplies (non-electric [NONEL] and electrical caps, detonating cords, etc.) will be stored in a separate magazine on surface.

The underground mobile equipment has an estimated average fuel consumption rate of approximately 8,556 L/d during the production period. Haulage trucks and all auxiliary vehicles will be fuelled at fuel stations on surface. The fuel/lube cassette will be used for the fuelling/lubing of LHDs and face equipment.

The personnel carriers will be used to shuttle employees from the surface to the underground workings and back during shift changes. Supervisors, engineers, geologists, and surveyors will use diesel-powered trucks as transportation underground. Mechanics and electricians will use the mechanics' truck and maintenance service vehicles.

A boom deck with a 10-t crane will be used to move supplies, drill parts, and other consumables from surface to active underground workings.

A mine service crew will perform mine maintenance and construction work, ground support control and scaling, mine dewatering, and safety work.

Mobile underground equipment will be maintained in a mechanical shop located on the surface outside of main ramp access portal. A small underground maintenance shop with an overhead crane will also be constructed underground to provide maintenance for drilling equipment. A mechanics truck will be used to perform emergency repairs underground. Major rebuild work will be conducted off site.

Development Schedule

The mine development is divided into two periods: pre-production development and ongoing development.

The pre-production development period runs from the start of the project to when the first ore is fed to the process plant. Pre-production development will be scheduled to:

- provide access for trackless equipment
- provide ventilation and emergency egress
- establish ore and waste handling systems
- install mining services (backfill distribution, power distribution, communications, explosives storage, fuel storage and distribution, water supply, mine dewatering)
- provide sufficient level development in advance of start-up to develop sufficient ore reserves to support the mine production rate.

All underground pre-production development will be done by contractor with use of a contractor's equipment, personnel, and supervision. A 130 m per month advance rate was assumed for a jumbo crew developing a 4.5 m wide by 4.5 m high heading, and 90 m per month for a raise boring crew to drill a pilot hole and ream it to the 4.0 m diameter.

Underground infrastructure development, such as dewatering sumps, maintenance shop, and explosives storage, will be completed prior to production.

It is estimated that pre-production development will be completed in two years. Ore development is not included in the development schedule as it will be part of ore production.

Ongoing sustaining development will continue to be performed by a contractor during the production stage. The contractor will demobilize from the site in Year 9 when all main access development is completed.

Table 1.5 - Mine Development Schedule

Production Year	Unit	Pre-production	Year 1	2	3	4	5	6	7	8	9	10	Total
Annual Metres (Horizonal)	m	5,420	1,497	1,437	1,132	950	1,040	765	216	364	360	0	13,181
Annual Metres (Vertical)	m	462	45	214	37	0	0	61	0	0	0	0	819
Total Development	m	5,882	1,542	1,651	1,169	950	1,040	826	216	364	360	0	14,000

Production Schedule

The annual ore production rate of 990,000 t (including ore from development and stopes) was scheduled based on 330 mine operating days per year with three 8-h shifts.

Criteria for scheduling production included targeting the mining blocks with higher grade ore in the early stages of mine life in order to improve project economics. The production sequence of the mining blocks will be from the top down. The number of mining blocks in production will vary from 8 to 10 in most production years. On average, there will be five stopes in production for drift-and-fill mining and four in production for cut-and-fill. The only room-and-pillar block will be mined in Year 9.

Table 1.6 - Production Schedule

	Unit	Year 1	2	3	4	5	6	7	8	9	10	Total
Operating Days Per Year	d/a	330	330	330	330	330	330	330	330	330	70	
Mill Feed	t	990,000	990,000	990,000	990,000	990,000	990,000	990,000	990,000	990,000	990,000	**9,117,981**
Grade												
Ag	g/t	214	217	217	205	183	182	177	167	148	137	**189**
Au	%	0.171	0.169	0.158	0.157	0.150	0.157	0.151	0.138	0.079	0.076	**0.146**
Pb	%	0.194	0.194	0.146	0.148	0.120	0.189	0.235	0.242	0.263	0.372	**0.196**
Zn	%	0.584	0.614	0.506	0.541	0.483	0.487	0.615	0.595	0.637	0.709	**0.566**

Mineral Processing and Metallurgical Testing

Four main metallurgical testing programs were carried out on the multiple metal (silver/lead/zinc) mineralization samples from the Fuwan silver deposit in Guangdong province, China. Samples from different drill holes were composited for the metallurgical testing programs. The test work includes ore hardness determination, mineralogical determination, flotation concentration, gravity separation, hydrometallurgical process, and ancillary tests including settling tests and acid base accounting (ABA) tests.

The dominant sulphide minerals in the mineralization are: pyrite, sphalerite, galena, argentiferous tennantite, tetrahedrite, miargyrite, proustite-pyrargyrite, marcasite, native gold, bournonite, stephanite, chalcopyrite, and covellite.

The flotation tests included open batch flotation condition optimization tests, locked cycle tests, and variability tests. The tests indicated that the mineralization responded well to conventional differential flotation: silver-lead flotation followed by zinc flotation. Although silver hydrometallurgical extraction was high when the head samples or the concentrate samples were pre-treated by roasting and ultrafine regrinding, the hydrometallurgical processes had not been considered in the study due to high operating costs and potential environment issues.

A 3,000 t/d process plant has been designed for the Fuwan Project to process silver bearing lead and zinc sulphide mineralization. The deposit consists of eight major mineralization zones. The main value metals in the mineralization are silver, lead, zinc, and gold. The process plant will operate 330 d/a at an annual process rate of 990,000 t/d and three shifts per day. Overall process plant availability will be approximately 90%.

The run-of-mine (ROM) from the underground mine will be crushed by an 800 mm by 1,100 mm jaw crusher to 80% passing 150 mm, and then ground to 80% passing 100 μm in a semi-autogenous grinding (SAG, 5.5 m Dia x 3.0 m EGL, 1,250 kW)-ball mill (3.96 Dia x 6.56 L, 1,650 kW)-pebble crushing circuit (SABC). The silver, lead, and zinc minerals will be recovered by a conventional differential flotation process:

- silver-lead bulk rougher flotation followed by zinc rougher flotation
- the silver-lead rougher flotation concentrate will be reground and subject to three stages of cleaner flotation
- the zinc rougher flotation concentrate will be upgraded by three stages of cleaner flotation as well without regrinding.

The tailings produced from the zinc rougher scavenger flotation circuit will be sent to the tailings management facility (TMF) for the storage and to the underground mine for hydraulic backfilling. The produced silver-lead concentrate and zinc concentrate will be thickened and then pressure filtered separately prior to being transported to smelters. Depending on the lead head grade, the silver-lead concentrate may be further processed to produce a silver concentrate and a lead-silver concentrate.

The average dry concentrate production is forecast to be as follows:

- silver-lead concentrate – 15,900 t/a, including:
  - 154,700 kg/a (4,975,000 oz/a) silver
  - 1,600 t/a lead

- zinc concentrate – 9,300 t/a average, including:
  - 4,700 t/a zinc
  - 15,400 kg/a (495,400 oz/a) silver.

Tailings Management Facility

The Fuwan Project includes development of a new proposed land based TMF to store up to 2.6 M m3 of the tailings. The tailings will be the fine fraction classified from the flotation tailings. The TMF will be developed in two stages:

- Stage 1 Facility - capable of storing initial 8.3 years of tailings deposition through three dam raises; and,
- Stage 2 – Final Facility capable of storing additional 0.9 years of tailings deposition by either raising the Stage 1 Facility or on-land storage in a separate facility.

Current cost estimate assumes that raising the Stage 1 TMF Dam (subject design) to accommodate additional 0.9 years of tailings deposition is feasible. However, this is to be confirmed by subsequent geotechnical and hydrogeological investigations.

Essentially the TMF Dam will be a 56 m high earth/rock fill structure with a 6 m wide crest and composite HFPE /clay core lining (Zone 1 / Zone 2) on the upstream slope. The HDPE membrane will be protected by woven bags filled with tailings (Zone 1).

The dam will be constructed in three stages:

- Stage 1 (3.1 years storage capacity) will be 38 m high with crest at El. 61 m.
- Stage 2 (2.7 years storage capacity) will add additional 10 m bringing the dam crest to El. 71 m.
- Stage 3 (2.5 years of storage capacity) will add another 8 m for the final crest at El. 79 m.

Storm water around the TMF will be managed using the following structures:

- Perimeter diversion ditch
- Decant tower and pipe.

The subject TMF designs have been developed in between the prefeasibility and feasibility levels. Detailed geotechnical engineering analyses have not been completed and this may have a potential impact on the current design and cost estimate accuracy because of potential design modifications to be developed when the results of geotechnical and hydrogeological investigations and laboratory testing have become available. It is recommended that the geotechnical engineering analyses be conducted to confirm the design before next phase engineering.

It is recommended identifying the location for storing the tailings produced during the rest of 0.9-year operation. The potential use of the tailings for making bricks for local infrastructure requirements should be further studied and confirmed.

Infrastructure and Ancillary Facilities

The project site is close to the Fuwan town, which has well developed paved village level road network. The town is accessible by paved public highways to Guangzhou and other major cities. The haulage distance between the mine site and the Shanshui railway station, which connects the main stations, Guangzhou station and Zhanjiang station, is approximately 26 km. The deposit is adjacent to the Xijiang river which is accessible to international waterway in the South China Sea via the Zhujiang river.

Electrical power, water, telephone service, and supplies are available in Fuwan town.

The proposed mine site is large enough to accommodate proposed processing facilities, surface service facilities, waste rock storage areas, as well as approximately 8.3-year tailing surface storage pond. The surface service facilities will administration buildings, workshop, explosive magazine, power and water supply facilities, backfill station, waste water treatment facility and haulage road system.

All buildings of the project will be new ones and be built according to the Chinese construction codes. Power to the project will be provided via an existing 110 kV utility substation located in Fuwan town, approximately 4 km from the mine. NERIN and Minco Silver have contacted with the Fushan Power Supply Company of the South Grid and confirmed that the Fushan substation has a capacity to provide power to the Fuwan mining project.

This substation presently has a single incoming transmission line and will provide a single 35 kV power line to the mining project. The external 35 kV power line will be provided by the electrical utility to the mine site. At the mine, a step-down substation (35 kV /10 kV) will be established consisting of equipment and facilities necessary to service the connected mine loads.

Capital Cost Estimate

This estimate has been completed partially by NERIN and partially by Wardrop. The majority of the information used in the estimate is based on the quantities and pricing provided by NERIN to Wardrop on March 28, 2009 and additional information and clarifications via email between April 1, 2009 and April 8, 2009. NERIN indicated that its estimate has an accuracy range of ±25%. The estimate has sufficient detail to provide a suitable basis for controlling the Engineering, Procurement, and Construction Management (EPCM) phase of the project.

Table 1.7 provides a summary of capital costs for the Fuwan Project.

Table 1.7 Summary of Project Capital Costs

Area	Cost (US$)
Direct Works	
A – Mining (Wardrop)	21,636,951
B – Primary Crushing	659,816
C – Crushed Ore Stockpile and Reclaim	305,324
D – Secondary and Tertiary Crushing	51,736
E – Grinding, Flotation, Dewatering, Reagents & Service	9,139,827
F – Tailings Disposal Facilities	4,249,774
G – Plant Site, Infrastructure & Ancillary Facilities	8,626,643
H – Temporary Services	35,323
L – Site/Plant Mobile Equipment	1,190,204
N – Power Lines (Included in G1 – Power Supply)	0
Direct Works Subtotal	**45,895,598**
Indirects	
X – Project Indirects	13,330,282
Y1 – Land Acquisition	2,120,000
Y1 – Owner's Costs	5,663,442
Z – Contingency	6,050,500
Indirects Subtotal	**27,164,224**
TOTAL PROJECT	**US$73,059,822**

Operating Cost Estimate

The operating cost estimates are based on a process rate of 990,000 t of ore annually or 3,000 t/d of ore. All operating costs are shown in US$, unless otherwise specified.

Mining $18.01/t
Processing $9.90/t
Tailings $1.13/t
G&A $4.78/t
Surface Services $0.60/t
Total $34.42/t

The exchange rate for US and Canadian dollars to Chinese currency is US$1.00 = ¥6.82 = Cdn$0.82. Mine operating costs are shown in Table 1.8.

Table 1.8 – Mine Operating Cost Summary - LOM

	Cost
Total Mine Operating Cost	**$ 164,234,279**
Average per Tonne	$ 18.01/t
Labour Cost	**$ 38,124,300**
Average per Tonne	$ 4.18/t
Mining Cost without Labour	**$ 126,109,979**
Average per Tonne	$ 13.83/t

On average, the annual process operating cost is estimated to be approximately $9.80 M or $9.90/t milled. The estimated process operating costs are in Table 1.9.

Table 1.9 – Summary of Process Operating Costs

Description	Personnel	Annual Costs (US$)	Unit Cost (US$/t Ore)
Labour			
Operating Staff	10	354,240	0.358
Operating Labour	46	427,680	0.432
Maintenance	46	469,440	0.474
Metallurgical Laboratory	3	38,160	0.039
Assay Laboratory	13	131,760	0.133
Sub-total Labour	**118**	**1,421,280**	**1.436**
Major Consumables			
Metal Consumables		2,347,140	2.371
Reagent Consumables		1,224,780	1.237
Supplies			
Maintenance Supplies		597,000	0.603
Operating Supplies		125,000	0.126
Power Supply		4,085,866	4.127
Sub-total Supplies		**8,379,787**	**8.464**
Total Process	**118**	**9,801,067**	**9.900**

The average tailings operating cost is estimated to be $1.13/t milled.

General and administrative (G&A) costs are the costs that do not relate directly to the mining or processing operating costs. The G&A costs are estimated at approximately $4.73 M/a or $4.78/t milled. The estimated personnel requirement is 61 persons, including supervision and services. The site service cost is estimated at $0.60/t milled or about $594,000/a.

Financial Analysis

An economic evaluation of the Fuwan Project was prepared by Wardrop based on a pre-tax financial model. For the 9-year mine life and 9.1 Mt reserve, the following pre-tax financial parameters were calculated:

- 33.2% IRR
- 2.3 years payback on $73.1 M capital
- $US111.5 M net present value (NPV) at an 6% discount value.

The base case prices are the 3-year historical average price from the LME as at May 31, 2009:

- Silver – US$13.57/oz
- Gold – US$767.72/oz
- Zinc – US$1.18/lb
- Lead – US$0.91/oz.

Sensitivity analyses were carried out to evaluate the project economics for 2-year historical average metal prices (upside case) and the Energy and Metals Consensus Forecast (EMCF) published by Consensus Economics Inc. (downside case).

The analyses are presented graphically as financial outcomes in terms of NPV and IRR in Figure 1.2 and Figure 1.3. The project NPV (6% discount) is most sensitive to silver price and, in decreasing order: operating cost, capital cost, zinc price, gold price and lead price.

Figure 1.2 NPV Sensitivity Analysis

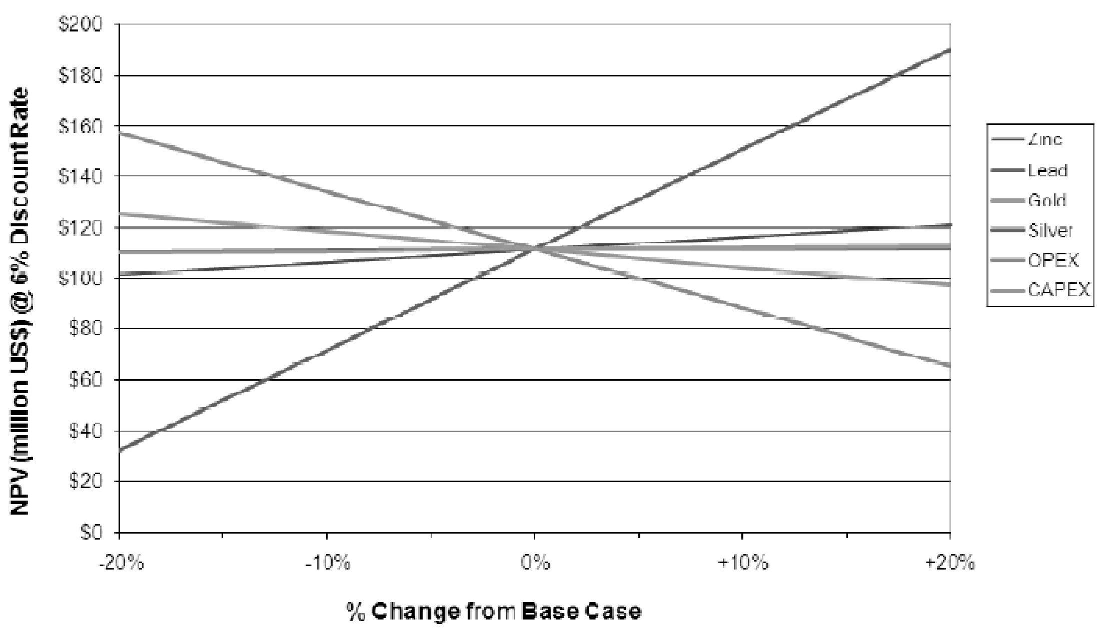
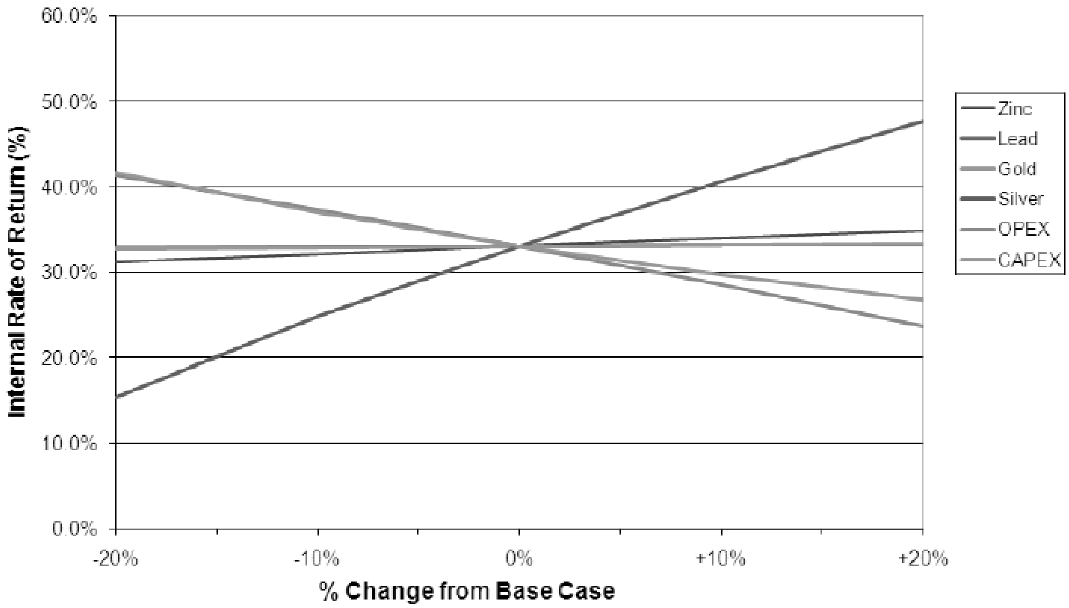


Figure 1.3 IRR Sensitivity Analysis



Environmental

Background

At the time of writing the Minco Silver Project ESHIA Report, project design was at the Feasibility Stage and hence some mine design details were not available to the ESHIA team and others were subject to change based on the evolving understanding of the geometry and grade distribution of the ore body (and hence mine plan) and technical issues relating to ore processing and site facilities' configuration. There is therefore, some uncertainty with respect some ESHIA findings and it is likely that further baseline investigations (as recommended in the ESHIA Report) and continuing work on the mine design will necessitate future revision of the ESHIA Report, likely in the form of an addendum, or of the Environmental, Socio-Economic and (Community) Health Management Plan (ESHMP).

Project Setting

The mine site area is typified by commercial plantation and secondary re-growth forest with some grassland areas. Numerous fish ponds are also located close to the mining and associated surface facility areas, the nearest of which is the Nankeng Reservoir, southeast of the TSF (Figure 1.4). Plantation forests and fish ponds represent primary and secondary income sources, respectively, for local communities. There are seven villages within one kilometre of the site as depicted in Figure 1.5.

Figure 1.4 Land Uses

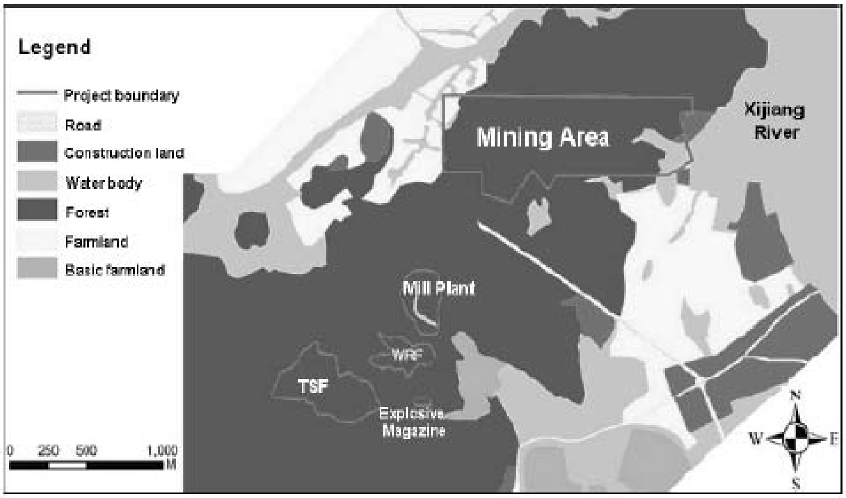
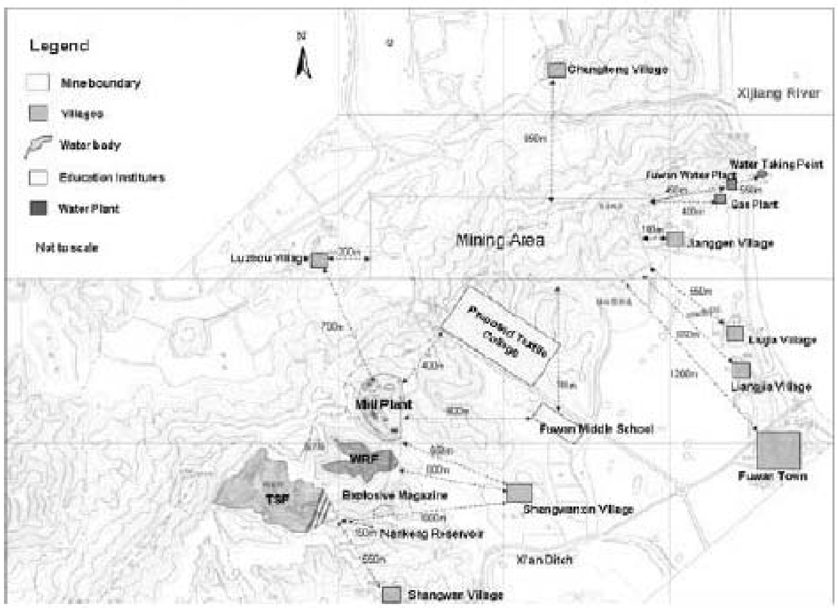


Figure 1.5 Nearby Villages



ESHIA Findings

The ESHIA process assessed the project for all phases of its life cycle namely, development, operations and decommissioning. Broadly, the project has been assessed to not result in significant environmental, socioeconomic or community health impacts assuming that industry best practice is implemented during execution and that additional control measures recommended within the ESHIA are satisfactorily implemented during all project phases.

The only issues where statutory limits have been predicted to be exceeded are in relation to dust and transport vehicle night time noise emissions at Shangwanxin Village. These impacts can however, be adequately mitigated by wetting down of the access road during dry and windy conditions and night time prohibition of transportation movement along the access road.

Notwithstanding the above, there are some aspects of the mine design and proposed development for which further investigation is considered warranted to be able to fully understand the environmental, socio-economic and (community) health issues and to confirm that there is no significant risk to receptors. These are summarized in the following sections.

Mine Blasting

The area to be mined is in close proximity to Luzhou and Jianggen Villages and the proposed Textile College site. Underground blasting in areas close to these receptors may result in plumb vibration levels that cause shaking of existing buildings or buildings that may be erected in the near future (i.e. within the college site). It is recommended that this risk be further evaluated and a blasting plan developed that prescribes and limits the weight of explosives, the number of holes to be blasted in a single shot and the time delay between blast shots to ensure that no adverse effects are caused.

Waste Rock and Tailings Storage Facilities

Laboratory tests have demonstrated that tailings and waste rock have traces of heavy metals and have a low potential to generate acid drainage.

A geotechnical survey of the TSF and WSF areas is yet to be conducted.

Geotechnical survey data from the mining area suggests however, that the permeability of soil and rock in the general area is highly variable. There is therefore, some uncertainty regarding whether groundwater resources would be at risk from any leached metals or acid drainage from the TSF and WSF.

It is recommended that a geotechnical survey be undertaken to determine the permeability of TSF and WSF basement strata and, if found to be permeable, that natural (e.g. compacted clay) liners be introduced. It is also recommended that groundwater monitoring wells are installed down hydraulic gradient of the facilities and that these be sampled twice-yearly to confirm whether or not leaching of metals into groundwater or acid drainage is occurring. These monitoring wells can also be used during decommissioning.

Groundwater Drawdown

Groundwater that enters the mine void will be collected in a series of sumps and will be pumped to the surface for treatment and subsequent re-use in the process plant or disposal to the Xi'an Ditch.

The project geotechnical report states that maximum groundwater drawdown depth will be 283.83 m and that the permeability coefficient is 0.6815 m/day. The affected area will therefore, have a diameter of 2,343 m. Groundwater drawdown may result in surface subsidence, cave-ins or fracturing.

Existing groundwater wells within Shanwanxin and Jianggen Villages are within the predicted groundwater drawdown area and hence, groundwater availability may be affected by drawdown. As tap water has been provided to these villages, their reliance on the groundwater wells for potable water has reduced. Fish ponds in Shangwanxin Village are however, recharged using groundwater and hence may be affected if insufficient groundwater is available due to drawdown.

It is recommended that additional investigations into groundwater drawdown be conducted including a water balance study that assesses recharge rates against predicted draw down rates. The identified potential effects of drawdown should be further quantified where possible.

Geological Hazards – Surface Cave-In

Geological hazards in the mining area include landslides and surface cave-ins. A total of 19 sites where geological hazards have occurred have been identified including eight landslide sites and 11 cave-in sites. Among these, one landslide site and two collapse sites are defined as medium-severity and are in an unstable state.

The three sites are respectively located near the Fuwan Water Plant, Gaoming-Gaoyao road and the mouth of the valley of the proposed Waste Rock Facility (WRF).

While the progressive backfilling of mine voids will assist in maintaining ground stability, it is recommended that additional work be undertaken to better understand the geotechnical state of ground above the proposed underground mine prior to the commencement of underground mining activities. The geo-technical survey should be aimed at identifying areas that may be prone to subsidence or cave-in and to determine what third party properties would be at risk in such a scenario.

5. <u>Environmental Impact Assessment</u>

Environmental aspects of the feasibility study were compiled by Environmental Resources Management, one of the world's leading providers of environmental consulting services, and was prepared in accordance with International Finance Corporation and World Bank standards.

To satisfy Chinese regulatory requirements, Guangdong Nuclear Design Institute has been contracted to complete the Chinese EIA.

The Company carried out environmental baseline studies during the period from early 2008 to early 2010, enabling the completion of the EIA report. This report was submitted to the Department of Environmental Protection Administration of Guangdong Province in early 2010. The report identifies the ecological and physical environmental impacts of the proposed mining operation.

A technical panel appointed by the Department reviewed and approved the report in principle on March 7, 2010 with certain comments. The Company submitted the revised report to the Department in December 2010 after addressing the comments received from the panel.

New water regulation issued by the Ministry of Environmental Protection of China became effective on June 1, 2011, which all applicants for EIA are subject to. The Company engaged General Station for Geo-Environmental Monitoring of Guangdong Province ("**GSGEM**") for a water monitoring study to comply with the new regulation. GSGEM carried out the required monitoring study, and prepare all reports required for compliance with the new National Water Guidelines. They also provided monitoring and surveying of surface water bodies and any underground water which may be present, for quality and level of underground water at various seasons including peak, normal, and dry seasons. They also drilled 550 meters of additional hydro geological holes for monitoring. All the drilling and monitoring was completed by end of January 2012. The data collected during this study will be used to make any necessary revisions to the Company's current EIA report, which will then be resubmitted for approval. The Company has successfully completed all required field work related to the water monitoring program. The field work for the water monitoring program consisted of drilling 21 new hydrological holes, surveying of surface water bodies surrounding the Fuwan Project, and monitoring the level and quality of the surface and underground water during all three seasons. The field work was completed in a timely manner.

Upon receiving all the assay results, GSGEM will analyze all the data and prepare a comprehensive water monitoring report for the project. The EIA report for the project will be revised accordingly to incorporate the results from the water monitoring program. The revised EIA report will be resubmitted to the Chinese environmental protection authority for approval.

6. <u>Permitting</u>

The Company has made significant progress in permitting on the Fuwan Silver Deposit. At the date of this annual information form, the progress in permitting is summarized as follows:

- The Exploration Report on the Fuwan Silver Deposit has been accepted and approved by MOLAR in Beijing.
- The Chinese Preliminary Feasibility Study was completed by Changsha Non-Ferrous Mine Design Institute and approved by an expert panel.

- The Gaoming county government granted official approval for the development of the project.
- The application for the Mining Area Permit was approved by MOLAR in Beijing and will be held for up to 3 years while preparation for the Mining License Application are made. The Mining Area Permit covers approximately 0.79 square kilometers, defines the mining limits of the Fuwan deposit and restricts the use of this land to mining activities. The original approved permit was expired and since extended to April 10, 2014.
- The Soil and Water Conservation Plan was completed and approved.
- The Fuwan Project feasibility study conducted by Wardrop and NERIN was complete. This report was used in the preparation of the Mine Development and Utilization Report. This report is critical in obtaining the Mining License.
- The Land Usage Permit was approved by Gaoming County, Foshan City, and Guangdong provincial governments. It was since renewed until December 31, 2012.
- The Geological Hazard Assessment was completed and approved in September 2009.
- The reserve/resource has been registered and received approval from Guangdong Bureau of Land and Resources and MOLAR in Beijing.
- NERIN has completed the Mineral Resources Development and Utilization Plan. The plan was reviewed and approved by an expert panel from the Non-ferrous Metal Association on behalf of MOLAR in Beijing.
- The Mine Geological Environment Treatment Plan was reviewed and approved by the Environment Committee of China Geology Association.
- The preliminary Safety Assessment draft report was submitted to the Safety Bureau of Guangdong Province in the Fall of 2010. It will be reviewed and approved, if found appropriate, by the Bureau upon the approval of EIA.
- Upon the approval of EIA and the preliminary safety assessment, the Company will submit all documents received to MOLAR for the issuance of the mining license.

Recent Developments

The Company continues to focus its efforts on the completion of certain environmental permitting processes, leading towards the eventual mining license issuance for the Fuwan Project. The development of the Fuwan Project is intended to be undertaken pursuant to the recommendations contained in the Fuwan Technical Report.

On September 8, 2010, the Company announced that Foshan Minco, had received a conditional commitment of a Project Debt Facility in the amount of RMB 300 million (approximately US$44.17 million) from the Guangdong Branch of ICBC for the Fuwan Project. The debt facility represents approximately 60% of the total estimated project capital expenditure of US$73.1 million for the Fuwan Project mine construction, as outlined in the Fuwan Technical Report.

The final loan agreement and terms are subject to final approval by the ICBC upon all pertinent loan conditions being met, mainly the receipt of the mining license. Foshan Minco paid fees totalling RMB 100,000 (approximately US$14,700) to the Bank in relation to the loan application.

The preliminary mine design carried out by NERIN has been completed. The design is subject to final revision upon the approval of the EIA.

RISK FACTORS

An investment in our securities should be considered highly speculative and involves a high degree of financial risk due to the nature of our activities and the current status of our operations. A prospective investor should carefully consider the risks summarized below and all other information contained in this Annual Information Form before making an investment decision relating to our shares. Some statements in this Annual Information Form (including some of the following risk factors) are forward-looking statements. Please refer to the discussion of forward-looking statements in the introduction to this Annual Information Form. Any one or more of these risks could have a material adverse effect on the value of any investment in our Company and the

business, financial position or operating results of our Company and should be taken into account in assessing our activities. The risks noted below do not necessarily comprise all those faced by us.

Risks Relating to the Company

Permitting Requirements

The ability of the Company to carry out successful mining activities will depend on a number of factors. One of the most critical factors will be the ability of the Company to obtain mining licences and permits in China. Although the Company, through Foshan Minco, has applied for and obtained various permits for the Fuwan Project, additional permits and licenses will also be required in order to put the deposit into commercial production. These include permits and licenses pertaining to environmental matters, land use rights, water and forestry matters and, ultimately, a mining license. While applications for the additional required permits and licences have been, and will be, made by Foshan Minco to the relevant Chinese government authorities, there is no assurance that such permits or licenses will be issued in a timely manner, or at all.

Many of the required licences and permits are, or will be, subject to conditions imposed by the People's Republic of China government as well as mining legislation of the People's Republic of China. No assurances can be given that all necessary permits, licenses or tenures will be granted to the Company through Foshan Minco, or if they are granted that the Company, through Foshan Minco, will be in a position to comply with all conditions and legal requirements that are imposed. For example, the business licenses of Minco China and Foshan Minco restrict the activities that may be carried on by these companies and in particular, Foshan Minco is not permitted under its business license to conduct exploration activities. To date, exploration activities conducted at the Fuwan Project have been conducted by Minco China. As the Fuwan Project is currently at development stage, Foshan Minco, as the operating company has to obtain mining licence and other permits required for commercial production on the project. There is no certainty that such approvals will be obtained in a timely manner, or at all. Furthermore, each of Minco China and Foshan Minco is subject to an annual review process pursuant to which it must pass annual inspections of the Administration for Industry and Commerce in the People's Republic of China. As a result, if Foshan Minco does not pass its annual review it will not be authorized to carry on business in the People's Republic of China which may adversely affect the Company's interests in the Fuwan Project. The Company believes that it and Minco China and/or Foshan Minco are operating in material compliance with all applicable rules and regulations.

Management of the Company also believes that reasonable measures have been taken to ensure that the permits for the Fuwan Project have been duly approved by and registered with all relevant authorities in the People's Republic of China in accordance with the laws and regulations in effect and that Minco China and Foshan Minco are the registered owners of such permits. However, no legal opinion has been obtained to date concerning the land, assets, permits and licenses relating to the properties over which the Company, through Minco China and Foshan Minco, has or may acquire an interest.

The Luoke-Jilinggang permit held by Foshan Minco, one of the four permits comprising the Fuwan Project, has been renewed until July 20, 2013. The other three permits, the Guanhuatang, Guyegang and Hecun permits held by Minco China, expire on April 7, 2012. While the Company will, with the assistance of Minco China and Foshan Minco, take all possible steps necessary to renew these permits upon their expiry, there is no guarantee that such renewal attempts will be successful. An application to renew the Guanhuatang, Guyegang and Hecun permits has already been submitted to the relevant authorities.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions.

Capital Costs, Operating Costs and Production and Economic Returns

The capital costs to take the Company's Fuwan Project into production may be significantly higher than estimated in the Fuwan Technical Report. The pre-production capital costs set out in the Fuwan Technical Report were estimated at US$73.1 million, and pricing and quantity data which was considered to be reasonable as at the date of the estimates. Changes in metal prices, exchanges rates and other factors since the date of the Fuwan Technical Report may result in greater costs than those estimated, which may have an adverse impact on the Company's ability and timing to bring the Fuwan Project into production.

The Fuwan Project does not have an operating history upon which the Company can base estimates of future operating costs. Decisions about the development of the Fuwan Project and other mineral properties will ultimately be based upon feasibility studies. Feasibility studies derive estimates of cash operating costs based upon, among other things:

- anticipated tonnage, grades and metallurgical characteristics of the ore to be mined and processed;
- anticipated recovery rates of silver and other metals from the ore;
- cash operating costs of comparable facilities and equipment; and
- anticipated climatic conditions.

Cash operating costs, production and economic returns, and other estimates contained in studies or estimates prepared by or for the Company, including the Fuwan Technical Report or other feasibility studies, if prepared, may differ significantly from those anticipated, and there can be no assurance that the Company's actual operating costs will not be higher than currently anticipated.

Title to Properties

There can be no assurance that any governmental authority in the People's Republic of China could not significantly alter the conditions of or revoke the applicable exploration or mining authorizations held by the Company through Minco China and Foshan Minco or that the Company's interest in such properties, through Minco China and Foshan Minco or otherwise, will not be challenged or impugned by third parties or governmental authorities.

In addition, there can be no assurance that the properties or other assets in which the Company has an interest are not subject to prior unregistered agreements, transfers, pledges, mortgages or claims and title may be affected by undetected defects as it is difficult to verify that no agreements, transfers, claims, mortgages, pledges or other encumbrances exist given the state of the legal and administrative systems in the People's Republic of China.

China Political and Economic Considerations

The business operations of the Company will be located in, and the revenues of the Company derived from activities in, the People's Republic of China. Likewise, the Company's operations in the People's Republic of China are currently conducted through and with the assistance of Foshan Minco, a Chinese company. Accordingly, the business, financial condition and results of operations of the Company could be significantly and adversely affected by economic, political and social changes in the People's Republic of China. The economy of the People's Republic of China has traditionally been a planned economy, subject to five-year and annual plans adopted by the state, which set national economic development goals. Since 1978, the People's Republic of China has been moving the economy from a planned economy to a more open, market-oriented system. The economic development of the People's Republic of China is following a model of market economy under socialism. Under this direction, it is expected that the People's Republic of China will continue to strengthen its economic and trading relationships with foreign countries and that business development in the People's Republic of China will follow market forces and the rules of market economics.

However, the Chinese government continues to play a significant role in regulating industry by imposing industrial policies. In addition, there is no guarantee that a major turnover of senior political decision makers will not occur, or that the existing economic policy of the People's Republic of China will not be changed. A change in policies by the People's Republic of China could adversely affect the Company's interests in China by changes in laws, regulations or the interpretation thereof, confiscatory taxation, restrictions on currency conversion, imports and sources of supplies, or the expropriation of private enterprises.

Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of companies engaged in mineral resource exploration and development, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

The Company's various property interests and potential property rights in the People's Republic of China involve various Chinese state-sector entities, including GGB and other governmental entities, whose actions and priorities may be dictated by government policies, instead of purely commercial considerations. Additionally, companies with a foreign ownership component operating in the People's Republic of China may be required to work within a framework which is different to that imposed on domestic Chinese companies. The Chinese government is opening up opportunities for foreign investment in mining projects and this process is expected to continue. However, if the Chinese government should reverse this trend and impose greater restrictions on foreign companies, the Company's business and future earnings could be negatively affected.

People's Republic of China Legal System and Enforcement

Most of the material agreements to which the Company or its affiliates are party or will be party in the future with respect to mining assets in the People's Republic of China are expected to be governed by Chinese law and some may be with Chinese governmental entities. The People's Republic of China legal system embodies uncertainties that could limit the legal protection available to the Company and its shareholders. The outcome of any litigation may be more uncertain than usual because: (i) the experience of the People's Republic of China judiciary is relatively limited, and (ii) the interpretation of People's Republic of China laws may be subject to policy changes reflecting domestic political changes. The laws that do exist are relatively recent and their interpretation and enforcement involve uncertainties, which could limit the available legal protections. Even where adequate law exists in the People's Republic of China, it may be impossible to obtain swift and equitable enforcement of such law or to obtain enforcement of judgments by a court of another jurisdiction. The inability to enforce or obtain a remedy under such agreements could have a material adverse impact on the Company.

Many tax rules are not published in the People's Republic of China, and those that are published can be ambiguous and contradictory, leaving a considerable amount of discretion to local tax authorities. The People's Republic of China currently offers tax and other preferential incentives to encourage foreign investment. However, the tax regime of the People's Republic of China is undergoing review and there is no assurance that such tax and other incentives will continue to be available.

There is also no guarantee that the pursuit of economic reforms by the state will be consistent or effective and as a result, changes in the rate or method of taxation, reduction in tariff protection and other import restrictions, and changes in state policies affecting the mining industry may have a negative effect on its operating results and financial condition.

Government Regulation of Mineral Resources and Ownership

Ownership of mineral rights in China remains with the states, and the state, at the national, regional and local levels, is extensively involved in the regulation of exploration and mining activities. Transfers and issuances of exploration and mining rights are also subject to governmental approval. Failure or delays in obtaining necessary approvals could have a materially adverse effect on the financial condition and results of operations of the Company. Nearly all mining projects in the People's Republic of China require government approval. There can be no certainty that any such approvals will be granted (directly or indirectly) to Foshan Minco in a timely manner, or at all.

Exploration and Development is a Speculative Business

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by numerous factors which are beyond the control of the Company and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, the availability of mining equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection, the combination of which factors may result in the Company not receiving an adequate return of investment capital.

The long-term profitability of the Company's operations will in part be directly related to the costs and success of its exploration programs, which may be affected by a number of factors. Substantial expenditures are required to establish reserves through drilling and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis.

Legal Title to Key Assets is held in trust for Minco Silver

Certain of the permits relating to the Fuwan Project and the Company's equity interest in Foshan Minco are registered in the name of Minco China, a company related to Minco Silver only by shared management, and certain other permits are registered in the name of Foshan Minco. Although Minco Silver has a 90% equity interest in Foshan Minco, its interest in Foshan Minco has not yet been registered in China.

Minco Gold and Minco China have agreed pursuant to the Confirmation Agreement to hold the permits and all other assets relating to the Fuwan Project in trust for the benefit of Minco Silver and have agreed pursuant to the Assignment Agreement to transfer Minco China's 90% interest in Foshan Minco and the permits and other assets relating to the Fuwan Project to Minco Silver. Until the transfers of the interests are registered, the Company relies on the trust relationship, which relationship, and the concept of the separation of the legal and beneficial ownership, are not recognized under the laws of the People's Republic of China. The Confirmation Agreement and Assignment Agreement are governed by Canadian law, which does recognize the concept of a trust relationship, and each of Minco Gold and Minco Silver are Canadian companies. However, there is no certainty that if Minco Gold or Minco China breach their obligations to Minco Silver under such agreements that a Canadian court would grant Minco Silver a remedy for such breach or that any remedy granted would be sufficient to compensate Minco Silver for its loss. In addition, since Minco China is a Chinese company, Minco Silver may have difficulties enforcing any judgement against Minco China. There is no certainty that a Chinese court would recognize or enforce the judgement of a Canadian court against Minco China. Furthermore, the current ownership arrangement presents the possibility of certain Canadian tax risks as the separation of beneficial and legal ownership of the permits and other assets relating to the Fuwan Project is not recognized under the laws of the People's Republic of China. The failure of Minco Silver to obtain an adequate remedy in the event that Minco Gold or Minco China breach the Confirmation Agreement or the Assignment Agreement or the failure of such remedy to be enforced against Minco Gold or Minco China would have a material adverse effect on Minco Silver. There can be no assurance that such mining license will be issued or that the legal interests in Foshan Minco and the permits and licenses comprising the Fuwan Project will be transferred to Minco Silver in accordance with the Assignment Agreement or registered in accordance with the laws of the People's Republic of China.

Future Financing

The funds raised by the 2011 Offering will not be sufficient to meet all of the Company's ongoing financial requirements relating to the exploration, development or operation of the Fuwan Project. Although the Company has received a conditional commitment of a project debt facility in the amount of RMB 300 million (approximately US$44.17 million) from the Guangdong Branch of ICBC for the Fuwan Project, this commitment represents only a portion of the funds required to construct the Fuwan silver mine and the facility is subject to certain conditions including receipt by the Company of the mining license.

The Company currently has limited financial resources and there is no assurance that additional funding will be available to it for further exploration and development of its projects. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties.

Repatriation of Capital Located in China

The Company may face delays repatriating funds held in China if at any time the Company needs additional resources to enable it to undertake projects elsewhere in the world. There are certain restrictions on the repatriation of funds held in China as more particularly described below.

Under Chinese law, repatriation of funds in China falls under several categories: (1) profit repatriation, (2) capital repatriation, (3) liquidation and (4) overseas loan repayment. The major requirements for each of the repatriation methods is as follows:

1. Profit repatriation – A WFOE may repatriate its after-tax profits out of China with few restrictions. Minco China is classified as a WFOE. Profit repatriation can only be undertaken once a year.

2. Capital repatriation – Under Chinese law, capital repatriation can only be made under the following circumstances:

    (a) Share/Equity Interest Sale – In the event that a foreign investor, as an assignor, intends to sell its equity interest in the WFOE to any other foreign or domestic entities/individuals, as an assignee, the approval from the original approving authority, such as the local Department of Commerce ("**DOC**") is required. Such governmental approval for an equity sale is not difficult to obtain in normal circumstances and it would normally take one to two months after all of the required documents have been submitted, subject to local practice.

    Once the governmental approval is obtained, the assignee is obliged to apply to the local Administration for Foreign Exchange ("**SAFE**"), for the approval of mailing the payment of the transfer price to the assignor, which can normally be done within 20 business days after all of the required documents have been submitted.

    (b) Capital Decrease – Generally, a WFOE must not decrease its registered capital during its operating term, however, if its registered capital needs to be decreased due to the change of the total investment amount or operation scale or other reasons, such decrease could be done after approval from the original approval authority has been obtained.

    The procedures for capital decrease are as follows:

    (i) The WFOE would apply to the local DOC for a preliminary approval of a capital decrease;

    (ii) After receiving the preliminary reply, the WFOE would notify all of its creditors in writing for such capital decrease and the WFOE would publically disclose such capital decrease in provincial newspapers at least three times;

    (iii) The creditors may require the WFOE to pay off all debts or provide corresponding guarantees to pay any outstanding debts;

    (iv) After the WFOE has made at least three public notices in provincial newspapers, it would apply to the local DOC for formal approval of the capital decrease;

    (v) Once the DOC has approved the decrease of the registered capital, the WFOE would conduct the registration change at the local Administration for Industry and Commerce ("**AIC**"); and

        A. Upon completion of the above procedures, if the then contributed capital of the WFOE exceeds the registered capital after the decrease, the WFOE would apply for the capital repatriation approval of the decreased capital to its investor(s) at the local SAFE. Once approval is received, the bank can remit the exceeded capital.

The above process takes around six months to complete.

3. Liquidation – The investor may also voluntarily liquidate the WFOE in accordance with relevant Chinese law and the articles of association of the WFOE. The procedures for the liquidation of a foreign investment are as follows:

(a) A resolution to liquidate the WFOE is adopted;

(b) The WFOE applies to the local DOC for approval of the liquidation;

(c) The WFOE sets up a liquidation committee to conduct the liquidation;

(d) The notices to creditors and the public announcements about the liquidation must be made;

(e) The liquidation committee would handle the sale of the assets of the WFOE and the distribution of the liquidation proceeds and submit a distribution report to the local DOC; and

(f) The deregistration of the WFOE must be conducted with the local AIC, local tax, customs, foreign exchange and other authorities.

Upon completion of the above procedures, the investor would apply to the local SAFE for repatriation of the liquidated proceeds. Once approval is received, the bank can remit the liquidation proceeds.

The above process takes approximately six months to complete.

4. Overseas Loan Repayment - Under Chinese law, a WFOE may borrow overseas loans from its investors or other overseas companies or financial institutions, provided that the overseas loan amount shall not exceed the balance between the total investment amount and the registered capital of the WFOE. The procedures for registration and repayment of such overseas loans are as follows:

(a) The WFOE would register the overseas loan with the local SAFE and obtain loan registration certificates issued by the local SAFE;

(b) After registration, the WFOE would open a special foreign exchange cash account with domestic banks to receive the overseas loan;

(c) When the WFOE repays the overseas loan, it would apply to the local SAFE for the repayment approval; and

(d) Upon the issuance of the repayment approval of the local SAFE, the WFOE would submit the overseas loan registration certificate and the repayment approval issued by the local SAFE to the banks and the banks would conduct payment operations through the WFOE's special foreign exchange cash account for the overseas loan or the special foreign exchange cash account for the overseas loan repayment.

Industry Specific Risks

The exploration, development, and production of minerals are capital-intensive businesses, subject to the normal risks and capital expenditure requirements associated with mining operations, which even a combination of experience, knowledge and careful evaluation may not be able to overcome.

Limited Experience with Development-Stage Mining Operations

The Company has limited experience in placing resource properties into production, and its ability to do so will be dependent upon using the services of appropriately experienced personnel or entering into agreements with other major resource companies that can provide such expertise. There can be no assurance that the Company will have available to it the necessary expertise if the Company places its resource properties into production.

Factors Beyond Company's Control

Discovery, location and development of mineral deposits depend upon a number of factors, not the least of which is the technical skill of the exploration personnel involved. The exploration and development of mineral properties and the marketability of any minerals contained in such properties will also be affected by numerous factors beyond the control of the Company. These factors include government regulation, high levels of volatility in market prices, availability of markets, availability of adequate transportation and refining facilities and the imposition of new or amendments to existing taxes and royalties. The effect of these factors cannot be accurately predicted.

Potential Conflicts of Interest

Certain members of the Company's board and officers of the Company also serve as officers or directors of other companies involved in natural resource exploration and development. Consequently, there exists the possibility that those directors and officers may be in a position of conflict. In particular, Ken Z. Cai is a director of and serves in management in each of the Company, Minco Gold and Minco Base Metals.

In addition, Paul Zhang serves as Chief Financial Officer, Ellen Wei serves as Controller and Jennifer Trevitt serves as Corporate Secretary with the Company, Minco Gold and Minco Base Metals. Any decision made by those directors and officers will be made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other companies. In addition, such directors and officers will declare, and refrain from voting on, any matter in which such directors or officers may have a conflict of interest. Nevertheless, there remains the possibility that the best interests of the Company will not be served because its directors and officers have other commitments. Matters between the Company and Minco Gold which put any of the directors or officers of the Company in a position of conflict are approved by the audit committee of the board of directors which is comprised of solely independent directors.

In addition to the potential conflicts described above, some of the directors and officers of the Company are also directors or officers of other reporting and non-reporting issuers who are engaged in other industry sectors. Accordingly, conflicts of interest may arise which could influence the decisions or actions of directors or officers acting on behalf of the Company.

Scope of Business Licence

In China companies are granted a business license which specifies the scope of activities that they are permitted to undertake. Although Minco China has taken steps to ensure that all of its business activities are within the scope of its business license, there is no assurance that the relevant Chinese authorities will agree with such assessment. If Minco China is determined to have exceeded the scope of its business license it could be subject to penalties or other sanctions

Uninsured Risks

The Company's mining activities are subject to the risks normally inherent in mineral exploration, including but not limited to environmental hazards, industrial accidents, flooding, periodic or seasonal interruptions due to climate and hazardous weather conditions, and unusual or unexpected formations. Such risks could result in damage to or destruction of mineral properties or production facilities, personal injury, environmental damage, delay in mining and possible legal liability. The Company may become subject to liability for pollution and other hazards against which it cannot insure or against which it may elect not to insure because of high premium costs or other reasons. The payment for such liabilities would reduce the funds available for exploration and mining activities and may have a material impact on the Company's financial position.

Currency Exchange Rates

The Company maintains its accounts in US dollar, Canadian dollar and RMB denominations. The government of the People's Republic of China maintained the exchange rate between the RMB and the US dollar as a constant until July 2005 and thus exchange rates between the Canadian dollar and the RMB fluctuated in tandem with the changing exchange rates between the US and Canadian dollars. Since July 2005, the value of the RMB has been tied to a basket of currencies of China's largest trading partners. Given that most of Minco Silver's expenditures are currently and are anticipated to be incurred in U.S. dollars and RMB, Minco Silver is subject to foreign currency fluctuations which may materially affect its financial position and operating results. The Company does not currently have a formal hedging program to mitigate foreign currency exchange risks.

Competition

The precious metal minerals exploration industry and mining business are intensely competitive. The Company competes with numerous other companies and individuals in the search for and the acquisition of attractive precious metal mining properties. Many of these competitors have substantially greater technical and financial resources than the Company. Competition could adversely affect the Company's ability to acquire suitable properties or prospects in the future.

Uncertainty of Estimates

Resource and reserve estimates of minerals are inherently imprecise and depend to some extent on statistical inferences drawn from limited drilling, which may prove unreliable. Although estimated recoveries are based upon test results, actual recovery may vary with different rock types or formations in a way which could adversely affect operations.

Reliance on Management and Directors

The success of the Company is currently largely dependent on the performance of its officers. The loss of the services of these persons will have a materially adverse effect on the Company's business and prospects. There is no assurance the Company can maintain the services of its officers or other qualified personnel required to operate its business.

Failure to do so could have a material adverse effect on the Company and its prospects. The Company has not purchased any "key-man" insurance with respect to any of its directors or officers to the date hereof. The loss of any key officer of the Company could have an adverse impact on the Company, its business and its financial position.

Fluctuating Metal Prices

Factors beyond the control of the Company may affect the marketability of metals discovered, if any. Metal prices have fluctuated widely, particularly in recent years. The effect of these factors cannot be predicted.

Changkeng Joint Venture Agreement

Pursuant to agreements with Minco Gold, Minco Silver has the right to acquire up to a 51% interest in the silver mineralization underlying the Changkeng Permit. There is no guarantee that Minco Gold and its other joint venture partners will be able to fund the Changkeng joint venture. If Minco Gold loses or alienates any or all of its interest in the Changkeng Permit, the Company's interest in the silver mineralization underlying the Changkeng Property will be lost. Therefore, the Company's interest in the silver mineralization in the Changkeng Property is entirely dependent upon Minco Gold maintaining an interest in the Changkeng Property. In the event that Minco Gold ceases to make its proposed investment contributions to the Changkeng joint venture, its interest in the joint venture, and by definition, Minco Silver's interest in the silver mineralization of the Changkeng Property, would be subject to dilution or even termination. Moreover, the Company will be required to satisfy certain payments in order to earn an interest in the silver mineralization underlying the Changkeng Property. If such payments are not made by the Company (or any related party) in a timely manner, then the Company's potential interest in the Changkeng Property's silver mineralization could be lost. The Changkeng Permit was renewed and expires on September 10, 2013. Although the Company has been advised by Minco Gold that it intends to take all possible steps necessary to renew the Changkeng Permit, there is no guarantee that such renewal attempts will be successful. While the Changkeng Permit currently only specifically references the gold resource on the Changkeng Property, Minco Silver understands that the holder of the Changkeng Permit is entitled to submit to the China mining authorities in due course a comprehensive utilization plan in respect of all of the mineral resources on the Changkeng Property.

Access to RMB

From time to time, the Company enters into agreements with third parties in China to buy and sell certain commodities. The Company will purchase a commodity in US dollars followed by an off-setting transaction to sell the same commodity for RMB. These transactions are entered into in the normal course of business and are designed primarily to provide the Company with access to RMB more readily than through currency exchange transactions which have recently become increasingly restrictive in China. There is no assurance that this method of converting US dollars to RMB will remain available to the Company.

The transactions described above may involve a period where the Company is owed money by a third party. While the Company takes steps to ensure that such third parties are credit-worthy, these transactions involve some amount of third party risk whereby the Company may not be paid amounts owed to it on time, or at all.

The Mining Industry Is Highly Speculative

The Company is engaged in the exploration for minerals which involves a high degree of geological, technical and economic uncertainty because of the inability to predict future mineral prices, as well as the difficulty of determining the extent of a mineral deposit and the feasibility of extracting it without the expenditure of considerable money.

Environmental Considerations

Although the People's Republic of China has enacted environmental protection legislation to regulate the mining industry, due to the very short history of this legislation, national and local environmental protection standards are still in the process of being formulated and implemented. The legislation provides for penalties and other liabilities for the violation of such standards and establishes, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are being or have been conducted.

To the knowledge of the Company, there are not outstanding notices, orders or directives from central or local environmental protection agencies or local government authorities alleging any breach of national or local environmental quality standards by Foshan Minco, GGB or any other party in respect of the Fuwan Project. Although the Company intends to fully comply with all environmental regulations, there is a risk that permission to conduct exploration and development activities could be withdrawn temporarily or permanently where there is evidence of serious breaches of such standards.

Litigation

We are subject to litigation risks. All industries, including the mining industry, are subject to legal claims, with and without merit. Defense and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding to which we are or may become subject could have a material effect on our financial position, results of operations or our mining and project development operations.

Enforceability of Judgments

Our principal asset, Fuwan Project, is located outside of Canada. It may be difficult or impossible to enforce judgments obtained in Canadian courts against our assets located outside of Canada.

DIVIDENDS

We have not declared or paid any dividends on our common shares since incorporation and we do not foresee the declaration or payment of any dividends on our common shares in the near future. Any decision to pay dividends on our common shares will be made by our board of directors on the basis of our earnings, financial requirements and other conditions existing at such future time and which our board of directors considers appropriate in the circumstances.

DESCRIPTION OF CAPITAL STRUCTURE

Our authorized capital consists of an unlimited number of common shares without par value. As at the date of this Annual Information Form, there were an aggregate of 58,927,752 common shares issued and outstanding. The holders of our common shares are entitled to one vote at all meetings of our shareholders and to receive the remaining property of our Company upon dissolution.

As of the date of this Annual Information Form there are also a total of 3,959,036 options to purchase common shares of the Company outstanding under our stock option plan adopted on June 28, 2010 and 418,000 warrants outstanding which grant their holder the ability to purchase common shares in the Company.

MARKET FOR SECURITIES

Our common shares are listed for trading on the TSX under the symbol "MSV". The following table provides the monthly price range and trading volume of our common shares from January 1, 2011 to December 31, 2011:

	Trading Summary for MSV		
	High ($)	**Low ($)**	**Volume Traded (# of Shares)**
2011			
January	6.30	4.42	2,604,600
February	6.39	5.45	2,349,300
March	6.03	4.33	3,512,600
April	6.94	5.87	4,486,700
May	6.22	4.86	2,519,100
June	5.54	3.77	2,120,500
July	5.18	4.85	1,713,500
August	4.51	2.94	2,583,300
September	2.74	2.31	1,931,300

October	2.70	1.96	2,536,000
November	2.50	1.47	3,193,900
December	2.33	1.46	4,686,500

SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

As of the date of the Annual Information Form, no shares of the Company are held in escrow or are subject to a contractual restriction on transfer.

DIRECTORS AND EXECUTIVE OFFICERS

Our board of directors is comprised of five members. The term of office for each of our directors will expire at the time of our next annual general meeting of shareholders. The following table sets forth the name, province or state and country of residence, positions held and date of appointment and principal occupation for each of our directors and executive officers as at the date of this Annual Information Form:

Name and Province or State and Country of Residence	Position	Director Since	Principal Occupation for the Past Five Years
Dr. Ken Z. Cai Beijing, China	Chairman, Chief Executive Officer and Director	August 20, 2004	Chief Executive Officer of the Company; Dr. Cai is also the Chief Executive Officer, President and a Director of Minco Gold and is the Chief Executive Officer and a Director of Minco Base Metals Corporation.
Wayne Spilsbury(2)(4)(5)(6) Perth, Western Australia, Australia	Director	March 9, 2009	Geologist; Retired from Teck Resources in 2009 after 27 years in various roles in their exploration division. He has worked in mineral exploration throughout Western Canada, the United States, Asia, and Australia. Mr. Spilsbury is a Retired Member of the Association of Professional Engineers and Geoscientists of British Columbia, a Member of the Australian Institute of Geoscientists and a Fellow of Australasian Institute of Mining and Metallurgy.
Chan-Seng Lee(1)(2)(6) British Columbia, Canada	Director	December 10, 2004	Mr. Lee is a chartered accountant and has been the Vice-President – Finance and Administration of Partnerships British Columbia Inc. from December 2004 to present.
George Lian(2)(3)(4) British Columbia, Canada	Director	June 28, 2010	Mr. Lian is the President of the Canada-China Business Association in Canada. He is also an advisor to many private companies and is a director of several charities.
Tim Sun(4)(6) Hong Kong, SAR	Director	March 28, 2011	Mr. Sun. is the CEO of Glory Wing International Ltd. From 2005 to 2010 he was the President and CEO of Canadian Sinosun Energy Inc.

Name and Province or State and Country of Residence	Position	Director Since	Principal Occupation for the Past Five Years
Paul Zhang British Columbia, Canada	Vice President of Finance and Chief Financial Officer	Not applicable	Mr. Zhang has been the Vice President of Finance and Chief Financial Officer of the Company, Minco Gold and Minco Base Metals since June 9, 2009. Previously, he was the Chief Financial Officer of Mountain China Resorts (Holding) Limited from April – December 2008 and was the Chief Financial Officer of Migao Corporation from 2005 to May 2008.
Ute Koessler	Vice President, Corporate Communications	Not applicable.	Ms. Koessler has worked for Minco Silver since November 2006, initially as Investor Relations Co-ordinator, being promoted to V.P. Corporate Communications in July 2011. Ms. Koessler has worked in various areas of the mining industry over the past 30 years with both on-site and head office experience, with a strong focus on communications.
Ellen Wei British Columbia, Canada	Controller	Not applicable.	Ms. Wei was appointed Corporate Controller of Minco Group of Companies in January 2009; Served as the Chief Financial Officer for Minco Mining (China) Ltd. 2005 – 2009;

Notes:

(1) Chair of the Audit Committee.
(2) Member of the Audit Committee.
(3) Chair of the Compensation Committee.
(4) Member of the Compensation Committee.
(5) Chair of the Nominating Committee.
(6) Member of the Nominating Committee.

As at the date hereof, our directors and senior officers, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, 735,900 (approximately 1.24%) of our issued and outstanding common shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than as described below, no director or executive officer is, as at the date of this Annual Information Form, or has been, within 10 years before the date of this Annual Information Form, a director, CEO or CFO of any company (including our Company) that:

(a) was the subject, while the director or executive officer was acting in the capacity as director, CEO or CFO of such company, of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days; or

(b) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity as director, CEO or CFO of such company.

To the best of our knowledge, no director, executive officer or a shareholder holding a sufficient number of securities of our Company to affect materially the control of our Company:

(a) is, as at the date of this Annual Information Form, or has been within 10 years before the date of this Annual Information Form, a director or executive officer of any company (including our Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceeding, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;

(b) has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder;

(c) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(d) has been subject to any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Ken Cai was formerly the Chairman, CEO and a director of Pacific Link Mining Corp. (formerly Tranzcom China Security Networks Inc. ("**Tranzcom**")). On September 18, 2006, a cease trade order was issued against Tranzcom by the British Columbia Securities Commission. The cease trade order was issued in response to Tranzcom's failure to file its financial statements within the time periods mandated by National Instrument 51-102. The cease trade order against Tranzcom was revoked on December 18, 2006.

Conflicts of Interest

Certain members of the Company's board of directors and officers of the Company also serve as officers or directors of other companies involved in natural resource exploration and development. Consequently, there exists the possibility that those directors and officers may be in a position of conflict. In particular, Ken Z. Cai is a director of and serves in management in each of the Company, Minco Gold and Minco Base Metals. Paul Zhang serves as CFO, Ellen Wei serves as Controller and Jennifer Trevitt serves as Corporate Secretary with the Company, Minco Gold and Minco Base Metals. Any decision made by those directors and officers will be made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other companies. In addition, such directors and officers will declare, and refrain from voting on, any matter in which such directors or officers may have a conflict of interest. Matters between the Company and Minco Gold which put any of the directors or officers of the Company in a position of conflict are approved by the audit committee of the board of directors which is comprised of solely independent directors.

In addition to the potential conflicts described above, some of the directors and officers of the Company are also directors or officers of other reporting and non-reporting issuers who are engaged in other industry sectors. Accordingly, conflicts of interest may arise which could influence the decisions or actions of directors or officers acting on behalf of the Company. The Company is not aware of any conflicts of interest between the Company and any of its directors and officers as of the date of this Annual Information Form.

AUDIT COMMITTEE DISCLOSURE

The Audit Committee's Charter

Our Audit Committee operates under a written charter that sets out its responsibilities and composition requirements. A copy of the audit committee charter is attached hereto as Schedule "A".

Composition of the Audit Committee

The members of the Audit Committee are Chan-Seng Lee, Wayne Spilsbury and George Lian. Each member of the Audit Committee is financially literate and each is an independent member of the Audit Committee.

Name of Member	Independent[(1)]	Financially Literate[(2)]
Chan-Seng Lee	Yes	Yes
Wayne Spilsbury	Yes	Yes
George Lian	Yes	Yes

Notes:

(1) To be considered independent, a member of the Audit Committee must not have any direct or indirect "material relationship" with our Company. A "material relationship" is a relationship which could, in the view of our directors, be reasonably expected to interfere with the exercise of a member's independent judgment.

(2) To be considered financially literate, a member of the Audit Committee must have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by our financial statements.

Relevant Education and Experience

The following relevant education and experience of the members of the Audit Committee have been used in assessing their financial literacy:

Chan-Seng Lee

Chan-Seng Lee has been a director of Minco Silver since December 2004. He is presently the Vice-President – Finance and Administration for Partnerships British Columbia Inc., a corporation which serves the public interest by analyzing, structuring and implementing innovative partnerships to build and maintain public infrastructure in British Columbia. Prior to that he was the Chief Financial Officer of CML Global Capital Ltd. ("**CML**"), an international investment firm and an officer of Consolidated Properties Ltd. ("**COP**"), a commercial real estate company. CML and COP were both publicly listed companies on the Toronto Stock Exchange at the time of Mr. Lee's involvement.

Mr. Lee is a Chartered Accountant and is a current member of the Institute of Chartered Accountants of British Columbia and the Canadian Institute of Chartered Accountants.

Wayne Spilsbury

Wayne Spilsbury has been a director of Minco Silver since March, 2009. Mr. Spilsbury received his B.Sc. (Honors Geology) in 1973 from the University of British Columbia and his M.Sc. (Applied Geology) in 1982 from Queens University in Ontario. He brings over 35 years' experience in mining, including 27 years with Teck Resources Limited and is their former General Manager, Exploration - Asia Pacific. He has worked throughout Western Canada, the United States, Asia, and Australia.

Mr. Spilsbury is a retired member of the Association of Professional Engineers and Geoscientists of British Columbia, a Graduate Australian Institute of Company Directors, a Member of Australian Institute of Geoscientists and a Fellow of Australasian Institute of Mining and Metallurgy. Mr. Spilsbury serves as a director of the following publicly-traded companies: Pioneer Resources Limited, an ASX listed company (Non-Executive Director) and International Lithium Corporation, a TSX Venture Exchange listed company (director), GGL Resources Corporation, a TSX Venture listed company (Director).

George Lian

Mr. George Lian holds a M.A. degree in Economics from Concordia University, Montreal, Quebec, Canada, as well as a M.B.A. degree from Shanghai Jiao Tong University, Shanghai, China. He practiced as a licensed lawyer for six years in Guangzhou, Guangdong, China. During his career he also acted as an advisor for many private investment and media companies in Canada. He is the President of Canada China Business Association, Canada and a director of several charity societies in Canada.

Audit Committee Oversight

Since the commencement of our most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor that was not adopted by our board of directors.

Reliance on Certain Exemptions

Since the commencement of our most recently completed financial year, we have not relied on the exemption in section 2.4 (*De Minimus Non-Audit Services*), section 3.2 (*Initial Public Offerings*), subsection 3.3(2) (*Controlled Companies*), section 3.4 (*Events Outside Control of Member*), section 3.5 (*Death, Disability or Resignation of Audit Committee Member*), section 3.6 (*Temporary Exemption for Limited and Exceptional Circumstances*) or section 3.8 (*Acquisition of Financial Literacy*) of NI 52-110, or an exemption from NI 52-110, in whole or in part, granted under Part 8 (*Exemptions*) of NI 52-110.

Pre-Approval Policies and Procedures

The Company's audit committee has adopted specific policies and procedures for the engagement of non-audit services as described above under the heading "External Auditors".

External Auditor Service Fees

The following table discloses the fees billed to us by our external auditor during the last two financial years:

	Year ended December 31,	
	2011	**2010**
Audit Fees(1)	$ 102,300	$ 71,676
Audit-Related Fees(2)	$ 78,150	$ 21,764
Tax Fees(3)	$ 30,000	$ Nil
All Other Fees(4)	$ Nil	$ 13,755

Notes:
(1) The aggregate fees billed for audit services.
(2) The aggregate fees billed for consultation, assurance and related services that are reasonably related to the performance of the audit or review of our Company's financial statements.
(3) The aggregate fees billed for tax compliance, corporate income tax returns, tax advice, tax compliance, and tax planning services.
(4) The aggregate fees billed for professional services other than those listed in the other columns items.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is not involved in any legal proceedings that involves a claim for damages in an amount, excluding costs and interest, which exceeds ten percent of the current assets of the Company.

Sterling Mining Company

On July 10, 2008 the Company proposed to purchase Sterling, a silver producer engaged in the commercial production of a major silver mine located in northern Idaho's Silver Valley. On July 30, 2008, the Company entered into a Letter of Intent, as amended and restated (the "**LOI**") whereby the Company agreed to amalgamate with Sterling subject to satisfactory due diligence and other conditions. As a condition of the LOI the Company made available to Sterling a credit facility for working capital and other operating expenses of up to USD$15,000,000, pursuant to which the Company advanced to Sterling USD$5,000,000 together with interest, legal fees, expenses, and charges.

On August 27, 2009, Minco Silver terminated its proposal to amalgamate with Sterling and terminated its obligation to advance the additional USD$10,000,000.

On February 18, 2009 Minco Silver filed an action in the Idaho State Court foreclosing on Sterling. On March 3, 2009, Sterling, with the consent of Sterling's creditors including Minco Silver, filed in the United States Bankruptcy Court District of Idaho (the "**Bankruptcy Court**") a voluntary Petition in bankruptcy under Chapter 11 of the United States Bankruptcy Code. On June 4, 2010 the Company received US$11.7 million ($12.1 million) from Sterling for the repayment of all amounts advanced and incurred, plus interest.

On March 12, 2009 Minco Silver filed with the Bankruptcy Court a proof of claim whereby the Company, as a secured creditor claims the amount of the Loan and as an unsecured creditor pursuant to the right to a termination fee as set out in the LOI asserts the right to the additional amount of USD$2,750,000 (the "**Break Fee**"). As at the date of this Annual Information Form, the Company is engaged in litigation to recover the Break Fee.

REGISTRAR AND TRANSFER AGENT

The Company's registrar and transfer agent for its common shares is Computershare Investor Services Inc., located at 200-510 Burrard Street, Vancouver, British Columbia, Canada V6C 3B9.

INTEREST OF MANAGEMENT IN MATERIAL TRANSACTIONS

Except as otherwise described in this Annual Information Form, no director, executive officer or 10% shareholder of our Company or any associate or affiliate of any such person or company, has or had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect our Company.

MATERIAL CONTRACTS

Except as otherwise described in this Annual Information Form, there are no contracts, other than contracts entered into in the ordinary course of business, that are material to us and that were entered into in the most recently completed financial year, or before the most recently completed financial year, but are still in effect.

The following material contracts were entered into by us during the most recently completed financial year or before the most recently completed financial year but are still in effect:

1. Joint Venture Agreement dated April 16, 2004 between the Company and Guangdong Geological Exploration and Development Corp.

2. Amendment to the Joint Venture Agreement dated August 18, 2004 between the Company and GGEDC.

3. Second Confirmation agreement dated August 24, 2006 among the Company, Minco Gold and Minco China.

2. Assignment agreement dated March 10, 2010 among the Company, Minco Gold and Minco China.

3. Cost Sharing Agreement dated March 10, 2010 between the Company and Minco Gold.

4. Underwriting Agreement dated February 15, 2011 between the Company and BMO Capital Markets, Haywood Securities Inc., Raymond James Ltd. and Union Securities Ltd.

5. Trust Agreement dated June, 2011 between the Company, Minco Gold and Minco China**.**

INTERESTS OF EXPERTS

The following is a list of persons or companies named as having prepared or certified a statement, report or valuation, in this Annual Information Form, either directly or in a document incorporated by reference and whose profession or business gives authority to the statement, report or valuation made by the person or company.

PricewaterhouseCoopers LLP, Chartered Accountants, are the Corporation's auditors and such firm has prepared an opinion with respect to the Corporation's consolidated financial statements as at and for the financial year ended December 31, 2011. PricewaterhouseCoopersLLP, are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia and prepared an audit report as auditors of the Company, in connection with the audit of the Company's annual financial statements for the year ended December 31, 2011;

To the best of the Company's knowledge, none of the principals of PricewaterhouseCoopers LLP, or P&E or Wardrop (the authors of various technical reports for the Company), have any registered or beneficial interest, direct or indirect, in any securities or other property of the Company;

Wayne Spilsbury, the "qualified person" as such term is defined under NI 43-101 responsible for the preparation of technical disclosure in this annual information form;

No person or company referred to in this section beneficially owns, directly or indirectly, 1% or more of any class of our outstanding securities.

ADDITIONAL INFORMATION

Additional information regarding us, including directors' and officers' remuneration and indebtedness, principal holders of our securities and securities authorized for issuance under equity compensation plans, is contained in our management information circular dated May 24, 2011, available on SEDAR at www.sedar.com. Additional financial information is provided in our consolidated financial statements and related management's discussion and analysis for the fiscal year ended December 31, 2011 which is available on SEDAR at www.sedar.com.

Additional information relating to our Company may be found on SEDAR at www.sedar.com.

SCHEDULE "A"

AUDIT COMMITTEE CHARTER

MINCO SILVER CORPORATION

AUDIT COMMITTEE CHARTER

Mandate

The primary function of the audit committee (the "**Committee**") is to assist the board of directors in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Company to regulatory authorities and shareholders, the Company's systems of internal controls regarding finance and accounting and the Company's auditing, accounting and financial reporting processes. The Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Company's financial reporting and internal control system and review the Company's financial statements.
- Review and appraise the performance of the Company's external auditors.
- Provide an open avenue of communication among the Company's auditors, financial and senior management and the Board of Directors.

Composition

The Committee shall be comprised of three directors as determined by the Board of Directors, the majority of whom shall be free from any relationship that, in the opinion of the Board of Directors, would interfere with the exercise of his or her independent judgment as a member of the Committee. At least one member of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of the Audit Committee Charter, the definition of "financially literate" is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Company's financial statements.

The members of the Committee shall be elected by the Board of Directors at its first meeting following the annual shareholders' meeting. Unless a Chair is elected by the full Board of Directors, the members of the Committee may designate a Chair by a majority vote of the full Committee membership.

Meetings

The Committee shall meet a four times annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee will meet at least annually with the Chief Financial Officer and the external auditors in separate sessions.

Responsibilities and Duties

To fulfill its responsibilities and duties, the Committee shall:

Documents/Reports Review

(a) Review and update the Charter annually.

(b) Review the Company's financial statements, MD&A and any annual and interim earnings, press releases before the Company publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.

External Auditors

(a) Review annually, the performance of the external auditors who shall be ultimately accountable to the Board of Directors and the Committee as representatives of the shareholders of the Company.

(b) Recommend to the Board of Directors the selection and, where applicable, the replacement of the external auditors nominated annually for shareholder approval.

(c) Review with management and the external auditors the audit plan for the year-end financial statements and intended template for such statements.

(d) Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Company's external auditors.

Provided the pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval such authority may be delegated by the Committee to one or more independent members of the Committee.

Financial Reporting Processes

(a) In consultation with the external auditors, review with management the integrity of the Company's financial reporting process, both internal and external.

(b) Consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.

(c) Consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the external auditors and management.

(d) Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.

(e) Review any significant disagreement among management and the external auditors in connection with the preparation of the financial statements.

(f) Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.

(g) Review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters.

(h) Review certification process.

(i) Establish a procedure for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Other

Review any related-party transactions.