

MINCO SILVER CORPORATION
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2019

This Management’s Discussion and Analysis (“MD&A”) of Minco Silver Corporation (“Minco Silver” or the “Company”) has been prepared based on available information up to May 13, 2019 and should be read in conjunction with the audited consolidated financial statements and related notes for most recent year ended December 31, 2018 and the condensed consolidated interim financial statements for the three months ended March 31, 2019. The Company’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

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

Additional information, including the above mentioned audited financial statements for the year ended December 31, 2018 and the MD&A and Annual Information Form (“AIF”) for the same period, which contain extensive disclosure of the history and properties of the Company, are available on www.sedar.com under the Company’s profile.

Refer to Note 3 of the audited consolidated financial statements for the year ended December 31, 2018 for details of the Company’s significant accounting policies.

Minco Silver (TSX: MSV) was incorporated under the laws of British Columbia, Canada on August 20, 2004. Minco Silver is engaged in the acquisition, exploration and development of precious metals mineral properties and projects.

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

As at March 31, 2019, the Company had these Chinese subsidiaries: Minco HK, Changfu Minco (90% ownership), Zhongjia Jingu Limited (“Zhongjia”), Minco Mining (China) Corporation (“Minco China”), , Tibet Mining Co. Ltd. (“Tibet Minco”), Minco Resources, Guangdong Mingzhong Mining Co. Ltd. (“Mingzhong”) (51% ownership), and Beijing Minco International Resources Investment Services Ltd. (“International Resources”).

At the date of this MD&A, the Company has 60,704,748 common shares, 950,000 performance share units and 7,896,337 stock options outstanding.

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1. Exploration and Project Development Activities

1.1 Disclosure of Technical Information

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

Following is a summary:

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

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

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

All other disclosure of a scientific or technical nature in this MD&A was reviewed and approved by Wan Fang, a Member of the Association of Professional Engineers and Geoscientists of Ontario (P. Geo) and a “qualified person”, as such term is defined in NI 43-101.

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

1.2 Fuwan Silver Project

Prior to 2019, the Company, through Changfu Minco, had three reconnaissance survey exploration permits in the Fuwan area (Luoke-Jilinggan Permit, Hecun Permit, and the Guyegang-Sanyatang Property), having a total area of 125.74 sq. km, covering a major part of the northeast-trending Fuwan silver belt which hosts the known gold and silver occurrences in the Sanzhou basin, including the Fuwan Silver Project and the Changkeng Gold Project.

The Company’s principal property is the Fuwan Silver Project with Luoke-Jilinggang exploration permit. The project is located in Gaoming County approximately 45 km southwest of Guangzhou, the fourth largest city in China with more than 14 million people and the capital city of Guangdong Province. The Company’s objective is to develop the Fuwan Silver/Changkeng Gold Project and commence commercial mining operations on the property.

The Luoke- Jilinggang Permit expired on July 20, 2017 and is being renewed. This process is slow however is in normal course for permit renewal. The Company expects to get the renewal.

The Company also had Fuwan Silver Belt Project in the Fuwan Area. Fuwan Silver Belt includes two permits, namely the Hecun Property and the Guyegang-Sanyatang Property. The Company's resource estimate in the Fuwan area described in the Company's latest 43-101 technical report dated October 2009 does not include the Hecun Property and the Guyegang-Sanyatang Property. Management considers these two mineral interests not part of the core mineral interests and let the Hecun Property and the Guyegang-Sanyatang Property expire on August 12, 2018 and March 17, 2019 respectively without renewal.

1.2.1 Historical Development on the Fuwan Silver Project

During 2014 and 2013, the Company made efforts to regain the support of local communities and had productive discussions with Zhaoqian District government and Gaoyao County government to develop the Fuwan Silver Project before the submission of the revised EIA report to Guangdong EPA department. In 2013, the Company conducted a new survey among local communities concerning the development of the Fuwan Silver Project and obtained very strong support from the locals. On May 26, 2013, Gaoyao County government issued an official approval of the development of the Fuwan Silver Project to the Company.

In 2010 the Company engaged Guangdong Nuclear Design Institute ("GNDI") to complete the Chinese Regulatory EIA report. The EIA report was reviewed and approved by a technical panel appointed by the Department of Environmental Protection Administration of Guangdong Province 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.

The Company engaged General Station for Geo-Environmental Monitoring of Guangdong Province ("GSGEM") for a water monitoring study to comply with the new water regulations issued by the Ministry of Environmental Protection of China effective on June 1, 2011. GSGEM carried out the required monitoring study and prepared all reports required for compliance with the new National Water Guidelines. The Company successfully completed the field work in January 2012 and received the comprehensive water monitoring report from GSGEM in April 2012. The report concluded that the Company is in compliance with the requirements of the National Water Guidelines. Revision of the EIA report has been completed incorporating the results from the water monitoring survey report. The revised EIA will be submitted to the Guangdong Environment Protection Administration ("EPA") as soon as they are accepting new EIA reports.

The preliminary mine design was completed in 2013 by China Nerin Engineering Co. Ltd ("NERIN"). The following summarized significant progress made in Permitting and Approval on the Fuwan Silver Project:

- The Chinese Preliminary Feasibility Study was completed by Changsha Non-Ferrous Mine Design Institute and approved by an expert panel.
- The Mining Area Permit, which covers approximately 0.79 sq. km, defines the mining limits of the Fuwan Silver Project and restricts the use of this land to mining activities was approved by MOLAR. The renewed permit expires on April 10, 2016. The Company will apply for the renewal of this permit.
- The Soil and Water Conservation Plan was completed and approved.
- The Geological Hazard Assessment was completed and approved in September 2009.
- 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 completed in December 2011 and submitted to the Safety Bureau of Guangdong Province for approval.

1.3 Changkeng Gold Project

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

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

The Changkeng exploration permit is set to expire on September 10, 2019. The Company intends to renew this permit.

1.4 Exploration Update

During the three months ended March 31, 2019, the Company did not conduct any exploration activities, except for maintaining the exploration permits of the Fuwan Silver Project and the Changkeng Gold Project. The Company is waiting a feedback from relevant government agencies to determine the best way to move the properties to develop the Company's mineral interests.

1.5 Feasibility Study, Resource Estimates, and Exploration Program

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

1.6 Additional Information

Permitting

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

The Mining Area Permit, which covers approximately 0.79 sq. km, defines the mining limits of the Fuwan Silver Project and restricts the use of this land to mining activities was approved by the Ministry of Land and Resources ("MOLAR"). The Mining Area Permit which defines the mining limits of the Fuwan Silver Project and restricts the use of this land to mining activities has been renewed indefinitely until the Company receives the mining permit for this property.

The latest EIA report for the combined Fuwan-Changkeng Project pending submitted to the government for approval. We are waiting a feedback from the relevant government agency to determine the best way to develop the Company's mineral interests. The EIA report is required to update after the feedback is received.

The development plan of the combined Fuwan Silver Project and Changkeng Gold Project has been completed and may subject for changes when the EIA report is updated.

Combination of Fuwan Silver Project and Changkeng Gold Project

During the three months ended March 31, 2019, the Company is in the process of combining the Fuwan Silver Project and the Changkeng Gold Project which adjoins the Fuwan Silver Project. The combination is pending subject to the further feedback from the government agencies about how to develop the Company's mineral interests.

2. Results of Operations

Three months ended March 31,	2019	2018	Change from 2018 to 2019
	\$	\$	\$
Loss before finance and other income	(247,373)	(849,891)	602,518
Finance and other income	432,671	401,592	31,079
Net income (loss) for the period	<u>185,298</u>	<u>(448,299)</u>	<u>633,597</u>

2.1 Exploration Costs

As at March 31, 2019, the Company has the following accumulated cost incurred in connection with the Company's mineral interest:

	December 31, 2018	Addition	Effect of change in foreign exchange rate	March 31, 2019
	\$	\$	\$	\$
Fuwan Silver Project	38,506,444	108,727	173,684	38,788,855
Changkeng Gold Project	25,577,061	48,681	90,787	25,716,529
Total	64,083,505	155,409	264,470	64,505,384

Fuwan Silver Project	Three months ended March 31, 2019	Accumulated to March 31, 2019
Consulting fees	\$ 26,802	\$ 6,430,851
Drilling	-	1,859,018
Labor costs	37,128	3,432,874
Feasibility study	-	1,991,340
Share-based compensation	12,776	7,577,773
Mine design costs	-	661,687
Mining license application	-	4,551,855
Environment impact assessment	-	1,106,457
Travel	-	701,480
Site office occupancy costs and others	32,021	3,345,612
Total	108,727	31,658,947
Effect of change in the exchange rate of RMB	173,684	7,129,908
	\$ 282,411	\$ 38,788,855

The Company's mineral assets are in China and its carrying value is recorded in RMB. An appreciation or depreciation of RMB against Canadian dollar will have a positive or negative impact to the carrying value of the mineral properties. During the three months ended March 31, 2019, the RMB appreciated approximately 0.37 %, which resulted in an increase of value of \$175,074.

Changkeng Project	Three months ended March 31, 2019	Accumulated to March 31, 2019
Acquisition	\$ -	\$ 25,312,695
Consulting fees	26,802	424,908
Drilling	-	142,863
Feasibility study	-	112,201
Mining design and license application	-	49,523
Salary and benefits	9,103	432,824
Share-based compensation	12,776	562,234
Site office occupancy cost and others	-	3,780
Subtotal	48,681	27,041,028
Effect of change in the exchange rate of RMB	90,787	(1,324,499)
Total	\$ 139,468	\$ 25,716,529

2.2 Administrative Expenses

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

The following table is a summary of the Company's administrative expenses for the three months ended March 31, 2019 and 2018:

Administrative expenses	ref	2019	2018	Net changes from 2018 to 2019
		\$	\$	\$
Audit, legal and regulatory		32,894	49,722	(16,828)
Amortization	a	22,533	15,632	6,901
Consulting		19,840	19,825	15
Directors' fees		19,500	25,250	(5,750)
Field office expenses		159,820	124,864	34,956
Interest accreted	a	4,594	-	4,594
Investor relations		3,770	5,866	(2,096)
Property investigation recovery	b	(388,571)	-	(388,571)
Office administration		40,442	41,503	(1,061)
Rent	a	10,537	77,597	(67,060)
Salaries and benefit	c	66,766	97,981	(31,215)
Share-based compensation		154,420	366,801	(212,381)
Travel and transportation	d	100,828	24,850	75,978
Total		247,373	849,891	(602,518)

(a) The Company adopted IFRS 16 commencing January 1, 2019. As a result, certain lease payment relating to the shared office rent in Vancouver recorded in 2018 is reclassified into amortization and interest accreted in 2019. As a result, amortization increased and rent expenses decreased in the current quarter.

(b) During 2018, the Company entered into a preliminary agreement (the "Proposed Acquisition") to acquire 70% of the equity interests in Changing Longxin Mining Co., Ltd ("Longxin Mining"), a Chinese mining company which holds a 100% interest in the Longwangshan Gold Mine.

In conjunction with the Proposed Acquisition, Minco China entered into a loan agreement with Longxin Mining and its shareholders pursuant to which Minco China provided the shareholders of Longxin Mining with a loan of \$14,684,551 (73.8 million RMB) (the "Note") on August 6, 2018.

The Note was due and payable six months from issuance, bears interest at the rate of 10% per annum, and is secured by 100% equity interest in Longxin Mining and all assets of the Longwangshan Gold Mine. In addition, the Note is guaranteed by both Longxin Mining's shareholders and a real estate company controlled by them. The Note was meant to form part of the consideration for the Proposed Transaction.

The Company decided not to proceed with the Proposed Acquisition on February 4, 2019, therefore the Note became due and payable. The Note was extended to June 30, 2019 with an increased interest rate of 12% per annum, and continues to be secured by a 100% equity interest in Longxin Mining and all assets of the Longwangshan Gold Mine. On February 4, 2019, Minco China received the full interest payments of \$718,564 (RMB 3.6 million) for this six- month period and also received a reimbursement of \$388,571 (RMB 2 million) for the due diligence cost in accordance with the preliminary agreement. Thus property investigation recovery increased.

(c) The Company had less employees during the current quarter, thus incurred less salaries and benefits.

(d) The Company incurred more travel expenses for the follow up on the Proposed Acquisition and the maintenance of the mining permit in the current quarter.

2.3 Finance and Other Income (Expenses)

Three months ended March 31,	2019	2018	Net changes from 2018 to 2019
	\$	\$	\$
Foreign exchange gain (loss)	(155,599)	86,003	(241,602)
Gain (loss) on short-term investment	23,686	(14,911)	38,597
Interest income	564,584	228,475	336,109
Other income (expenses)	-	102,025	(102,025)
Total	432,671	401,592	31,079

Foreign exchange gain (loss)

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

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

During the current quarter, US dollar depreciated approximately 2.09% against Canadian dollars and appreciated against RMB approximately 0.37% and resulted with a net foreign exchange loss of \$155,599.

Interest income

As discussed in the above, the Company lent \$14,684,551 in August 2018 in connection with the Proposed Acquisition. This note receivable has been extended to June 30, 2019. As a result, interest income in the current quarter increased

3. Summary of Quarterly Results

	Income (loss) attributable to shareholders	Earnings (loss) per share	
		Basic	Diluted
	\$	\$	\$
03-31-2019	196,816	0.00	0.01
12-31-2018	1,943,068	0.03	0.03
09-30-2018	(283,451)	(0.00)	(0.00)
06-30-2018	(1,298,927)	(0.02)	(0.02)
03-31-2018	(410,544)	(0.01)	(0.01)
12-31-2017	(952,660)	(0.02)	(0.02)
09-30-2017	(1,646,051)	(0.03)	(0.03)
06-30-2017	(1,653,585)	(0.03)	(0.03)

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

4. Liquidity and Capital Resources

4.1 Cash Flows

	Three months ended March 31,	
	2019	2018
	\$	\$
Operating activities, cash inflow (outflow)	1,131,458	(636,901)
Financing activities, cash inflow (outflow)	(11,344)	200,632
Investing activities, cash outflow	(1,855,943)	(1,928,527)

Operating activities

During the three months ended March 31, 2019, cash generated from the operating activities was mainly from changes in working capital.

Investing activities

During the three months ended March 31, 2019, cash used in investing activities was not substantially different from 2018 as there was no significant change in business.

4.2 Capital Resources

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

	March 31,	December 31
	2019	2018
	\$	\$
Working capital	47,450,102	47,172,392
Cash and cash equivalents	5,790,120	6,555,249
Short-term investment	26,834,025	25,161,492

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

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

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

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

5. Off-Balance Sheet Arrangements

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

6. Transactions with Related Parties

(a) Shared office expenses

Minco Silver, Minco Gold, and Minco Base Metals Corporation (“MBM”) have common officers and a common director. These three companies share offices and certain administrative expenses.

(b) Due to and due from related parties

	March 31, 2019	December 31, 2018
	\$	\$
Due from MBM (i)	9,014	206,299
Due to Minco Gold (ii)	(3,763)	1,054
	<u>5,251</u>	<u>207,353</u>

The amounts due from MBM and Minco Capital are administrative and shared expenses to be settled after the year end. The amounts due are unsecured, non-interest bearing and payable on demand. During the three months ended March 31, 2019, the Company paid or accrued \$10,798 (March 31, 2018 – \$17,871) in respect of rent and \$66,917 (March 31, 2018 – \$78,147) in respect of shared head office expenses and administration costs to Minco Capital.

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

(c) Trust arrangement with MBM

During 2018, the Company disposed two former subsidiaries (Minco Yinyuan Co. and Minco International Resources Limited) to MBM. After the disposition, Minco Yinyuan has a trust arrangement with Minco China, a wholly owned subsidiary of the Company, to continue holding certain cash and short-term investments for Minco China. The amount held by Minco Yinyuan in trust for Minco China was \$123,522 on March 31, 2019 (December 31, 2018 - \$130,452)

(d) Key management compensation

During the three months ended March 31, 2019 and 2018, the following compensation was paid and accrued to key management. Key management includes the Company’s directors and senior management. This compensation has been included administrative expenses and the Company’s mineral interests (section 2.1).

Three months ended March 31,	2019	2018
	\$	\$
Cash remuneration	168,269	165,754
Share-based compensation	122,412	341,956
	<u>290,681</u>	<u>507,710</u>

7. Critical Accounting Estimates and Judgments

Refer to Note 3 to the consolidated annual financial statements for the year ended December 31, 2018.

8. Adoption of New Accounting Standards

Refer to Note 2 to the interim consolidated financial statements for the three months ended March 31, 2019.

9. Financial Instruments

The following table shows the carrying values of assets and liabilities for each of these categories at March 31, 2019 and December 31, 2018.

	March 31, 2019	December 31, 2018
Amortized cost financial assets:	\$	\$
Cash and cash equivalents	5,790,120	6,555,249
Short-term investments	26,834,025	25,161,492
Note receivable	14,684,551	14,630,621
Receivables	720,095	985,978
Due from related parties	5,251	207,353
Amortized cost financial liabilities:		
Accounts payable and accrued liabilities	349,805	309,010
Due to minority shareholders of a subsidiary	353,265	351,968

The Company does not have financial instruments measured at fair values. The fair values of these financial instruments approximate their carrying value due to their short-term nature.

Financial risk factors

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

Foreign exchange risk

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

The Company does not hedge its exposure to currency fluctuations. The Company has completed a sensitivity analysis to estimate the impact that a change in foreign exchange rates would have on the net loss of the Company, based on the Company's net US\$5.5 million monetary assets as at March 31, 2019. This sensitivity analysis shows that a change of +/- 10% in US\$ foreign exchange rate would have a +/- US\$0.5 million impact on net loss.

Interest rate risk

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

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

10. Risks Factor and Uncertainties

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

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

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

Management has established disclosure controls and procedures to ensure that information disclosed in this MD&A and the related financial statements was properly recorded, processed, summarized and reported to the Company's Board and Audit Committee. Management has evaluated the effectiveness of the Company's disclosure controls and procedures as at March 31, 2019 and has concluded, based on its evaluation, that these controls and procedures provide reasonable assurance that material information relating to the Company is made known to management and reported as required. Management is also responsible for establishing and maintaining adequate internal controls over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The control framework used to design the Company's internal control over financial reporting is the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management has evaluated the effectiveness of design and operation of the Company's internal controls over financial reporting as at December 31, 2018. Based on the result of this assessment, management has concluded that the Company's internal controls over financial reporting are effective.

12. Cautionary Statement of Forward Looking Information

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

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

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

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

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

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

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

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