MINCO SILVER CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
NINE MONTHS ENDED SEPTEMBER 30, 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 November 14, 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 nine months ended September 30, 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"). *T*he Guangdong Geological Bureau ("GGB") owns the remaining 10% interest in the Fuwan Silver project, through a net profit interest.

As at September 30, 2019, the Company had these Chinese subsidiaries: Minco HK, Changfu Minco (90% ownership), Zhongjia Jinggu 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 60,771,415 common shares, and 7,194,670 stock options outstanding.

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12. Cautionary Statement on Forward Looking Information

1. Exploration and Project Development Activities

1.1 Impairment

The Company has experienced delay in renewal of exploration permits of Fuwan Silver Deposit which has been expired since July 2017. The exploration permit of the Changkeng Gold Project expired in September 2019. The Company is applying for a renewal but based on experience and current status of the renewal application for the Fuwan Silver Deposit, the company expects the permit renewal application for the Changkeng Gold Project may be subject to similar delays. The delays in receipt of the renewed exploration permits has been considered as an impairment indicator by the company leading to a test of recoverable amount of the Fuwan Silver and Changkeng Gold Project, which resulted in an impairment loss of $64,385,571. A value in use calculation is not applicable as the Company does not have any expected cash flows from using these mineral properties at this stage of operations. In estimating the fair value less cost of disposal, management did not have observable or unobservable inputs to estimate the recoverable amount greater than $nil. As this valuation technique requires management's judgment and estimates of the recoverable amount, it is classified within Level 3 of the fair value hierarchy.

1.2 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.

1.3 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 Silver Belt Project 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 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.

The Company's Fuwan Silver Project is comprised of 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. The process is slow but the Company will use best efforts to renew this permit and intend to keep the property in good standing.

1.4 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 expired on September 10, 2019 and is being renewed. This process may be slow but the Company will use best efforts to renew this permit and intend to keep this property in good standing.

2. Results of Operations

Nine months ended September 30,	**2019**	**2018**	**Change from 2018 to 2019**
	$	**$**	**$**
Loss before finance and other income	(1,326,654)	(3,055,684)	1,729,030
Finance and other income (loss)	(62,971,877)	960,469	(63,932,346)
Net loss for the period	(64,298,531)	(2,095,215)	(62,203,316)

Three months ended September 30,	**2019**	**2018**	**Change from 2018 to 2019**
	$	$	$
Loss before finance and other income	(399,642)	(931,008)	531,366
Finance and other income (expenses)	(63,838,721)	626,094	(64,464,815)
Net loss for the period	(64,238,363)	(304,914)	(63,933,449)

2.1 Exploration Costs

As at September 30, 2019, the Company has the following accumulated cost incurred in connection with the Company's mineral interest:

	December 31, 2018	Addition	Impairment	September 30, 2019
	$	$	$	$
Fuwan Silver Project	38,506,444	254,232	(38,760,676)	-
Changkeng Gold Project	25,577,061	47,834	(25,624,895)	-
Total	**64,083,505**	**302,066**	**(64,385,571)**	**-**

Continuity is as follows:

Fuwan Silver Project	**Nine months ended September 30, 2019**	**Accumulated to September 30, 2019**
	$	$
Consulting fees	120,010	6,524,059
Drilling	-	1,859,018
Labor costs	130,551	3,526,297
Feasibility study	-	1,991,340
Share-based compensation (*)	(98,495)	7,466,502
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	102,166	3,415,757
Subtotal	254,232	31,804,452
Effect of change in the exchange rate of RMB	-	6,956,224
Impairment	(38,760,676)	(38,760,676)
Total	**(38,506,444)**	**-**

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.

*On September 30, 2019, as the Company forfeited all the 950,000 Performance Share Units ('PSU") outstanding as at the beginning of fiscal 2019 when the Company impaired its Fwuan and Changkeng projects. Consequently, the share-based compensation capitalized to mineral interest from fiscal 2017 up to the third quarter of 2019. As a result, an amount of $137,022 share-based compensation previously added to Fuwan Silver Project had been reversed as at September 30, 2019 before impairment was made.

Changkeng Project	Nine months ended September 30, 2019	Accumulated to September 30, 2019
	$	$
Acquisition	-	25,312,695
Consulting fees	120,010	518,116
Drilling	-	142,863
Feasibility study	-	112,201
Mining design and license application	-	49,523
Salary and benefits	38,527	450,040
Share-based compensation (**)	(110,703)	450,963
Site office occupancy cost and others	-	3,780
Subtotal	47,834	27,040,181
Effect of change in the exchange rate of RMB	-	(1,415,286)
Impairment	(25,624,895)	(25,624,895)
Total	(25,577,061)	-

**As discussed in the above, an amount of $137,022 share-based compensation previously added to Changkeng Gold Project had been reversed as at September 30, 2019 before impairment was made.

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.

2.2.1 Nine months ended September 30, 2019 and 2018

The following table is a summary of the Company's administrative expenses for the nine months ended September 30, 2019 and 2018:

Administrative expenses	**ref**	**2019**	**2018**	**Net changes from 2018 to 2019**
		$	$	$
Audit, legal and regulatory		188,854	222,056	(33,202)
Amortization	a	152,685	39,707	112,978
Consulting		53,803	78,500	(24,697)
Directors' fees		56,250	75,750	(19,500)
Field office expenses		408,598	435,103	(26,505)
Interest accredited	a	27,454	-	27,454
Investor relations		5,160	6,619	(1,459)
Office administration expenses		118,828	190,804	(71,976)
Property investigation recovery	b	(344,288)	452,002	(796,290)
Rent	a	30,796	197,305	(166,509)
Salaries and benefit		180,509	247,226	(66,717)
Share-based compensation	c	314,854	1,051,690	(736,836)
Travel and transportation	d	133,151	58,922	74,229
Total expenses		**1,326,654**	**3,055,684**	**(1,729,030)**

(a) The Company adopted IFRS 16 commencing January 1, 2019. As a result, certain lease payments relating to the shared office rent in Vancouver recorded in 2018 have been reclassified into amortization and interest accredited in 2019. As a result, amortization and accredited interest increased but rental expenses decreased.

(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”) The Company decided not to proceed with the Proposed Acquisition on February 4, 2019 and received a reimbursement of $388,571 (RMB 2 million) for the due diligence cost in accordance with the preliminary agreement. Thus property investigation expenses decreased.

(c) Share-based compensation decreased by $736,836. The decrease is a combined effect of the following:

- due to the difference in the timing of the Company’s option vesting,
- On September 30, 2019, the Company forfeited all the 950,000 PSU outstanding as at the beginning of fiscal 2019 when the Company impaired its Fuwan and Changkeng projects. Consequently, the share-based compensation recorded to the Company’s statement of operation ($144,345) from fiscal 2017 up to the third quarter of 2019 has been reversed. No similar reversal in 2018.

(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.

2.2.2 Three months ended September 30, 2019 and 2018

The following table is a summary of the Company’s administrative expenses for the three months ended September 30, 2019 and 2018:

Administrative expenses	**ref**	**2019**	**2018**	**Net changes from 2018 to 2019**
		$	$	$
Audit, legal and regulatory		53,284	44,706	8,578
Amortization	a	63,581	11,795	51,786
Consulting		15,197	39,260	(24,063)
Directors’ fees		20,250	22,250	(2,000)
Field office expenses		120,566	176,622	(56,056)
Interest accredited	a	11,823	-	11,823
Investor relations		451	415	36
Office administration expenses		38,363	79,555	(41,192)
Property investigation	b	20,806	102,310	(81,504)
Rent	a	6,809	55,567	(48,758)
Salaries and benefit		57,826	99,393	(41,567)
Share-based compensation	c	(29,258)	288,273	(317,531)
Travel and transportation		19,944	10,862	9,082
Total		**399,642**	**931,008**	**(531,366)**

(a), (b) and (c) The variances of these expenditures for the three months period ended September 30, 2019 and 2018 were caused by the similar reasons discussed in the section 2.2.1.

2.3 Finance and Other Income (Expenses)

2.3.1 Nine months ended September 30, 2019 and 2018

Nine months ended September 30,	2019	2018	Net changes from 2018 to 2019
	$	$	$
Foreign exchange gain (loss)	(226,530)	797,239	(1,023,769)
Impairment on mineral interests	(64,385,571)	-	(64,385,571)
Gain on disposition of a subsidiary	-	31,499	(31,499)
Loss on investment	(89,478)	-	(89,478)
Loss on short-term investment	-	(769,138)	769,138
Interest income	1,724,576	752,601	971,975
Other income (expenses)	5,126	148,268	(143,142)
Total	(62,971,877)	960,469	(63,932,346)

Impairment

As discussed in section 1.1 and 2.1, the Company has recorded impairment charge on its mineral interests as at September 30, 2019, as a result, impairment increased significantly in the current nine-month period.

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 nine-month period, US dollar depreciated approximately 3% against Canadian dollars and appreciated against RMB approximately 3% and resulted with a net foreign exchange loss of approximately $226,530.

Interest income

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 $14,630,621 (73.8 million RMB) (the "Note") on August 6, 2018.

The Note was due and payable nine 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 Note was extended to June 30, 2019 on February 6, 2019 with an interest rate of 12% per annum. On June 30, 2019, the Company received 3.8 million RMB and approximately 3.5 million RMB as a partial payment of the Note and full payment of the interests came due respectively. The balance of the Note, being $12,989,555 (70 million RMB), has been extended to December 31, 2019 with a 12% annual interest rate. The Note is continued to be fully secured by a 100% equity interest in Longxin Mining and all assets of the Longwangshan Gold Mine.

Loss on short-term investment

As at September 30, 2019, the Company invested in two corporate bonds each with face value of USD 800,000 ($1,362,447). Among these two investments, the bond issued by China Energy Reserve & Chemicals Group Co. with the maturity date of January 15, 2019 was in default since September 30, 2018 and an impairment charge of $734,234 was made for the period ended September 30, 2018. There was no similar provision made during the current three and nine months period ended September 30, 2019.

Loss on investment in marketable securities

During the three months ended September 30, 2019, the Company, through open market, acquired common shares of a public company that are listed on the Shenzhen Stock Exchange of China. The investment (cost - $2,787,000; fair value on September 30, 2019 - $2,697,522) is designated as fair-value-through- profit-or-loss (FVTPL) financial asset and is measured at its fair value at inception and at each subsequent reporting period. The Company considers the closing price of the marketable securities at the period end as the fair value and an unrealized loss of $89,478 has been recorded as at September 30, 2019.

2.3.2 Three months ended September 30, 2019 and 2018

Three months ended September 30,	**2019**	**2018**	**Net changes from 2018 to 2019**
	$	$	$
Foreign exchange gain (loss)	68,264	148,575	(80,311)
Impairment on mineral interest	(64,385,571)	-	(64,381,571)
Loss on investment	(89,478)	-	(89,478)
Loss on short-term investment	-	117,764	(117,764)
Interest income	557,981	333,170	224,811
Other income (expenses)	10,083	26,585	(16,502)
Total	**(63,838,721)**	**626,094**	**(64,464,815)**

The variances of the foreign exchange gain and interest income for the three-month period of 2019 and 2018 were caused by the similar reasons discussed in the section 2.3.1.

3. Summary of Quarterly Results

	Income (loss) attributable to shareholders	**Earnings (loss) per share Basic**	**Diluted**
	$	**$**	**$**
09-30-2019	(51,671,636)	(0.85)	(1.00)
06-30-2019	(235,051)	(0.00)	(0.00)
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)

Variations in quarterly performance over the eight quarters were primarily due to variation in impairment charges recorded, change in foreign exchange rate 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

Nine months ended September 30,	2019	2018
	$	$
Operating activities, cash inflow (outflow)	(313,149)	(1,705,584)
Financing activities, cash inflow (outflow)	(98,737)	182,964
Investing activities, cash outflow	(639,961)	(13,310,336)

Operating activities

During the nine months ended September 30, 2019, cash used in the operating activities was mainly to account for changes in working capital and for financing operations.

Financing activities

During the nine months ended September 30, 2019, the Company paid $134,237 in connection with the lease obligation. The Company also received $35,500 from option exercised.

Investing activities

During the nine-month ended September 30, 2019, the Company used $2,787,000 to acquire marketable securities which was financed by the receipt of partial repayment of the Note ($705,247), net redemption of short-term investment ($562,462), and receipt of interest payment ($1,383,564).

4.2 Capital Resources

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

	September 30, 2019	December 31 2018
	$	$
Working capital	44,767,551	47,172,392
Cash and cash equivalents	5,219,620	6,555,249
Short-term investment	23,506,417	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 in China. For the cash and short-term investments denominated in RMB that are 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 Capital, 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

	September 30, 2019	December 31, 2018
	$	$
Due from MBM (i)	57,534	206,299
Due to Minco Capital (ii)	(18,083)	1,054
	39,451	207,353

The amounts due from MBM and Minco Capital are administrative and shared expenses to be settled after the period end. The amounts due are unsecured, non-interest bearing and payable on demand.

During the three months ended September 30, 2019, the Company paid or accrued $10,931 (September 30, 2018 – $13,383) in respect of rent and $51,213 (September 30, 2018 – $78,804) in respect of shared head office expenses and administration costs to Minco Capital.

During the nine months ended September 30, 2019, the Company paid or accrued $31,983 (September 30, 2018 – $28,958) in respect of rent and $175,077 (September 30, 2018 – $223,848) 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) Rental agreement with the CEO

On April 1, 2019, the Company's wholly owned subsidiary, Minco China, effectively entered into a lease agreement with the Company's CEO for the use of an office in Beijing, China. The monthly rent is $17,434 (RMB 90,000) and will expire on August 31, 2020.

(d) 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 $176,767 on September 30, 2019 (December 31, 2018 - $130,452)

(e) Key management compensation

During the nine months ended September 30, 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 September 30,		Nine months ended September 30,	
	2019	**2018**	**2019**	**2018**
	$	$	$	$
Cash remuneration	191,932	159,730	506,403	502,847
Share-based compensation	52,199	287,222	319,418	1,101,741
	244,130	446,952	825,821	1,604,588

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 nine months ended September 30, 2019.

9. Financial Instruments

The following table shows the carrying values of assets and liabilities for each of these categories at September 30, 2019 and December 31, 2018.

	September 30, 2019	**December 31, 2018**
FVTPL financial assets:	**$**	**$**
Investment in marketable securities	2,697,522	**-**
Amortized cost financial assets:		
Cash and cash equivalents	5,219,620	6,555,249
Short-term investments	23,506,417	25,161,492
Note receivable	12,989,555	14,630,621
Receivables	946,613	985,978
Due from related parties	39,451	207,353
Investment	2,697,522	-
Amortized cost financial liabilities:		
Accounts payable and accrued liabilities	259,889	309,010
Due to minority shareholders of a subsidiary	329,452	351,968

Financial assets and liabilities that are recognized on the balance sheet at fair value can be classified in a hierarchy that is based on the significance of the inputs used in making the measurements. The levels in the hierarchy are:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Fair value of the Company's investment in marketable securities is classified at Level 1.

The fair value of financial instruments that are not measured at fair value 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$ million monetary assets as at September 30, 2019. This sensitivity analysis shows that a change of +/- 10% in US$ foreign exchange rate would have a -/+ US$0.67 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 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 September 30, 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.