MINCO SILVER CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 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 March 20, 2020 and should be read in conjunction with the audited consolidated financial statements and related notes for most recent year ended December 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 . 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, 2019 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, 2019 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.

As at December 31, 2019, the Company had the following 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 7,120,335 stock options outstanding.

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1. Exploration and Project Development Activities

1.1 Impairment

The Company has experienced a delay in renewal of exploration permits of Fuwan Silver Project which expired in 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 the 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 the recoverable amount of the Fuwan Silver Project and Changkeng Gold Project, which has resulted in a full impairment of the carrying value of Fuwan Silver and Changkeng Gold Project. 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.

The Company will use its best efforts to renew these permit and intend to keep the Fuwan Silver Project and Changkeng Gold project in good standing.

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.

The 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.

Management let the Hecun Property and the Guyegang-Sanyatang Property expired on August 12, 2018 and March 17, 2019 respectively without renewal as management considered these are not the core mineral properties of the Fuwan Silver Project.

The Luoke-Jilinggang exploration permit covers an area 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 Luoke- Jilinggang Permit expired on July 20, 2017 and is being renewed. The process is slow but the Company will use its 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 has applied for renewal. This process is expected to be slow but the Company will use its best efforts to renew this permit and intend to keep this property in good standing.

The Company's objective is to advance our properties, the Fuwan Project and the Changkeng Project, towards production. The Company is also focus in the acquisition of mineral properties with merit for exploration and development.

2. Results of Operations

2.1 Selected Annual Information

The following table summarizes selected financial information for the last three fiscal years

	2019	**2018**	**2017**
	$	$	$
Revenue	-	-	-
Net loss	(60,546,222)	(170,695)	(5,205,216)
Loss per share (basic and diluted)	(1.00)	(0.00)	(0.09)
Total assets	46,317,608	112,098,110	109,609,999
Total long-term financial liabilities	-	-	-
Cash dividends	-	-	-

2.2 Summary of operations

Years ended December 31,	2019	2018	Change from 2018 to 2019
	$	$	$
Loss before finance and other income	(2,220,118)	(3,370,881)	1,150,763
Finance and other income (expenses)	(58,073,728)	3,200,186	(61,273,914)
Income taxes expense, current and deferred	(252,376)	-	(252,376)
Net loss for the period	(60,546,222)	(170,695)	(60,375,527)

Three months ended December 31,	2019	2018	Change from 2018 to 2019
	$	$	$
Loss before finance and other income	(893,464)	(315,197)	(578,267)
Finance and other income (expenses)	758,875	2,239,717	(1,480,842)
Income taxes expense, current and deferred	(252,376)	-	(252,376)
Net loss for the period	(386,965)	1,924,520	(2,311,485)

2.3 Exploration Costs

The continuity of the Company's mineral interests is as follows:

	December 31, 2018	Addition	Effect of change of exchange rate with RMB	Impairment	December 31, 2019
	$	$	$	$	$
Fuwan Silver Project	38,506,444	249,332	(2,557,978)	(36,197,798)	-
Changkeng Gold Project	25,577,061	4	(1,571,494)	(24,048,500)	-
Total	**64,083,505**	**302,066**	**(4,139,274)**	**(60,246,297)**	**-**

Details of the accumulated exploration expenditures are as follow:

Fuwan Silver Project	Year ended December 31, 2019	Accumulated to December 31, 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)	7,461,600
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	249,332	31,799,550
Effect of change in the exchange rate of RMB	(2,557,978)	4,398,248
Impairment	(36,197,798)	(36,197,798)
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.

Changkeng Project	Year ended December 31, 2019	Accumulated to December 31, 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	26,320	450,041
Share-based compensation (*)	(103,397)	446,061
Site office occupancy cost and others	-	3,780
Subtotal	42,933	27,035,280
Effect of change in the exchange rate of RMB	(1,571,494)	(2,986,780)
Impairment	(24,048,500)	(24,048,500)
Total	(25,577,061)	-

*On September 30, 2019, as the Company decided the performance criteria would not be met before the expiry. Consequently, the share-based compensation recorded to the Company's statement of operation and to the share-based compensation capitalized to mineral interest from fiscal 2017 up to the third quarter of 2019 has been reversed. These 950,000 PSU expired on February 2020.

2.4 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.

2.4.1 Year ended December 31, 2019 and 2018

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

Administrative expenses	**ref**	**2019**	**2018**	**Net changes from 2018 to 2019**
		$	$	$
Audit, legal and regulatory		243,267	281,600	(38,333)
Amortization	a	215,846	52,983	162,863
Consulting		178,135	171,802	6,333
Directors' fees		73,500	92,250	(18,750)
Field office expenses		650,726	512,495	138,231
Interest		5,723	7,322	(1,599)
Investor relations		38,453	-	38,453
Office administration expenses		170,815	211,247	(40,432)
Property investigation expense (recovery)	b	(303,508)	366,196	(669,704)
Rent	a	62,387	191,065	(128,678)
Salaries and benefit		315,078	290,333	24,745
Share-based compensation	c	398,765	1,118,167	(719,402)
Travel and transportation		170,931	75,421	95,510
Total expenses		(2,220,118)	(3,370,881)	1,150,763

(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 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 $719,402. 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 reversed the share-based compensation recorded in prior periods ($144,345) arising from the vesting of the 950,000 PSU outstanding (see discussion in the section 2.3). No similar reversal in 2018.

2.4.2 Three months ended December 31, 2019 and 2018

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

Administrative expenses	**ref**	**2019**	**2018**	**Net changes from 2018 to 2019**
		$	$	$
Audit, legal and regulatory		54,413	59,544	(5,131)
Amortization	a	63,161	13,276	49,885
Consulting	c	124,332	93,302	31,030
Directors' fees		17,250	16,500	750
Field office expenses	c	242,128	77,392	164,736
Interest expense	a	10,999	-	10,999
Investor relations		563	703	(140)
Office administration expenses		51,987	20,443	31,544
Property investigation expense (recovery)	b	40,780	(85,806)	126,586
Rent		31,591	(6,240)	37,831
Salaries and benefit	c	134,569	43,107	91,462
Share-based compensation		83,911	66,477	17,434
Travel and transportation		37,780	16,499	21,281
Total		(893,464)	(315,197)	(578,267)

(a) is the result from adoption of IFRS 16 that has been discussed in the section 2.4.1.

(b) Certain expenditures previously recorded as property investigation during the third quarter of 2018 have been reclassified as professional fees, consulting fees. As a result, the property investigation fees of the fourth quarter in 2018 was lower. Thus the property investigation expenses in the fourth quarter of 2019 looks higher.

(c) The Company fully impaired the exploration properties on September 30, 2019. As a result, certain consulting fees and salaries related to the mineral properties were expensed in the fourth quarter of 2019 instead of capitalized to mineral properties during the same quarter in 2018. Thus consulting and salaries are higher in the fourth quarter of 2019.

2.5 Finance and Other Income (Expenses)

2.5.1 Year ended December 31, 2019 and 2018

Year ended December 31,	2019	2018	Net changes from 2018 to 2019
	$	$	$
Impairment	(60,246,258)	-	(60,246,258)
Foreign exchange gain (loss)	(357,108)	1,229,970	(1,587,078)
Gain on disposal of investment	599,546	-	599,546
Gain on sale of subsidiaries	-	1,518,886	(1,518,886)
Gain (loss) on short-term investment	(286,896)	(761,776)	474,880
Interest income	2,216,988	1,356,351	860,637
Other expenses	-	(143,245)	143,245
Total	(58,073,728)	3,200,186	(61,273,914)

Impairment

As discussed in section 1.1 and 2.3, the Company has recorded an impairment charge on its mineral interests during the third quarter ended September 30, 2019. No similar impairment was recorded in 2018. Thus impairment increased significantly in 2019.

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 CAD on the US dollar denominated cash and short-term investment held by the Company's Canadian parent and Hong Kong Subsidiaries. CAD is the functional currency of these entities.
- 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 2019, the US dollar depreciated approximately 4.3 % against Canadian dollars and RMB depreciated against Canadian dollars approximately 5.7 % and resulted in a net foreign exchange loss of approximately $357,000.

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 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 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), was 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.

As the Note was outstanding longer in 2019 compared to 2018, and the interest rate increased during 2019, the Company earned higher interest income in 2019.

Subsequent to the year ended December 31, 2019, the Company further received $2.8 million (RMB 15 million) of repayment of principal and accrued interest up to December 31, 2019.

The Company is negotiating with Longxin for another extension of the Note. No firm agreement is reached as of the date of this MD&A.

Loss on short-term investment

In 2017, the Company invested in a corporate bond issued by China Energy Reserve & Chemicals Group Co. ("CERCG") with a principal of USD 800,000. This bond has a maturity date of January 15, 2019 and a face value of USD 800,000 ($1,362,447). This bond was in default since September 30, 2018 and the Company recorded an impairment charge of $734,234 during the third quarter of 2018.

As at December 31, 2019, the fully provided this holding to $Nil and recorded a loss of $292,569 given it is uncertain to dispose this corporate bond through the open market.

Gain on disposal on investment

During the third quarter of 2019, the Company, through the open market, acquired common shares of a public company that are listed on the Shenzhen Stock Exchange of China for $2,787,000. The Company sold all of this investment in the fourth quarter for a gain of $599,546.

2.5.2 Three months ended December 31, 2019 and 2018 (the "Fourth Quarter")

Three months ended December 31,	**2019**	**2018**	**Net changes from 2018 to 2019**
	$	$	$
Foreign exchange gain (loss)	(130,539)	432,731	(563,270)
Gain on disposal of investment	689,024	-	689,024
Gain on sale of subsidiaries	-	1,487,387	(1,487,387)
Gain (loss) on short-term investment	(286,896)	7,362	(1,689)
Interest income	492,412	603,750	(111,338)
Other expenses	(5,126)	(291,513)	286,387
Total	1,051,444	2,239,717	(1,188,273)

The Company disposed of two subsidiaries during the Fourth Quarter of 2018 and recorded a gain of $1.48 million. There was no disposal of subsidiaries during 2019. Thus the gain on sale of subsidiaries in 2019 decreased.

The variances of the foreign exchange gain for the Fourth Quarter of 2019 and 2018 were caused by the similar reasons discussed in the section 2.5.1.

The Company received a partial repayment of the note receivable in the middle of 2019. As a result, the Company earned less interest income from the note receivable during the fourth quarter of 2019.

The increase in loss on short-term investment has been discussed in the section 2.5.1

3. Summary of Quarterly Results

	Income (loss) attributable to shareholders	**Earnings (loss) per share Basic**	**Diluted**
	$	**$**	**$**
12-31-2019	(371,614)	(0.00)	(0.00)
09-30-2019	(48,304,796)	(0.80)	(0.80)
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)

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

	2019	2018
	$	$
Operating activities, cash outflow	(1,143,722)	(2,566,815)
Financing activities, cash inflow (outflow)	(84,157)	181,394
Investing activities, cash inflow (outflow)	7,893,452	(13,849,358)

Operating activities

During 2019, cash used in the operating activities was mainly to account for changes in working capital and cash used in operations.

Financing activities

During 2019, the Company paid $152,526 in connection with the lease obligation. The Company also received $68,369 from options exercised.

Investing activities

During 2019, the Company used $2,807,943 to acquire an investment and $19,892,682 to acquire short-term investments. The acquisition was financed by the receipt of partial repayment of the Note ($710,057), redemption of short-term investment ($24,979,676), and receipt of interest payment ($1,991,829).

4.2 Capital Resources

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

	December 31, 2019	December 31 2018
	$	$
Working capital	45,009,949	47,172,392
Cash and cash equivalents	12,643,996	6,555,249
Short-term investment	18,848,668	25,161,492

The Company has not generated revenues since inception. During 2019, the Company relied on interest income and gain on disposal of investment to finance its working capital and operations.

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 constraints 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.

Most of the Company's China operating subsidiaries had accumulated losses. However, if these Chinese subsidiaries in the future 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

December 31,	**2019**	**2018**
	$	$
Due to:		
A company owned by the CEO – consulting fees	(58,116)	-
Minco Capital -reimbursement of shared expenses	(19,153)	-
Total	(77,269)	-
Due from:		
MBM -reimbursement of shared expenses	6,079	206,299
Minco Capital – reimbursement of shared expenses	-	1,054
Total	6,079	207,353

The amounts due from (to) are unsecured, non-interest bearing and payable on demand.

During the year ended December 31, 2019, the Company paid or accrued $42,980 (December 31, 2018 - $53,721) in respect of rent and $229,828 (December 31, 2018 – $263,857) 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 $177,535 on December 31, 2019 (December 31, 2018 - $130,452)

(d) 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.

(e) Key management compensation

During the year ended December 31, 2019 and 2018, the following compensation was paid and accrued to key management.

	2019	2018
	$	$
Cash remuneration	675,995	761,200
Share-based compensation	375,831	1,156,108
	1,051,826	1,917,308

7. Critical Accounting Estimates and Judgments

Refer to Note 3 to the consolidated annual financial statements for the year ended December 31, 2019.

8. Adoption of New Accounting Standards

On January 1, 2019, the Company adopted IFRS 16, "Leases" ("IFRS 16") which sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees, thereby removing the distinction between operating and finance leases. IFRS 16 requires a lessee to recognize an asset (right-to-use the leased item) and a financial liability to pay rentals on the consolidated balance sheets with terms of more than 12-months, unless the underlying asset is of low value.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard: (i) the transition application practical expedient allowing the standard to only be applied to contracts that were previously identified as leases applying IAS 17, (ii) the transition application practical expedient to elect to not apply IFRS 16 to leases that expired within 12 months following the adoption date of January 1, 2019; (iii) the recognition exemption to not apply IFRS 16 to lease contracts for which the underlying asset is of low value, and (iv) the recognition exemption to not apply IFRS 16 to lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option.

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17, "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 8.00%.

The associated right-of-use assets and lease obligation were measured on a modified retrospective basis.

As at December 31, 2019, the Company's recognized right-of-use assets and liabilities were mainly comprised of the present values of all future lease payments of two leases for offices located in Vancouver, Canada and Beijing, China.

The first one is for a lease for a shared office located in Vancouver, Canada. This lease started in 2018 and will end on April 30, 2023. The Company was charged a monthly rent ranging from $3,700 to $3,770 during 2019.

The continuity of the asset and liabilities arising from this lease is as follow:

	$
Right-of-use assets, January 1, 2019	136,238
Amortization	(27,184)
Right-of-use assets, December 31, 2019	109,054

	Non-current	Current	Total
	$	$	$
Lease obligations, January 1, 2019	97,685	38,234	135,919
Interest expense	10,874	-	10,874
Lease payment made	(38,234)	-	(38,234)
Lease obligations, December 31, 2019	70,325	38,234	108,559

Commencing April 1, 2019, the Company entered into a lease for a shared office located in Beijing, China, that will end on August 31, 2021. The monthly rent shared by the Company was $14,336 during 2019.

The continuity of the asset and liabilities arising from this lease in Beijing is as follow:

	$
Right-of-use assets, January 1, 2019	-
Addition	344,733
Amortization	(142,648)
Right-of-use assets, December 31, 2019	202,085

	Non-current	Current	Total
	$	$	$
Lease obligations, January 1, 2019	-	-	-
Addition	230,441	114,292	344,733
Interest expense	27,579	-	27,579
Lease payment made	(114,292)	-	(114,292)
Lease obligations, December 31, 2019	143,728	114,292	258,020

The following table presents the contractual discounted cash flows for lease obligations as at December 31, 2019:

	Vancouver	Beijing	Total
	$	$	$
Less than one year	38,234	114,292	152,526
Beyond one year	70,325	143,728	214,053
	108,559	258,020	366,579

The change in accounting policy affected the following items in the consolidated balance sheet on January 1, 2019:

	Vancouver	Beijing	Total
	$	$	$
Right-of-use assets, January 1, 2019	136,238	-	136,238
Lease obligation (current and non-current)	135,919	-	135,919
A credit to deficit	319	-	319

The Combined effect of these two leases are as follows:

	Vancouver	Beijing	Total
	$	$	$
Operating lease commitments as at December 31, 2018	157,198	-	157,198
Lease liability recognized as at January 1, 2019 being the operating lease commitments discounted using the Company's incremental borrowing rate	135,919		135,919
Addition	-	344,733	344,733
Interest accredited	10,874	27,579	38,453
Lease payment made	(38,234)	(114,292)	(152,526)
	108,559	258,020	366,579
Right-of-use assets, January 1, 2019	136,238	-	136,238
Addition	-	344,733	344,733
Amortization	(27,184)	(142,648)	(169,832)
Right-of-use assets, December 31, 2019	109,054	202,085	311,139

9. Financial Instruments

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

	December 31, 2019	**December 31, 2018**
	$	**$**
Amortized cost financial assets:		
Cash and cash equivalents	12,643,996	6,555,249
Short-term investments	18,848,668	25,161,492
Note receivable	13,079,993	14,630,621
Receivables	922,227	985,978
Due from related parties	6,079	207,353
Amortized cost financial liabilities:		
Accounts payable and accrued liabilities	308,158	309,010
Due to related parties	77,269	-
Due to minority shareholders of a subsidiary	331,746	351,968
Lease obligations, current	152,526	-
Lease obligations, non-current	214,053	-

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 December 31, 2019. This sensitivity analysis shows that a change of +/- 10% in US$ foreign exchange rate would have a -/+ USD$7 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, 2019 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 evaluated the effectiveness of the Company's disclosure controls and procedures as at December 31, 2019. As described below, a material weakness was identified in the Company's internal control over financial reporting. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. As a result of this material weakness, the Company's CEO and CFO have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were not effective.

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.

Management evaluated the effectiveness of internal control over financial reporting based on the control framework established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon that assessment, management identified the material weakness described below and, as a result, management concluded that the Company's internal control over financial reporting was not effective as of December 31, 2019.

The material weakness identified by management relates to the lack of financial management oversight of accounting processes specifically to the calculation of the loss on impairment of its mineral interests. This material weakness led to a restatement of the Company's consolidated interim financial statements for the three and nine months ended September 30, 2019.

Remediation Plan

To remediate the material weakness described above, management plans to strengthen the control procedures relating to accounting for more complex transactions. The Company will consider to engage external consultant to review complex transactions when needed

Other than the material weakness described above, there were no changes in the Company's internal control over financial reporting that occurred during the year ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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.