

Minco Silver Corporation

Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2020

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

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of condensed consolidated interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of Minco Silver Corporation have been prepared by, and are the responsibility of, the Company's management. The accompanying unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

Minco Silver Corporation's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of condensed consolidated interim financial statements by an entity's auditor.

Dr. Ken Cai
President and CEO

Melinda Hsu, CPA, CGA
Chief Financial Officer

Vancouver, Canada

August 14, 2020

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Minco Silver Corporation

Condensed Consolidated Interim Statements of Financial Position

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

	June 30, 2020	December 31, 2019
Assets	\$	\$
Current assets		
Cash and cash equivalents (note 3)	13,909,302	12,643,996
Short-term investments (note 4)	18,907,513	18,848,668
Note receivable (note 5)	9,485,800	13,079,993
Receivables	903,185	922,227
Due from related parties (note 11)	141,642	6,079
Prepaid expenses and deposits	198,503	378,683
	43,545,945	45,879,646
Investment accounted for using the equity method (note 7)	3,120,152	-
Right-of-use assets (note 8)	230,685	311,139
Property, plant and equipment	368,394	126,823
Total assets	47,265,176	46,317,608
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	263,842	308,158
Due to minority shareholders (note 9)	342,299	331,746
Due to related parties (note 11)	86,762	77,269
Lease obligation, current (note 8)	187,531	152,526
	880,434	869,699
Deferred tax liabilities	196,200	196,200
Lease obligation, non-current (note 8)	88,870	214,053
	1,165,504	1,279,952
Equity		
Equity attributable to owners of the parent		
Share capital (note 10)	107,745,388	107,650,215
Contributed surplus	27,326,884	27,172,197
Accumulated other comprehensive income	2,762,133	1,922,388
Deficit	(90,525,797)	(90,532,010)
	47,308,608	46,212,790
Non-controlling interest (note 9)	(1,208,936)	(1,175,134)
Total liabilities and equity	47,265,176	46,317,608

Approved by the Board of Directors:

(signed) Maria Tang Director

(signed) George Lian Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Minco Silver Corporation

Condensed Consolidated Interim Statements of Operations and Net Loss For the three and six months ended June 30, 2020 and 2019

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Operating expenses				
Audit, legal and regulatory	120,752	102,676	160,699	135,570
Amortization	49,621	66,571	98,693	89,104
Consulting	11,180	18,766	30,555	38,606
Directors' fees	27,750	16,500	45,000	36,000
Field and permitting expenses (note 6)	406,622	128,212	606,540	288,032
Interest expense (note 8)	5,843	11,037	12,505	15,631
Investor relations	375	939	3,165	4,709
Office administration expenses	39,205	40,023	75,442	80,465
Property investigation expenses (recovery)	22,500	23,477	45,000	(365,094)
Rent (note 8)	11,737	13,450	21,300	23,987
Salaries and benefits	187,794	55,917	263,832	122,683
Share-based compensation (note 10)	140,522	189,692	192,315	344,112
Travel and transportation	4,755	12,379	7,815	113,207
	1,028,656	679,639	1,562,861	927,012
Loss before the following	(1,028,656)	(679,639)	(1,562,861)	(927,012)
Finance and other income (expenses)				
Foreign exchange (loss) / gain	(228,466)	(139,195)	451,554	(294,794)
Unrealized gain on investment	26,260	-	26,260	-
Interest income	419,452	602,011	904,424	1,166,595
Gain on disposal of subsidiary (note 2)	222,069	-	222,069	-
Other expenses	-	(28,643)	-	(4,957)
(Loss) / income before share of loss from equity investment	(589,341)	(245,466)	41,446	(60,168)
Share of loss from equity investment (note 7)	(70,514)	-	(70,514)	-
Net loss	(659,855)	(245,466)	(29,068)	(60,168)
Net (loss)/income attributable to:				
Shareholders of the Company	(636,912)	(235,051)	6,213	(38,235)
Non-controlling interest	(22,943)	(10,415)	(35,281)	(21,933)
	(659,855)	(245,466)	(29,068)	(60,168)
Loss per share, basic and diluted	(0.01)	(0.00)	(0.00)	(0.00)
Weighted average number of common shares outstanding, basic and diluted	60,899,303	60,704,748	60,880,977	60,704,748

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Minco Silver Corporation

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

For the three and six months ended June 30, 2020 and 2019

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Net loss for the period	(659,855)	(245,466)	(29,068)	(60,168)
Other comprehensive income (loss)				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation from functional to presentation currency	(1,312,700)	(4,109,595)	1,063,293	(3,742,058)
Exchange difference on translation of disposed subsidiary	(222,069)	-	(222,069)	-
Comprehensive (loss) / income for the period	(2,194,624)	(4,355,061)	812,156	(3,802,226)
Comprehensive income (loss) attributable to:				
Shareholders of the Company	(2,170,792)	(3,844,705)	845,958	(3,324,633)
Non-controlling interest	(23,832)	(510,356)	(33,802)	(477,593)
	(2,194,624)	(4,355,061)	812,156	(3,802,226)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Minco Silver Corporation

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

For the six months ended June 30, 2020 and 2019

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

Changes in Shareholders' Equity

	Number of Shares	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Subtotal	Non-controlling interest	Total equity
	#	\$	\$	\$	\$	\$	\$	\$
Balance - January 1, 2019	60,704,748	107,538,681	27,023,391	7,345,105	(41,817,684)	100,089,493	11,347,639	111,437,132
Net loss for the period	-	-	-	-	(38,235)	(38,235)	(21,933)	(60,168)
Adoption of IFRS 16	-	-	-	-	(6,071)	(6,071)	-	(6,071)
Other comprehensive loss	-	-	-	(3,286,398)	-	(3,286,398)	(455,660)	(3,742,058)
Share-based compensation	-	-	395,415	-	-	395,415	-	395,415
Balance – June 30, 2019	60,704,748	107,538,681	27,418,806	4,058,707	(41,861,990)	97,154,204	10,870,046	108,024,250
Balance - January 1, 2020	60,845,750	107,650,215	27,172,197	1,922,388	(90,532,010)	46,212,790	(1,175,134)	45,037,656
Net income (loss) for the period	-	-	-	-	6,213	6,213	(35,281)	(29,068)
Other comprehensive income	-	-	-	839,745	-	839,745	1,479	841,224
Issuance of shares	99,833	95,173	(37,628)	-	-	57,545	-	57,545
Share-based compensation	-	-	192,315	-	-	192,315	-	192,315
Balance – June 30, 2020	60,945,583	107,745,388	27,326,884	2,762,133	(90,525,797)	47,308,608	(1,208,936)	46,099,672

The accompanying notes are an integral part of these consolidated financial statements.

Minco Silver Corporation

Condensed Consolidated Interim Statements of Cash Flows

For the six months ended June 30, 2020 and 2019

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

	Six months ended June 30,	
	2020	2019
	\$	\$
Operating activities		
Net loss for the period	(29,068)	(60,168)
Adjustments for:		
Amortization	98,693	89,104
Foreign exchange (gain) / loss	(451,554)	294,794
Gain on disposal of subsidiary	(222,069)	-
Loss on short-term investments	-	4,957
Unrealized gain on investment	(26,260)	-
Share of loss on equity investment	70,514	-
Interest income	(904,424)	(1,166,595)
Interest expense	12,505	15,631
Share-based compensation	192,315	344,112
Changes in items of working capital:		
Accounts payable and accrued liabilities	(49,639)	(125,034)
Due to / from related parties	(558)	111,983
Prepaid expenses and deposits	191,128	111,456
Receivables	59,509	241,840
Net cash used in operating activities	(1,058,908)	(137,920)
Financing activities		
Repayment of lease obligations	(101,008)	(77,460)
Proceeds from stock option exercises	57,545	-
Net cash used in financing activities	(43,463)	(77,460)
Investing activities		
Investment	(3,180,000)	-
Development costs	-	(307,164)
Property, plant and equipment	(261,619)	1,140
Interest income received	887,721	1,481,197
Received of a promissory note (note 5)	4,010,257	747,116
Purchase of short-term investments	(2,762,187)	(7,921,429)
Redemption of short-term investments	3,306,315	7,044,763
Net cash generated from investing activities	2,000,487	1,045,623
Effect of exchange rates on cash and cash equivalents	367,190	(244,137)
Increase in cash and cash equivalents	1,265,306	586,106
Cash and cash equivalents – Beginning of period	12,643,996	6,555,249
Cash and cash equivalents – End of period	13,909,302	7,141,355

The accompanying notes are an integral part of these condensed consolidated interim financial statements

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2020 and 2019

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

1. Nature of operations

Minco Silver Corporation (“Minco Silver” or the “Company”) is engaged in exploring, evaluating and developing precious metals mineral properties and projects. Minco Silver was incorporated on August 20, 2004 under the laws of British Columbia, Canada and its common shares are listed on the Toronto Stock Exchange (“TSX”) and trades under the symbol “MSV”. The Company’s registered office is 2060 – 1055 West Georgia Street, Vancouver, British Columbia, Canada.

Since February 2020, the coronavirus (“COVID-19”) has threatened a slowdown in the global economy as well as caused volatility in the global financial markets. While the full impact of COVID-19 on the global economy is uncertain, rapid spread of COVID-19 may have an adverse effect on the Company’s financial position, results of operations and cash flows in future periods. In particular, there may be increased risk of the recoverability of the Company’s outstanding note receivable (note 5).

2. Basis of preparation

These condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries, Minco Investment Holding HK Ltd. (“Minco HK”), Changfu Minco Mining Co. Ltd., formerly Foshan Minco Fuwan Mining Co. Ltd., (“Changfu Minco”), Minco Resource Limited (“Minco Resources”), Minco Mining (China) Corporation (“Minco China”), Tibet Miming Co. Ltd. (“Tibet Minco”), and its 51% interest in Mingzhong Mining Co. Ltd. (“Mingzhong”). Changfu Minco is subject to a 10% net profit interest held by Guangdong Geological Bureau (“GGB”) and the Company.

Information of the Company’s subsidiaries as at June 30, 2020 is as follows:

Name	Principal activities (ownership interest)	Country of Incorporation
Minco HK	Holding company (100%)	China
Changfu Minco	Exploring, evaluating and developing mineral properties (90%)	China
Minco Resources	Holding company (100%)	China
Minco China	Exploring and evaluating mineral properties (100%)	China
Tibet Minco	Exploring and evaluating mineral properties (100%)	China
Mingzhong	Exploring and evaluating mineral properties (51%)	China

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

On June 15, 2020, the Company deregistered its subsidiary, Zhongjia Jingu Limited (“Zhongjia”). The Company indirectly through Changfu Minco and Tibet Minco invested RMB 8 million and RMB 2 million in Zhongjia, respectively. By the date of the deregistration, Zhongjia transferred \$1,455,377 (RMB 7,548,604) of cash and \$1,180 (RMB 6,101) of fixed assets to Changfu Minco, and \$363,844 (RMB 1,887,151) of cash and \$295 (RMB 1,525) of fixed assets to Tibet, respectively. The Company recognized an accumulated foreign exchange gain of \$222,069 on the disposal.

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2020 and 2019

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

2. Basis of preparation (continued)

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. These condensed consolidated interim financial statements should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2019, which were prepared in accordance with IFRS as issued by the IASB.

These condensed consolidated interim financial statements were approved by the board of directors for issue on August 14, 2020.

In preparing these condensed consolidated interim financial statements, management has made judgments and estimates that affect the application of the Company’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual amounts incurred by the Company may differ from these values.

The Company’s accounting policies and significant judgements and estimates applied in these condensed consolidated interim financial statements are consistent with those of the annual consolidated financial statements for the year ended December 31, 2019.

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

3. Cash and cash equivalents

Cash and cash equivalents comprised of cash on hand and term deposits with initial maturities of less than three months.

	June 30, 2020	December 31, 2019
	\$	\$
Cash	6,242,092	8,600,768
Cash equivalents	7,667,210	4,043,228
	13,909,302	12,643,996

As at June 30, 2020, cash and cash equivalents of \$7,672,929 (or RMB 39,797,180) (December 31, 2019 - \$3,420,389, (or RMB 18,304,846)) resided in Mainland China. Under Chinese law, cash advanced to the Company’s Chinese subsidiaries as registered share capital is maintained in the subsidiaries’ registered capital bank account. Remittance of these funds back to Canada requires approvals by the relevant government authorities or designated banks in China or both.

4. Short-term investments

As at June 30, 2020, short-term investments consisted of the following:

	Currency	Amount (\$)	Maturity date	Interest rate
Corporate bond (i)	USD	-	January 11, 2019	6.125%
Term deposit	USD	1,531,316	December 20, 2020	2.3%
Term deposit (ii)	RMB	16,257,637	January 4, 2021	1.65% to 2.10%
Term deposit	CAD	1,010,000	May 1, 2021	0.95% to 2.35%
Investment in common shares (iii)	CAD	108,560		
		18,907,513		

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2020 and 2019

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

4. Short-term investments (continued)

As at December 31, 2019, short-term investments consisted of the following:

	Currency	Amount (\$)	Maturity date	Interest rate
Corporate bond (i)	USD	-	January 11, 2019	6.125%
Term deposit	USD	1,459,402	December 20, 2020	2.3%
Term deposit (ii)	RMB	15,851,253	January 4, 2021	1.65% to 2.10%
Term deposit	CAD	1,538,013	March 16, 2020 to December 16, 2020	2.35%
		18,848,668		

- (i) The Company invested in a bond issued by China Energy Reserve & Chemicals Group Co. with a principal of USD 800,000 and the maturity date of January 15, 2019. This bond was in default since June 30, 2018. As at March 31, 2020 and December 31, 2019, the Company still had the corporate bond issued but fully written off this holding to \$Nil given it is uncertain to dispose this corporate bond through the open market.
- (ii) Remittance of short-term investment kept in RMB from China to Canada requires approvals by the relevant government authorities or designated banks in China or both.
- (iii) During the six months ended June 30, 2020, the Company invested \$82,300 in certain common shares from the open market. These investments are classified as fair-value-through-profit-or-loss (FVTPL) financial assets and valued at their fair value at inception and at each subsequent reporting period.

As at June 30, 2020, the fair value of these investment was \$108,560; as a result, the Company recorded an unrealized gain of \$26,260 on the statement of operations and net income (loss).

5. Note receivable

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. The estimated purchase price for the 70% equity interest in Longxin Mining under the preliminary agreement was a range of 147 to 168 million RMB (approximately \$28-32 million).

In conjunction with the Proposed Acquisition, on August 6, 2018, 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").

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 Acquisition.

On February 4, 2019, the maturity of the Note was extended to June 30, 2019 with an increased interest rate of 12% per annum. The maturity of the Note was further extended from June 30, 2019 to December 31, 2019 with no change in the interest rate (12% per annum).

During the year ended December 31, 2019, Minco China received:

- interest payments of \$1,389,577 (RMB 7 million),
- reimbursement of \$396,500 (RMB 2 million) for the Company's due diligence cost in connection with the Proposed Acquisition,
- Repayment of a partial principal of \$729,947 (RMB 3.8 million).

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2020 and 2019

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

5. Note receivable (continued)

During the six months ended June 30, 2020, Minco China received:

- interest payments of \$ 814,584 (RMB 4,200,000) for the interest accrued in 2019,
- Repayment of a partial principal of \$4,010,257 (RMB 20,800,000)

As at June 30, 2020, the amount of the outstanding Note principal was \$9,485,800 (RMB 49,200,000) (December 31, 2019: \$13,079,993 (RMB 70,000,000)), and the amount of accrued interest was \$663,667 (RMB 3,421,867) (December 31, 2019: \$798,292 (RMB 4,200,000)) which was included in the Company's receivable.

This Note receivable came due on December 31, 2019. The Company is working on an extension agreement of the Note with shareholders of Longxin Mining, which was delayed due to the impact of COVID-19. The Note continues to be secured by a 100% equity interest in Longxin Mining, all assets of the Longwangshan Gold Mine and personal guarantees provided by shareholders of Longxin Mining.

6. Mineral interests

The Company has experienced a delay in the renewal of exploration permits of Fuwan Silver Deposit, which expired in July 2017. The exploration permit of the Changkeng Gold Project expired in September 2019. The Company is applying for a renewal; however, the likelihood of getting this approval is unknown. Based on the experience and the current status of the renewal application of Fuwan Silver Deposit, the company expects the permit renewal application for the Changkeng Gold Project may be subject to similar delays. The continued 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 and Changkeng Gold Project, which resulted in impairment losses of \$60,246,258 during the year ended December 31, 2019. 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.

Fuwan Silver Project

Minco Silver has a 90% interest in Changfu Minco, the Company's operating subsidiary in China and permit holder for the Fuwan Silver Project, subject to a 10% net profit interest held by GGB. There will be no distributions to, or participation by, GGB, until such time as Minco Silver's investment in the project is recovered. GGB is not required to fund any expenditures related to the Fuwan Silver Project. The Exploration Permit for the Fuwan Silver Project is the Luoke-Jilinggang exploration permit, which expired on July 20, 2017. Although the Company has fully impaired the Fuwan Silver Deposit, the renewal application for the Luoke-Jilinggang exploration permit is still on-going and the Company intends to renew and keep the title of this mineral interest in good standing.

Changkeng Gold Project

The Company holds a 51% interest in Mingzhong which owns the Changkeng Gold Project. The Changkeng Gold Project immediately adjoins the Fuwan Silver Project.

The Changkeng exploration permit expired on September 10, 2019. Although the Company has fully impaired the Changkeng Gold Project on September 30, 2019, the renewal application for the Changkeng project exploration permit is still on-going and the Company intends to renew and keep the title of this mineral interest in good standing.

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2020 and 2019

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

6. Mineral interests (continued)

During the six months ended June 30, 2020, the Company expensed \$606,540 (2019 - \$288,032) of field salary, consulting, insurance and general administration etc. expenses, and capitalized \$Nil of mineral interests (2019 - \$358,642), of which \$133,378 was special service fees paid by Minco China pursuant to an agreement entered with Beijing YuRen law firm (“YuRen”). YuRen is engaged to claim compensation from the local government for not issuing LuoKe-Jilinggan permit and the Changkeng exploration permit.

The company is also focus on the acquisition of advanced high-quality mineral projects around the world. During the six months ended June 30, 2020, the Company also spent \$45,000 (2019 - recovered \$365,094) on property investigation.

7. Investment accounted for using the equity method

In May 2020, the Company participated a private placement investment in Hempnova Lifetech Corporation (“Hempnova”) by purchasing 7,950,000 common shares at a price of \$0.40 per share for a total investment amount of \$3,180,000. The Company’s investment represented approximately 12.7% of the issued and outstanding common shares of Hempnova after closing of the Hempnova private placement.

Hempnova is involved in industrial hemp related services and products and it was incorporated in British Columbia and conducts its principal business through its wholly owned subsidiary, Hempnova Lifetech (USA) Corp. (formerly Hempnova Lifetech (Oregon) Corp.) that was incorporated in USA.

Management assessed and determined that the Company has significant influence on Hempnova despite its shareholding being below 20%. This is because the Company has the ability to influence decision making due to the fact that the Company and Hempnova have certain directors and management in common. As a result, the Company accounts for this investment using the equity method.

At an initial recognition as at May 13, 2020 then as at June 30, 2020, the Company owned 12.7% of Hempnova. The continuity of this investment is as follows:

	Total
	\$
January 1, 2020	-
Acquisition	3,180,000
Share of Hempnova’s loss	(70,514)
Share of other comprehensive income of Hempnova	10,666
June 30, 2020	3,120,152

A summary of Hempnova’s balance sheet and a reconciliation to the carrying value of the Company’s investment is as follows:

	June 30, 2020
	\$
Cash	1,810,931
Other current assets	4,911,383
Non-current assets	10,721,394
Current liabilities	(1,143,967)
Non-current liabilities	(4,351,139)
Shareholders' equity	11,948,602
Minco Silver’s share in percentage	12.70%
Minco Silver’s share of net assets of Hempnova	1,517,472

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2020 and 2019

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

7. Investment accounted for using the equity method (continued)

Reconciliation to carrying amounts:

Minco Silver's share of net assets of Hempnova	1,517,472
Goodwill	1,602,679

Carrying value of investment in Hempnova	3,120,152
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A summary of Hempnova's income statement for the period from May 13, 2020 to June 30, 2020 is as follows:

	Hempnova	Minco Silver share
	\$	\$
Revenue	55,868	7,095
Net loss	(555,229)	(70,514)
Other comprehensive income	83,981	10,666
Comprehensive loss	(471,248)	(59,848)

8. Leases

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 Vancouver lease is for a shared office with other companies related to it by virtue of certain directors and management in common. The lease started in 2018 and will be ended on April 30, 2023. The Company also entered into a lease agreement with the Company's CEO for a shared office located in Beijing, China (note 11(b)). The lease started on April 1, 2019 and will be ended on August 31, 2021.

Such leases were classified as operating leases under IAS 17. The right-of-use assets and lease obligations were measured at the present value of the lease payments and discounted using an incremental borrowing rate of 8%

a) Right-of-use assets

The continuity of the right-of-use assets as at June 30, 2020 and December 31, 2019 is as follows:

	Vancouver	Beijing	Total
	\$	\$	\$
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, 2020	109,054	202,085	311,139
Change to the lease terms	(4,941)	-	(4,941)
Amortization	(15,617)	(61,301)	(76,918)
Unrealized foreign exchange	-	1,405	1,405
Right-of-use assets, June 30, 2020	88,496	142,189	230,685

Minco Silver Corporation

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For the three and six months ended June 30, 2020 and 2019

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

8. Leases (continued)

b) Lease obligation

The continuity of the lease obligation as at June 30, 2020 and December 31, 2019 is as follows:

	Vancouver	Beijing	Total
	\$	\$	\$
Lease liability recognized, January 1, 2019	135,919	-	135,919
Addition	-	344,733	344,733
Interest accretion	10,874	27,579	38,453
Lease payment made	(38,234)	(114,292)	(152,526)
Lease obligation recognized, December 31, 2019	108,559	258,020	366,579
Change to lease terms	(4,941)	-	(4,941)
Interest accretion	3,810	8,695	12,505
Lease payments	(17,222)	(83,786)	(101,008)
Unrealized foreign exchange	-	3,266	3,266
Lease obligation, June 30, 2020	90,206	186,195	276,401
Lease obligation, current	29,007	158,524	187,531
Lease obligation, non-current	61,199	27,671	88,870

The maturity analysis of the Company's contractual undiscounted lease liabilities as at June 30, 2020 is as follows:

	Vancouver	Beijing	Total
	\$	\$	\$
Less than one year	34,945	166,580	201,525
Beyond one year	65,583	27,763	93,346
	100,528	194,343	294,871

c) Amounts recognized in Statement of Loss

For the three months ended June 30, 2020	Vancouver	Beijing	Total
	\$	\$	\$
Interest on lease obligation	1,838	4,005	5,843
Rent expenses related to short-term leases (i)	-	5,136	5,136
Rent expenses related to low-value leases (ii)	339	6,262	6,601
Amortization	7,808	30,855	38,663
For the three months ended June 30, 2019	Vancouver	Beijing	Total
	\$	\$	\$
Interest on lease obligation	2,297	8,740	11,037
Rent expenses related to short-term leases (i)	-	12,270	12,270
Rent expenses related to low-value leases (ii)	314	866	1,180
Amortization	9,589	45,209	54,798

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

8. Leases (continued)

For the six months ended June 30, 2020	Vancouver	Beijing	Total
	\$	\$	\$
Interest on lease obligation	3,810	8,695	12,505
Rent expenses related to short-term leases (i)	-	10,684	10,684
Rent expenses related to low-value leases (ii)	865	9,751	10,616
Amortization	15,617	61,301	76,918

For the six months ended June 30, 2019	Vancouver	Beijing	Total
	\$	\$	\$
Interest on lease obligation	6,891	8,740	15,631
Rent expenses related to short-term leases (i)	-	17,590	17,590
Rent expenses related to low-value leases (ii)	840	5,557	6,397
Amortization	19,177	45,209	64,386

(i) Represent short-term rental for office and employees

(ii) Represent parking, storage and other low-value leases

9. Non-controlling interest (“NCI”)

Below is a summary of the financial information of Mingzhong:

Summary of financial positions:

	June 30, 2020	December 31, 2019
NCI percentage	49%	49%
	\$	\$
Current assets	259,734	325,253
Current liabilities	(990,349)	(964,152)
Net current liabilities	(730,615)	(638,899)
Non-current asset	7,037	6,998
Net liabilities	(723,578)	(631,901)
Accumulated NCI	(1,208,936)	(1,175,134)

Summary of income statements:	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Net loss	46,822	21,255	72,002	44,761
Loss allocated to NCI (49%)	22,943	10,415	35,281	21,933

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9. Non-controlling interest (“NCI”) (continued)

Summary of statements of cash flows:

	Six months ended June 30,	
	2020	2019
	\$	\$
Cash outflows from operating activities	(76,316)	(46,964)
Cash outflows from investing activities	-	(17,990)

Mingzhong initiated equity financing in 2017 to raise capital to finance its operations from its minority shareholders. The equity financing requires the remittance from its remaining minority shareholder to complete the transaction. As at December 31, 2018, two of the three minority shareholders paid a total of \$351,968 for the subscription.

During the six months ended June 30, 2020 and the year ended December 31, 2019, the Company received \$Nil from the minority shareholders. As at June 30, 2020, the amount of \$342,299 (December 31, 2019 - \$331,746) was remaining in Mingzhong’s payable account.

10. Share capital

(a) Common Shares

Authorized: Unlimited number of common shares without par value.

(b) Long-term Incentive Plan

The Company may grant up to 15% of its issued and outstanding shares as options, restricted share units, performance share units and deferred share units, to its directors, officers, employees and consultants under its long-term incentive plan.

Stock Options

The Company’s long-term incentive plan allows the board of directors to grant options for periods of up to ten years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on a date preceding the date the options are granted. These options are equity settled.

During the year ended December 31, 2019, the Company granted 1,500,000 stock options to purchase common shares to employees, consultants and directors at an exercise price of \$0.57 per common share. These options vest over an 18-month period from the grant date and expire on February 1, 2024.

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2020 and 2019

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

10. Share capital (continued)

During the six months ended June 30, 2020, the Company granted 1,500,000 stock options to purchase common shares to employees, consultants and directors at an exercise price of \$0.455 per common share. These options vest over an 18-month period from the grant date and expire on April 6, 2025.

During the six months ended June 30, 2020, the Company expensed \$192,315 of the stock option component as the share-based compensation. During the six months ended June 30, 2019, the Company expensed \$395,415 of the stock option component as the share-based compensation, of which \$344,112 was recorded as operating expenses and \$51,303 was capitalized to the mineral interests.

A continuity of the options outstanding is as follows:

	Number outstanding	Weighted average exercise price
	#	\$
Balance, January 1, 2019	6,396,337	1.05
Granted	1,500,000	0.57
Exercised	(141,002)	0.48
Expired	(565,000)	0.80
Forfeited	(70,000)	0.96
Balance, December 31, 2019	7,120,335	0.98
Granted	1,500,000	0.46
Exercised	(99,833)	0.58
Forfeited	(414,667)	1.10
Balance, June 30, 2020	8,105,835	0.88

During the six months ended June 30, 2020, the weighted average share price on the date options exercised was \$0.66 (2019 - \$Nil). As at June 30, 2020, there was \$275,483 (December 31, 2019 - \$77,412) of total unrecognized compensation cost relating to unvested options.

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$	#		\$	#	\$
0.42 – 0.50	2,073,335	3.46	0.44	593,335	0.42
0.51 – 0.57	1,284,500	3.59	0.57	831,161	0.57
0.58 – 0.69	1,623,000	2.63	0.69	1,623,000	0.69
0.70 – 1.40	3,125,000	1.64	1.40	3,125,000	1.40
	8,105,835	2.61	0.88	6,172,496	1.01

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For the three and six months ended June 30, 2020 and 2019

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

10. Share capital (continued)

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

	Six months ended June 30,	
	2020	2019
Risk-free interest rate	0.69%	1.85%
Dividend yield	0%	0%
Volatility	88%	82%
Forfeiture rate	22%	23%
Estimated expected lives	5 years	5 years

Option pricing models require the use of subjective estimates and assumptions including the expected stock price volatility. The stock price volatility is calculated based on the Company's historical volatility. Changes in the underlying assumptions can materially affect the fair value estimates.

Performance share units ("PSU")

A summary of the PSUs outstanding is as follows:

	Number outstanding	Fair value per unit
	#	\$
Balance, January 1, 2019 and December 31, 2019	950,000	1.40
Expired	(950,000)	1.40
Balance, June 30, 2020	-	-

On February 20, 2017, the Company granted 1,000,000 PSUs to employees and consultants of the Company, whereby 50% of these PSU vest upon the receipt of the final approval for the Environmental Impact Assessment (EIA) report for the Fuwan Silver Project, the Changkeng Gold Project or the Combination of both. The remaining 50% vests upon the receipt of the mining license issued by Ministry of Land and Resources ("MOLAR") for the Fuwan Silver Project, the Changkeng Gold Project, or the combination of both (collectively the "Performance Criteria").

PSU are vested when each of the Performance Criteria is met on or before February 20, 2020, the end of the three-year performance cycle. Each PSU will become one common share of the Company when it is vested.

The fair value of the PSU's was estimated as \$1.40 per unit at the grant date based on the share price on that date. The Company recognizes compensation expenses equal to the market value of the PSU granted over the vesting period using the Black-Scholes option pricing model taking into consideration forfeiture estimates made based on the Company's history.

During 2019, the Company fully impaired the Fuwan Silver Project and Changkeng Gold Project. Management 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 interests from fiscal 2017 up to the September 30, 2019 had been reversed.

These 950,000 PSU expired in February 2020.

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11. Related party transactions

(a) Key management compensation

Key management includes the Company's directors and senior management.

During the three and six months ended June 30, 2020 and 2019, the following compensation and benefit were paid to or accrued for the key management.

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Senior management remuneration and benefit	168,515	129,702	339,654	278,472
Directors' fees	27,750	16,500	45,000	36,000
Share-based compensation	101,889	144,807	137,907	267,219
	298,154	291,009	522,561	581,691

(b) Rental agreement with the CEO

On April 1, 2019, the Company's wholly owned subsidiary, Minco China, entered into a lease agreement with the Company's CEO for the use of an office in Beijing, China with an effective date on April 1, 2019 and expiry date on August 31, 2021. The monthly rent is \$17,340 (RMB 90,000), of which 20% was shared with and paid by Hemnova during the six months ended June 30, 2020.

Pursuant to the lease agreement, the Company also need to pay lease improvement expenses. During the six months ended June 30, 2020, the Company recorded the lease improvement in progress of \$261,619 (RMB 1,348,908), of which \$113,202 (RMB 583,672) was paid during the six months ended June 30, 2020 and \$148,417 (RMB 765,236) was prepaid during the year ended December 31, 2019. During the six months ended June 30, 2019, the Company paid the lease improvements of \$31,654 (RMB 161,000) which was capitalized in mineral interests.

(c) Shared office expenses

The Company, Minco Capital Corp. ("Minco Capital"), Hemnova and Minco Base Metals Corporation ("MBM") have certain directors and management in common. These four companies share certain offices and administrative expenses.

During the three months ended June 30, 2020, the Company paid or accrued \$8,499 (June 30, 2019 – \$10,254) in respect of rent and \$60,033 (June 30, 2019 – \$56,947) in respect of shared head office expenses and administration costs to Minco Capital.

During the six months ended June 30, 2020, the Company paid or accrued \$17,587 (June 30, 2019 – \$21,052) in respect of rent and \$125,309 (June 30, 2019 – \$123,864) in respect of shared head office expenses and administration costs to Minco Capital.

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2020 and 2019

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

11. Related party transactions (continued)

(d) Due to and due from related parties

	June 30, 2020	December 31, 2019
	\$	\$
Due to:		
Companies owned by the CEO and the Director	(54,550)	(58,116)
Minco Capital - reimbursement of shared expenses	(32,212)	(19,153)
Total	(86,762)	(77,269)
Due from:		
MBM – reimbursement of shared expenses	16,236	6,079
Hemphova – reimbursement of shared expenses	125,406	-
Total	141,642	6,079

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

(e) 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. As at June 30, 2020, the amount held by Minco Yinyuan in trust for Minco China was \$163,682 (December 31, 2019 - \$177,535).

12. Geographical information

The Company's is considered operating in one segment for exploration and development of resource properties. The geographical division of the Company's assets is as follows:

As at June 30, 2020	Canada	China	Total
	\$	\$	\$
Current assets	11,909,303	31,566,642	43,545,945
Non-current assets	3,231,610	487,621	3,719,231
As at December 31, 2019	Canada	China	Total
	\$	\$	\$
Current assets	12,318,076	33,561,570	45,879,646
Non-current assets	136,187	301,775	437,962

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13. Financial instruments and fair value measurements

The Company measured its investments in common shares from the open market at their fair value at inception and at each subsequent reporting period. Fair values of financial instruments not measured at fair value approximate their carrying value due to their short-term nature.

The Company's financial instruments are as follows:

	June 30, 2020	December 31, 2019
	\$	\$
Fair value through profit and loss		
Short-term investment at fair value (level 1)	108,560	-
Amortized cost financial assets		
Cash and cash equivalents	13,909,302	12,643,996
Short-term investments	18,798,953	18,848,668
Note receivable	9,485,800	13,079,993
Receivables	903,185	922,227
Due from related parties	141,642	6,079
Amortized cost financial liabilities		
	\$	\$
Due to related party	86,762	77,269
Accounts payable and accrued liabilities	263,842	308,158
Due to minority shareholders of a subsidiary	342,299	331,746
Lease obligations, current	187,531	152,526
Lease obligations, non-current	88,870	214,053