Minco Silver Corporation

Consolidated Financial Statements
For the year ended December 31, 2020 and 2019
(Expressed in Canadian dollars, unless otherwise stated)

Management's Responsibility for Financial Reporting

The consolidated financial statements are the responsibility of the Board of Directors and management. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and include certain estimates that reflect management's best judgments on information currently available. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the consolidated financial statements fairly reflect the financial position, changes in equity, results of operations, and cash flow of the Company within reasonable limits of materiality.

The Audit Committee of the Board of Directors is composed of three Directors and meets with management and the independent auditors to review the scope and results of the annual audit and to review the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board of Directors for approval.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Professional Accountants, who were appointed by the shareholders. The auditors' report outlines the scope of their examination and their opinion on the consolidated financial statements.

Dr. Ken Cai
President and CEO

Melinda Hsu, CPA, CGA
Chief Financial Officer

Vancouver, Canada
March 29, 2021

Independent auditor's report

To the Shareholders of Minco Silver Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Minco Silver Corporation and its subsidiaries (together, the Company) as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of operations and net loss for the years then ended;
- the consolidated statements of comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. The key audit matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Assessment of impairment indicators of investment accounted for using the equity method *Refer to note 3 – Summary of significant accounting policies and note 9 – Investment accounted for using the equity method to the consolidated financial statements.* During the year, the Company made an investment in Hempnova Lifetech Corporation ("Associate") representing 12.7% of the issued and outstanding shares of the Associate, with a carrying value of $3.33 million as at December 31, 2020. The Associate is not traded on any exchange. The Company accounts for this investment using the equity method. Management assesses whether there is objective evidence that its investment in the Associate is impaired. Management applies significant judgment in assessing whether indicators of impairment exist that would necessitate impairment testing. Loss events such as (i) significant financial difficulty of the Associate, (ii) significant changes with an adverse effect that have taken place in the market in which the Associate operates, and (iii) evidence of significant or prolonged decline in fair value of the Associate below its carrying value. No impairment indicators were identified by management as at December 31, 2020.	Our approach to addressing the matter included the following procedures, among others: • Evaluated management's assessment of indicators of impairment, which included the following: – Assessed the completeness of loss events that could be considered as indicators of impairment of the Company's investment in the Associate. – Assessed whether changes in market prices of the Associate's product could be considered as an indicator of impairment by considering independent data sources. – Assessed evidence of significant or prolonged decline in fair value of the Associate by comparing the carrying value per share of the investment in the Associate with the stated share conversion price for the Associate's most recent convertible debenture financing transaction. – Assessed whether the results of operations for the period ended December 31, 2020 and the financial position of the Associate as of that date may be an indicator of significant financial difficulty of the Associate. • Tested the disclosures made in the consolidated financial statements, particularly on the significant judgments applied by management.

Key audit matter	How our audit addressed the key audit matter
We considered this a key audit matter due to (i) the significance of the Associate balance, (ii) the significant management judgment required in assessing the indicators of impairment, and (iii) the high degree of subjectivity in performing audit procedures related to these judgments applied by management.	
Assessment of impairment of the note receivable *Refer to note 3 – Summary of significant accounting policies and note 7 – Note receivable to the consolidated financial statements.* Note receivable amounted to \$9.59 million and interest receivable amounted to \$0.28 million as at December 31, 2020 and is accounted for at amortized cost. The note receivable bears interest at 12% per annum and is secured by a variety of assets including land owned by the entity controlled by the borrowers. During the year, the Company entered into an agreement to extend the repayment date of the note receivable balance. Financial assets at amortized cost are initially recognized at fair value plus or minus transaction costs, and are subsequently carried at amortized cost less any expected credit loss. For note receivable, the Company applies the simplified approach, which requires loss allowance for a financial instrument at an amount equal to twelve-month expected credit losses. Management applied significant judgment in estimating the expected credit losses related to the note receivable. To estimate expected credit losses, management considered the history of repayment of the principal and interest and the realizability of the security of the note receivable.	Our approach to addressing the matter included the following procedures, among others: • Evaluated how management determined the expected credit losses related to the note receivable, which included the following: – Read the extension agreement for the note receivable obtained during the year. – Agreed the securities collateralized in the favour of the Company to the underlying registration documents. – Evaluated management's assessment of fair value of the land by comparing to market prices of recently sold similar properties. – Assessed whether the fair value of the land forming part of the underlying security exceeds the carrying value of the note receivable and interest receivable as at December 31, 2020. – Agreed the principal and interest payments received during the year to supporting documents. • Tested the disclosures made in the consolidated financial statements, particularly on the significant judgments made.

Key audit matter	How our audit addressed the key audit matter
We considered this a key audit matter due to (i) the significance of the note receivable balance, and (ii) the significant judgment made by management in assessing the realizability of the security. This in turn resulted in significant audit effort and subjectivity in performing audit procedures to test the expected credit losses determined by management.	

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lana Kirk.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 29, 2021

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Minco Silver Corporation

Consolidated Statements of Financial Position

(Expressed in Canadian dollars, unless otherwise stated)

	December 31, 2020	December 31, 2019
Assets	$	$
Current assets		
Cash and cash equivalents (note 4)	15,431,583	12,643,996
Short-term investments (note 5)	17,134,877	18,848,668
Note receivable (note 7)	9,589,148	13,079,993
Financial assets at fair value through profit or loss (note 6)	303,603	-
Receivables	402,660	922,227
Due from related parties (note 14)	22,042	6,079
Prepaid expenses and deposits	270,644	378,683
	43,154,557	45,879,646
Investment accounted for using the equity method (note 9)	3,333,695	-
Right-of-use assets (note 11)	155,016	311,139
Property, plant and equipment (note 10)	506,391	126,823
Total assets	47,149,659	46,317,608
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	409,097	251,982
Current tax liabilities	318,415	56,176
Due to minority shareholders (note 12)	346,028	331,746
Due to related parties (note 14)	61,028	77,269
Lease obligation, current (note 11)	140,188	152,526
	1,274,756	869,699
Deferred tax liabilities	64,081	196,200
Lease obligation, non-current (note 11)	45,547	214,053
	1,384,384	1,279,952
Equity		
Equity attributable to owners of the parent		
Share capital (note 13)	107,812,327	107,650,215
Contributed surplus	27,598,183	27,172,197
Accumulated other comprehensive income	3,270,493	1,922,388
Deficit	(91,662,359)	(90,532,010)
	47,018,644	46,212,790
Non-controlling interest (note 12)	(1,253,369)	(1,175,134)
Total liabilities and equity	47,149,659	46,317,608

Subsequent event (note 19)

Approved by the Board of Directors:

(signed) *Maria Tang* Director   (signed) *George Lian* Director

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

Minco Silver Corporation

Consolidated Statements of Operations and Net Loss

Year ended December 31, 2020 and 2019

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

	2020	2019
	$	$
Operating expenses		
Audit, legal and regulatory	285,855	243,267
Amortization	194,786	215,846
Consulting	59,305	79,463
Directors' fees	81,000	73,500
Field and permitting expenses (note 8)	1,027,975	776,398
Interest expense (note 11)	21,429	38,453
Investor relations	5,549	5,723
Office administration expenses	173,828	170,815
Property investigation expenses (recovery)	94,795	(303,508)
Rent (note 11)	39,629	35,387
Salaries and benefits	558,382	315,078
Share-based compensation (note 13)	411,190	398,765
Travel and transportation	44,338	170,931
	2,998,061	2,220,118
Loss before the following	(2,998,061)	(2,220,118)
Finance and other income (expenses)		
Impairment on mineral interests	-	(60,246,258)
Foreign exchange gain (loss)	21,595	(357,108)
Gain on disposal of financial asset at fair value through profit loss (note 8)	77,770	599,546
Net fair value gains on financial assets at fair value through profit or loss	24,996	-
Loss from short-term investment (note 5)	-	(286,896)
Interest income	1,697,769	2,216,988
Loss before share of gain from equity investment	(1,175,931)	(60,293,846)
Share of income of equity investment (note 9)	152,177	-
Loss before income taxes	(1,023,754)	(60,293,846)
Income tax expenses, current (note 15)	(318,415)	(56,176)
Income tax recovery (expenses), deferred (note 15)	132,119	(196,200)
Net loss for the year	(1,210,050)	(60,546,222)
Net loss attributable to:		
Shareholders of the Company	(1,130,349)	(48,714,645)
Non-controlling interest	(79,701)	(11,831,577)
	(1,210,050)	(60,546,222)
Loss per share, basic and diluted	(0.02)	(1.00)
Weighted average number of common shares outstanding - basic and diluted	60,948,000	60,739,953

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

Minco Silver Corporation

Consolidated Statements of Comprehensive Income (Loss)

Years ended December 31, 2020 and 2019

(Expressed in Canadian dollars, unless otherwise stated)

	2020	2019
	$	$
Net loss for the year	(1,210,050)	(60,546,222)
Other comprehensive income (loss)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation from functional to presentation currency	1,426,601	(6,113,913)
Share of comprehensive loss from equity Investment (note 9)	(77,030)	-
Comprehensive income (loss) for the year	139,521	(66,660,135)
Comprehensive income (loss) attributable to:		
Shareholders of the Company	217,756	(54,137,362)
Non-controlling interest	(78,235)	(12,522,773)
	139,521	(66,660,135)

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

Minco Silver Corporation

Consolidated Statements of Changes in Shareholders' Equity

Years ended December 31, 2020 and 2019

(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 year	-	-	-	-	(48,714,645)	(48,714,645)	(11,831,577)	(60,546,222)
Adoption of IFRS 16	-	-	-	-	319	319	-	319
Other comprehensive loss	-	-	-	(5,422,717)	-	(5,422,717)	(691,196)	(6,113,913)
Issuance of shares	141,002	111,534	(43,164)	-	-	68,370	-	68,370
Share-based compensation	-	-	191,970	-	-	191,970	-	191,970
Balance – December 31, 2019	60,845,750	107,650,215	27,172,197	1,922,388	(90,532,010)	46,212,790	(1,175,134)	45,037,656
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 loss for the year	-	-	-	-	(1,130,349)	(1,130,349)	(79,701)	(1,210,050)
Other comprehensive income	-	-	-	1,425,135	-	1,425,135	1,466	1,426,601
Share of reserve changes from equity investment (note 9)	-	-	78,548	(77,030)	-	1,518	-	1,518
Issuance of shares	179,333	162,112	(63,752)	-	-	98,360	-	98,360
Share-based compensation	-	-	411,190	-	-	411,190	-	411,190
Balance – December 31, 2020	61,025,083	107,812,327	27,598,183	3,270,493	(91,662,359)	47,018,644	(1,253,369)	45,765,275

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

Minco Silver Corporation

Consolidated Statements of Cash Flows

Years ended December 31, 2020 and 2019

(Expressed in Canadian dollars, unless otherwise stated)

	2020	2019
	$	$
Operating activities		
Net loss for the year	(1,210,050)	(60,546,222)
Adjustments for:		
Amortization	194,786	215,846
Deferred income tax (recovery)/expenses	(132,119)	196,200
Income tax expense	318,415	56,716
Foreign exchange (gain) / loss	(21,595)	357,108
Impairment on mineral interests	-	60,246,258
Loss on short-term investments	-	286,896
Gain on disposal of investment in financial assets at fair value through profit or loss	(77,770)	(599,546)
Unrealized gain on investment in financial assets at fair value through profit or loss	(24,996)	-
Share of income of equity investment	(152,177)	-
Interest income	(1,697,769)	(2,216,988)
Interest expense	21,429	38,453
Share-based compensation	411,190	398,765
Changes in items of working capital:		
Accounts payable and accrued liabilities	93,969	(30,662)
Due to / from related parties	(31,897)	272,217
Prepaid expenses and deposits	121,069	(102,053)
Receivables	70,783	283,290
Net cash used in operating activities	(2,116,732)	(1,143,722)
Financing activities		
Repayment of lease obligations	(202,508)	(152,526)
Proceeds from stock option exercises	98,360	68,369
Net cash used in financing activities	(104,148)	(84,157)
Investing activities		
Investment in an associate (note 9)	(3,180,000)	-
Development costs	-	(506,150)
(Purchase) / Proceeds on sale of property, plant and equipment	(414,798)	1,113
Interest income received	2,213,080	1,991,829
Proceeds from promissory note (note 7)	3,965,067	710,057
Proceeds from disposition of financial assets at fair value through profit or loss	160,070	3,417,552
Acquisition of investments in financial assets at fair value through profit or loss	(360,907)	(2,807,943)
Purchase of short-term investments	(17,085,771)	(19,892,682)
Redemption of short-term investments	19,482,561	24,979,676
Net cash generated from investing activities	4,779,302	7,893,452
Effect of exchange rates on cash and cash equivalents	229,165	(576,826)
Increase in cash and cash equivalents	2,787,587	6,088,747
Cash and cash equivalents – Beginning of year	12,643,996	6,555,249
Cash and cash equivalents – End of year	15,431,583	12,643,996

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

(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 caused a slowdown in the global economy and caused volatility in the global financial markets. During the year it has limited the Company's property investigation and acquisition activities. Continuing 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 7).

2. Basis of preparation

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). The consolidated financial statements are prepared under the historical cost convention. These consolidated financial statements were approved by the board of directors for issue on March 29, 2021.

3. Summary of significant accounting policies

Principles of consolidation and equity accounting

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company is exposed to variable returns and has the ability to affect those returns through power to direct the relevant activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

These consolidated financial statements include the accounts of the Company and its subsidiaries, Minco Investment Holding HK Ltd. ("Minco HK"), Minco Resource Limited ("Minco Resources"), Changfu Minco Mining Co. Ltd., ("Changfu Minco"), Minco Mining (China) Co. Ltd. ("Minco China"), Tibet Minco Mining 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"), a Chinese government department.

Information of the Company's subsidiaries as at December 31, 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

3. Summary of significant accounting policies (continued)

Principles of consolidation and equity accounting (continued)

All transactions and balances between the Company and its subsidiaries are eliminated on consolidation, including unrealized gains and losses on transactions between companies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Company. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the period are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of operations and net income (loss), consolidated statements of comprehensive income (loss), consolidated statements of changes in shareholders equity and consolidated statements of financial position, respectively.

On June 15, 2020, the Company deregistered its 100% owned subsidiary, Zhongjia Jingu Limited (“Zhongjia”). The Company indirectly through Changfu Minco and Tibet Minco invested RMB 8 million (80%) and RMB 2 million (20%) in Zhongjia, respectively. The activity of Zhongjia had been recorded in these financial statements to the date of dissolution.

Before the date of the deregistration, Zhongjia transferred $1,471,233 (RMB 7,548,604) of cash and $1,190 (RMB 6,101) of equipment to Changfu Minco, and $367,808 (RMB 1,887,151) of cash and $297 (RMB 1,525) of equipment to Tibet Minco, respectively.

Associates and equity method

Associates are all entities over which the Company has significant influence but not control or joint control. This is generally the case where the Company holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. Refer also critical accounting estimates and judgments, below.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognize the Company’s share of the post-acquisition profits or losses of the investee in profit or loss, and the group’s share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Company’s share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company’s interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Company.

At each balance sheet date, the Company considers whether there is objective evidence of impairment in associates. If there is such evidence, we determine the amount of impairment to record, if any, in relation to the associate.

3. Summary of significant accounting policies (continued)

Principles of consolidation and equity accounting (continued)

Changes in ownership interests

The Company treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Company. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Company ceases to consolidate or equity account for an investment because of a loss of control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Financial instruments

Financial instruments are measured on initial recognition at fair value, plus or minus, in the case of financial instruments other than those classified as fair value through profit or loss (“FVPL”), directly attributable transaction costs. Financial instruments are recognized when the Company becomes party to the contracts that give rise to them and are classified as amortized cost, fair value through profit or loss or fair value through other comprehensive income, according to their contractual cash flow characteristics and the business models under which they are held. The Company considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract if the host contract is not measured at fair value through profit or loss and when the economic characteristics and risks are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Financial assets at amortized cost

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and is not designated as FVPL. Financial assets classified as amortized cost are subsequently measured at amortized cost using the effective interest method. Cash and cash equivalents, Note Receivable and Short-term investments and certain other assets are classified as and measured at amortized cost.

3. Summary of significant accounting policies (continued)

Financial Instruments (continued)

Financial assets at FVOCI

Financial assets that are debt instruments are measured at fair value through other comprehensive income ("OCI") if they are held for the collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest. The Company initially recognizes these financial assets at their fair value with subsequent changes to fair values recognized in OCI. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to the statement of operations. On initial recognition of an equity investment, an irrevocable election is available to measure the investment at fair value through OCI, wherein changes in fair value are recognized in OCI with no reclassification to the statement of operations on derecognition. The election is available on an investment-by-investment basis.

Financial assets at FVTPL

Financial assets are measured at FVTPL if they do not qualify as financial assets at amortized cost or fair value through OCI. The Company initially recognizes these financial assets at their fair value with subsequent changes to fair values recognized in the statement of operations.

Financial liabilities

Financial liabilities are classified and subsequently measured at amortized cost unless they are required to be measured at FVTPL. Financial liabilities at FVTPL are measured at fair value and with subsequent changes in fair values recognized in the statement of operations. Accounts payable and accrued liabilities, debt, and provisions are classified as and measured at amortized cost.

Impairment of financial assets

The Company assesses, on a forward-looking basis, the expected credit losses associated with its financial assets carried at amortized cost and fair value through OCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For note receivable and other receivables, the Company applies the simplified approach permitted by IFRS 9, Financial Instruments ("IFRS 9"), which requires loss allowance for a financial instrument at an amount equal to twleve-month expected credit losses.

Derecognition of financial assets and liabilities

A financial asset is derecognized when either the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party. If neither the rights to receive cash flows from the asset have expired nor the Company has transferred its rights to receive cash flows from the asset, the Company will assess whether it has relinquished control of the asset or not. If the Company does not control the asset then derecognition is appropriate. A financial liability is derecognized when the associated obligation is discharged, or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of operations.

3. Summary of significant accounting policies (continued)

Foreign currency translation

(i) Functional and presentation currency

The financial statements of each entity in the group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars.

The functional currency of Minco Silver Corporation is Canadian dollars.

The functional currency of Minco HK and Minco Resources is Canadian dollars.

The functional currency of the Company's Chinese subsidiaries is Renminbi ("RMB").

The financial statements of the Company's Chinese subsidiaries ("foreign operations") are translated into the Canadian dollar presentation currency as follows:

Assets and liabilities – at the closing rate at the date of the statement of financial position

Income and expenses – at the average rate of the period, unless exchange rates fluctuated significantly during that period, in this case, the exchange rates at the dates of the transactions are used.

All resulting changes are recognized in other comprehensive income (loss) as translation adjustments.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from the item are considered to form part of the net investment in a foreign operation and are recognized in other comprehensive income.

When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income related to the foreign operation are recognized in profit or loss. If an entity disposes a part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive income related to the subsidiary are reallocated between controlling and non-controlling interests.

The exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the statement of operations and net loss.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency of an entity using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end rate.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits in banks and highly liquid investments with an original maturity of three months or less.

3. Summary of significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

The carrying amount of a replaced asset is derecognized when replaced.

The major categories of property, plant and equipment are depreciated on a straight-line basis as follows:

Computer, Office Equipment and Furniture	5 years
Mining Equipment	5 years
Site Motor Vehicles	10 years
Leasehold Improvements	remaining lease term
Right-of-Use Assets	term of the lease

Impairment losses are included as part of other gains and losses on the consolidated statements of operations and net loss.

Exploration and evaluation costs

Exploration and evaluation costs include costs to acquire exploration rights, geological studies, exploratory drilling and sampling and directly attributable administrative costs.

Exploration and evaluation costs relating to non-specific projects or properties or those incurred before the Company has obtained legal rights to explore an area are expensed in the period incurred. In addition, exploration and evaluation costs other than direct acquisition costs are expensed before a mineral resource is identified as having economic potential.

Exploration and evaluation costs are capitalized as mineral interests when a mineral resource is identified as having economic potential on a property. A mineral resource is considered to have economic potential when it is expected that documented resources can be legally and economically developed considering long-term metal prices. Therefore, prior to capitalizing such costs, management determines that the following conditions have been met:

i) there is a probable future benefit that will contribute to future cash inflows;

ii) the Company can obtain the benefit and control access to it;

iii) the transaction or event giving rise to the benefit has already occurred.

Once the technical feasibility and commercial viability of the extraction of resources from a particular mineral property has been determined, mineral interests are reclassified to mine properties within property, plant and equipment and carried at cost until the properties to which they relate are placed into commercial production, sold, abandoned or determined by management to be impaired in value.

Costs relating to any producing mineral interests would be amortized on a unit-of-production basis over the estimated ore reserves. Costs incurred after the property is placed into production that increase production volume or extend the life of a mine are capitalized.

Proceeds from the sale of properties or cash proceeds received from option payments are recorded as a reduction of the related mineral interest.

3. Summary of significant accounting policies (continued)

Impairment of non-financial assets

The recoverability of mineral interests is dependent upon various factors, including the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to option its resource properties, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof.

The Company performs impairment tests on property, plant and equipment, mineral interests and investments accounted for using the equity method when events or circumstances occur which indicate the assets may not be recoverable. Impairment assessments are carried out on a project by project basis with each project representing a single cash generating unit.

When impairment indicators are identified, an impairment loss is recognized for any amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and its value in use.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and from its ultimate disposal. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

Share-based payments

(i) Stock Options

The Company grants stock options to directors, officers, employees and service providers. Each tranche in an award is considered a separate award with its own vesting period. The Company applies the fair value method of accounting for share-based payments and the fair value is calculated using the Black-Scholes option pricing model.

Share-based payments for employees and others providing similar services are determined based on the grant date fair value. Share-based payments for non-employees are determined based on the fair value of the goods/services received or options granted measured at the date on which the Company obtains such goods/services.

Compensation expense is recognized over each tranche's vesting period, in earnings or capitalized as appropriate, based on the number of awards expected to vest. If stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

(ii) Performance Share Units ("PSU")

PSUs are equity-settled and are awarded to certain key employees. These units are subject to certain vesting requirements and expire at the end of three years. Vesting requirements are based on performance criteria established by the Company. PSUs are fair valued as follows: the portion of the PSUs related to market conditions is fair valued based on application of a Monte Carlo pricing model or other suitable option pricing models at the date of grant and the portion related to non-market conditions is fair valued based on the market value of the shares at the date of grant. The Company's compensation expense is recognized over the vesting period based on the number of units estimated to vest. Management estimates the number of awards likely to vest on grant and at each reporting date up to the vesting date. Annually, the estimated forfeiture rate is adjusted for actual forfeitures in the period. On vesting of PSUs, the shares are issued from treasury.

3. Summary of significant accounting policies (continued)

Provision for restoration and rehabilitation

A provision for restoration and rehabilitation is recognized when there is a present legal or constructive obligation as a result of exploration and development activities undertaken; it is more likely than not that an outflow of economic benefits will be required to settle the obligation and the amount of the provision can be measured reliably. The estimated future obligation includes the cost of removing facilities, abandoning sites and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. The estimated cost is capitalized into the cost of the related asset and amortized on the same basis as the related assets.

If the estimated cost does not relate to an asset, it is charged to earnings in the period in which the event giving raises to the liability occurs.

As at December 31, 2020 and 2019, the Company did not have any provision for restoration and rehabilitation.

Earnings per share

Basic earnings per share are computed using the weighted average number of common shares outstanding during the year. Diluted earnings per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. If the Company incurs net losses in a fiscal year, basic and diluted losses per share are the same.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

Income tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Critical accounting estimates and judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgment that the company has made in the preparation of the financial statements that have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next year for the following:

3. Summary of significant accounting policies (continued)

Critical accounting estimates and judgments (continued)

Impairment

In accordance with the Company's accounting policy, the Company's mineral interest is evaluated every reporting period to determine whether there are any indications of impairment or impairment reversal. If any such indication exists, which is judgmental, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount or an impairment reversal is recognized to the extent that the recoverable amount exceeds the carrying value. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use.

The evaluation of asset carrying values for indications of impairment or impairment reversal includes consideration of both external and internal sources of information, including such factors as market and economic conditions, success renewal of the exploration permits of the Fuwan Silver Property and Changkeng Gold Project, maintenance of the title of the mineral interests, changes in commodity prices, future plans for the Company's mineral properties and mineral resources and/or reserve estimates. The Company fully impaired the Fuwan Silver Property and Changkeng Gold Project on September 30, 2019 (Refer to Note 8, below, for details).

Significant Influence on Hempnova Lifetech Corp.

Management has assessed the level of influence that the Company has on Hempnova Lifetech Corp. ("Hempnova") and determined that it has significant influence even though its shareholding is 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; in addition, certain directors and management also directly and/or indirectly own Hempnova common shares (refer to Note 9, below, for details).

Note receivable

At each reporting date, the Company applies its judgement to evaluate the collectability of a material note receivable and make a provision based on the assessed amount of expected credit losses. As at December 31, 2020, the Company's note receivable was from Longxin Mining Corp. due on March 31, 2021 with an outstanding balance of $9,589,148 (RMB 49.2 million) (See Note 7).

During 2020, the Company received a re-payment of $4 million (RMB 20.8 million) of the principal and $1.8 million of interest (RMB 9.2 million). The Management has considered the history of repayment of the principal and interest and realizability of the security of the note receivable and concluded the value of the collateral held by the Company for the promissory note exceeds the outstanding amounts. As a result, no expected credit loss provision has been made for this promissory note.

(Expressed in Canadian dollars, unless otherwise stated)

4. Cash and cash equivalents

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

	As at December 31, 2020	As at December 31, 2019
	$	$
Cash	10,643,059	8,600,768
Cash equivalents	4,788,524	4,043,228
	15,431,583	12,643,996

As at December 31, 2020, cash and cash equivalents of $7,967,515 (or RMB 40,879,726) (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.

5. Short-term investments

As at December 31, 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 (ii)	RMB	16,734,877	January 4, 2021 to December 20, 2021	1.65% to 2.10%
Term deposit	CAD	400,000	May 1, 2021	0.95%
		17,134,877		

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 has been in default since September 30, 2018. As at December 31, 2020 and December 31, 2019, the Company still had the corporate bond but has fully written off this holding to $Nil given the uncertainty of disposing of 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.

6. Financial assets at fair value through profit or loss

The Company invested in certain common shares in the public 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. During the year ended December 31, 2020, the Company invested a total of $360,907 for the acquisition of common shares. The Company sold $160,070 of investment and realized a gain of $77,770. The Company also recorded an unrealized gain of $24,996. As such, the fair value of the remaining investments as at December 31, 2020 was $303,603. Subsequent to the year ended December 31, 2020, the Company increased its investments in equity in the public market, using the Company's surplus cash held, for a total cost of $2.2 million.

During 2019, the Company invested $2.88 million for corporate bonds which matured in 2019 and realized a gain of $599,546.

7. 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 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 Acquisition.

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

On November 21, 2020, an extension agreement was signed with the maturity of the note extended to March 31, 2021 and the interest rate remained at 12% per annum.

During 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).

During 2020, Minco China received:

- $3,965,067 (RMB 20.8 million) repayment of principal
- On January 2, 2020, Minco China received a full interest payment of $783,042 (RMB 4.2 million) for the interest accrued in 2019.
- $975,857 (RMB 5 million) of interest accrued.

As at December 31, 2020, the amount of the outstanding Note principal was $9,589,148 (RMB 49,200,000) (December 31, 2019: $13,079,993 (RMB 70,000,000)), and the accrued interest included in the Company's receivable was $283,880 (RMB 1,456,533) (December 31, 2019: $798,292 (RMB 4,200,000)).

(Expressed in Canadian dollars, unless otherwise stated)

7. Note receivable (continued)

This Note receivable is due on March 31, 2021. The Note continues to be secured by a 100% equity interest in Longxin Mining, all assets, including but not limited to lands and moveable assets, of the Longwangshan Gold Mine and personal guarantees provided by shareholders of Longxin Mining.

8. Mineral interests

In the past, the Company experienced a delay in the renewal of exploration permits of both the Fuwan Silver Project and Changkeng Gold Project. As a result, during 2019, the Company impaired $60,246,258 of exploration and evaluation costs incurred in the Fuwan Silver Project and Changkeng Gold Project.

A value in use calculation was 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.

During 2020, the renewal for the Changkeng Gold Project exploration permit was obtained, however the Fuwan Silver Project exploration permit remains outstanding. As management plans to develop the project after Fuwan Silver Project exploration permit renewed, management determined that this was not an indicator of reversal of impairment for the year ended December 31, 2020.

Fuwan Silver Project

Minco Silver has a 90% interest in Changfu Minco, the Company's operating subsidiary in China, and 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 was still on-going to renew and keep the title of this mineral interest in good standing as at December 31, 2020 (refer to Note 19 - Subsequent event, below).

Following is a summary of the capitalized expenditures of the Fuwan Silver Project:

	2020	2019
	$	$
Opening Balance – January 1	-	38,506,444
Consulting fees	-	120,010
Salaries and benefits	-	130,551
Share-based compensation	-	(103,397)
Others	-	102,128
Effect of change in the exchange rate with RMB	-	(2,557,978)
Impairment	-	(36,197,758)
Ending Balance – December 31	-	-

(Expressed in Canadian dollars, unless otherwise stated)

8. Mineral interests (continued)

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 in September 2019, but was renewed in 2020 for two years with an expiry date of November 21, 2022.

Following is a summary of the capitalized expenditures of the Changkeng Gold Project:

	2020	2019
	$	$
Opening Balance – January 1	-	25,577,061
Consulting fees	-	120,010
Salaries and benefits	-	26,320
Share-based compensation	-	(103,397)
Effect of change in the exchange rate with RMB	-	(1,571,494)
Impairment	-	(24,048,500)
Ending Balance – December 31	-	-

During the year ended December 31, 2020, the Company expensed $1,027,975 (2019 - $776,398) of field salary, consulting, insurance and general administration etc. expenses, of which $133,609 was special service fees paid by Minco China pursuant to an agreement entered into with Beijing YuRen law firm ("YuRen"). YuRen is engaged to claim compensation from the local government for not issuing the Luoke-Jilinggan and the Changkeng exploration permits.

The Company is also focused on the acquisition of advanced high-quality mineral projects around the world. During the year ended December 31, 2020, the Company spent $94,795 (2019- recovered $303,508) on property investigation.

9. 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. Hempnova is not traded on any exchange. 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. that was incorporated in the USA.

Management assessed and determined that the Company has significant influence over 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; in addition, certain directors and management also directly and/or indirectly own Hempnova common shares. As a result, the Company accounts for this investment using the equity method.

(Expressed in Canadian dollars, unless otherwise stated)

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

At an initial recognition as at May 13, 2020 and as at December 31, 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 income	152,176
Share of Hempnova changes in reserve and equity portion of convertible debenture	78,548
Share of other comprehensive income of Hempnova	(77,030)
December 31, 2020	3,333,695

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

	December 31, 2020
	$
Cash	828,146
Other current assets	9,612,309
Non-current assets	12,083,424
Current liabilities	(820,428)
Non-current liabilities	(8,073,411)
Shareholders' equity	13,630,040
Minco Silver's share in percentage	12.70%
Minco Silver's share of net assets of Hempnova	1,731,015
Reconciliation to carrying amounts:	
Minco Silver's share of net assets of Hempnova	1,731,015
Goodwill	1,602,680
Carrying value of investment in Hempnova	3,333,695

A summary of Hempnova's income statement for the period from May 13, 2020 to December 31, 2020 is as follows:

	Hempnova	Minco Silver share
	$	$
Net income	1,198,235	152,177
Other comprehensive income	(606,534)	(77,030)
Comprehensive income	591,701	75,147

Management assesses whether there is objective evidence that its investment in Hempnova is impaired. Management applies significant judgment in assessing whether indicators of impairment exist that would necessitate impairment testing. Impairment indicators may include loss events such as (i) significant financial difficulty of Hempnova (ii) significant changes with an adverse effect that have taken place in the market, economic or legal environment in which the Hempnova operates and (iii) evidence of significant or prolonged decline in fair value of the Associate below its carrying value. As at December 31, 2020, there were no indicators of impairment for the investment in Hempnova.

(Expressed in Canadian dollars, unless otherwise stated)

10. Property, plant and equipment

	Leasehold improvement	Motor vehicles	Office equipment and furniture	Total
	$	$	$	$
Year ended December 31, 2019				
At January 1, 2019	35,019	104,912	41,304	181,235
Depreciation	(8,081)	(31,580)	(6,353)	(46,014)
Exchange differences	-	(5,687)	(2,711)	(8,398)
At December 31, 2019	26,938	67,645	32,240	126,823
At December 31, 2019				
Cost	409,207	694,773	480,534	1,584,514
Accumulated depreciation	(382,269)	(627,128)	(448,294)	(1,457,691)
Net book value	26,938	67,645	32,240	126,823

	Leasehold improvement	Motor vehicles	Office equipment and furniture	Total
	$	$	$	$
Year ended December 31, 2020				
At January 1, 2020	26,938	67,645	32,240	126,823
Additions	414,798	-	-	414,798
Depreciation	(8,082)	(29,279)	(3,376)	(40,737)
Exchange differences	4,768	422	317	5,507
At December 31, 2020	438,422	38,788	29,181	506,391
At December 31, 2020				
Cost	812,995	669,310	462,348	1,944,653
Accumulated depreciation	(374,573)	(630,522)	(433,167)	(1,438,262)
Net book value	438,422	38,788	29,181	506,391

(Expressed in Canadian dollars, unless otherwise stated)

11. Leases

The Company's recognized right-of-use assets and liabilities are 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 end 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 15(b)). The lease started on April 1, 2019 and will end on August 31, 2021. Subsequent to the year ended December 31, 2020, the lease term is extended to August 31, 2026.

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 December 31, 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, 2019	109,054	202,085	311,139
Change to the lease terms	(4,941)	-	(4,941)
Amortization	(31,234)	(122,815)	(154,049)
Unrealized foreign exchange	-	2,867	2,867
Right-of-use assets, December 31, 2020	72,879	82,137	155,016

b) Lease obligation

The continuity of the lease obligation as at December 31, 2020 and 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	7,067	14,362	21,429
Lease payments	(34,645)	(167,863)	(202,508)
Unrealized foreign exchange	-	5,176	5,176
Lease obligation, December 31, 2020	76,040	109,695	185,735
Lease obligation, current	30,493	109,695	140,188
Lease obligation, non-current	45,547	-	45,547

(Expressed in Canadian dollars, unless otherwise stated)

11 Leases (continued)

The maturity analysis of the Company's contractual undiscounted lease liabilities as at December 31, 2020 is as follows:

	Vancouver	Beijing	Total
	$	$	$
Less than one year	35,245	112,263	147,508
Beyond one year	47,860	-	47,860
	83,105	112,263	195,368

c) Amounts recognized in Statement of Loss

For the year ended December 31, 2020	Vancouver	Beijing	Total
	$	$	$
Interest on lease obligation	7,067	14,362	21,429
Rent expenses related to short-term leases (i)	-	31,372	31,372
Rent expenses related to low-value leases (ii)	2,506	5,751	8,257
Amortization	31,234	122,815	154,049

For the year ended December 31, 2019	Vancouver	Beijing	Total
	$	$	$
Interest on lease obligation	10,874	27,579	38,453
Rent expenses related to short-term leases (i)	-	58,622	58,622
Rent expenses related to low-value leases (ii)	-	3,765	3,765
Amortization	27,184	142,648	169,832

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

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

12. Non-controlling interest ("NCI")

Below is a summary of the financial information of Mingzhong:

<u>Summary of financial positions:</u>

	December 31, 2020	December 31, 2019
NCI percentage	49%	49%
	$	$
Current assets	207,656	325,253
Current liabilities	(1,036,860)	(964,152)
Net current liabilities	(829,204)	(638,899)
Non-current asset	6,928	6,998
Net liabilities	(822,276)	(631,901)
Accumulated NCI	(1,253,369)	(1,175,134)

(Expressed in Canadian dollars, unless otherwise stated)

12. Non-controlling interest ("NCI") (continued)

Summary of income statements:	Year ended December 31,	
	2020	2019
	$	$
Net loss	162,655	24,097,765
Loss allocated to NCI (49%)	79,701	11,831,577

Summary of statements of cash flows:

	Year ended December 31,	
	2020	2019
	$	$
Cash outflows from operating activities	(131,183)	(122,727)
Cash outflows from investing activities	-	-

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 year ended December 31, 2020 and the year ended December 31, 2019, the Company received $Nil from the minority shareholders. As at December 31, 2020, the amount of $348,514 (December 31, 2019 - $331,746) was remaining in Mingzhong's payable account.

13. 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.

(Expressed in Canadian dollars, unless otherwise stated)

13. Share capital (continued)

(b) Long-term Incentive Plan (continued)

Stock Options(continued)

During the year ended December 31, 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 year ended December 31, 2020, the Company recorded $411,190 of the stock option component as the share-based compensation. During the year ended December 31, 2019, the Company recorded $610,359 of the stock option component as the share-based compensation, of which $543,110 was recorded as operating expenses and $67,250 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	(179,333)	0.58
Expired	(563,335)	0.42
Forfeited	(414,667)	1.10
Balance, December 31, 2020	7,463,000	0.92

During the year ended December 31, 2020, the weighted average share price on the date options exercised was $0.69 (2019 - $0.8). As at December 31, 2020, there was $153,447 (December 31, 2019 - $77,412) of total unrecognized compensation cost relating to unvested options.

(Expressed in Canadian dollars, unless otherwise stated)

13. Share capital (continued)

(b) Long-term Incentive Plan (continued)

Stock Options(continued)

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
$	#		$	#	$
0.455 – 0.50	1,480,000	4.26	0.46	493,329	0.46
0.51 – 0.69	2,858,000	2.54	0.64	2,858,000	0.64
0.70 – 1.40	3,125,000	1.14	1.40	3,125,000	1.40
	7,463,000	2.29	0.92	6,476,329	0.99

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

	2020	2019
Risk-free interest rate	0.64%	1.85%
Dividend yield	0%	0%
Volatility	88%	82%
Forfeiture rate	21%	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, December 31, 2020	-	-

(Expressed in Canadian dollars, unless otherwise stated)

13. Share capital (continued)

(b) Long-term Incentive Plan (continued)

Performance share units ("PSU") (continued)

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 the 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 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 September 30, 2019 was reversed. Impacts of the reversal are as follows:

	$
Reversal of share-based compensation previously charged to the statement of operations	144,345
Reversal of capitalized share-based compensation within the Company's mineral interest (note)	274,044
A decrease in the Company's contributed surplus	418,389

These 950,000 PSU expired in February 2020.

14. Related party transactions

(a) Key management compensation

Key management includes the Company's directors and senior management. During the year ended December 31, 2020 and 2019, the following compensation and benefit were paid to or accrued for the key management.

	2020	2019
	$	$
Senior management remuneration and benefit	611,671	602,495
Directors' fees	81,000	73,500
Share-based compensation	288,353	375,831
	981,024	1,051,826

During 2020, the Company paid $33,255 (RMB 171,165) of medical insurance for the Company's CEO in China, of which $22,077 was included in prepaid expenses and $11,178 was included in the senior management remuneration and benefit expenses

(Expressed in Canadian dollars, unless otherwise stated)

14. Related party transactions (continued)

(b) Rental agreement with the CEO

On April 1, 2019, the Company's wholly owned subsidiary, Minco China, entered into a lease agreement for the use of an office in Beijing, China with the Company's CEO, the owner of the property, with an effective date on April 1, 2019 and expiry date on August 31, 2021. The monthly rent is $17,486 (RMB 90,000), of which 20% was shared with and paid by Hempnova during the year ended December 31, 2020. Subsequent to the year ended December 31, 2020, the lease term has been extended to August 31, 2026.

Pursuant to the lease agreement, the Company was required to pay lease improvement expenses. During the year ended December 31, 2020, the Company recorded the lease improvement in progress of $414,798 (RMB 2,135,008), of which $223,345 (RMB 1,149,581) was paid during the year ended December 31, 2020 and $191,453 (RMB 985,427) was paid during the year ended December 31, 2019.

(c) Shared office expenses

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

During the year ended December 31, 2020, the Company paid or accrued $35,351 (December 31, 2019 – $42,980) in respect of rent and $252,882 (December 31, 2019 – $229,828) in shared head office expenses and administration costs to Minco Capital.

(d) Due to and due from related parties

	December 31, 2020	December 31, 2019
	$	$
Due to:		
Companies owned by the CEO	(59,711)	(58,116)
Minco Capital - reimbursement of shared expenses	(1,317)	(19,153)
Total	(61,028)	(77,269)
Due from:		
MBM – reimbursement of shared expenses	22,042	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 of 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 December 31, 2020, the amount held by Minco Yinyuan in trust for Minco China was $156,559 (December 31, 2019 - $177,535).

(f) Investment in Hempnova

Refer to Note 9 above for investment accounted for using the equity method.

(Expressed in Canadian dollars, unless otherwise stated)

15. Income taxes

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

	2020	2019
	$	$
Income (loss) before income taxes	(1,023,754)	(60,293,846)
Statutory income tax rate	27%	27%
Expected tax recovery at statutory income tax rate	(276,414)	(16,279,338)
Non-deductible expenses and other items	200,220	7,317,285
Difference in tax rates	19,672	829,059
Change in deferred income tax asset not recognized	535,808	8,465,165
Foreign exchange	(292,990)	(79,795)
Income tax expense	186,296	252,376

Deferred income taxes arise from temporary differences in the recognition of income and expenses for financial reporting and tax purposes. The significant components of unrecognized deferred income tax assets and liabilities at December 31, 2020 and 2019 are as follows:

	2020	2019
	$	$
Deferred income tax assets not recognized		
Equity investment	(20,749)	-
Non-capital losses	2,520,061	2,592,243
Mineral interest	11,329,457	10,777,235
	13,828,769	13,369,478

The Company has non-capital losses carried forward for Canadian income tax purposes which expire as follows:

	$
2031	1,330,717
2032	1,880,258
2033	2,229,724
2034	1,470,692
2036	954,126
2037	1,084,409
2039	3,242
2040	490,982
	9,444,150

(Expressed in Canadian dollars, unless otherwise stated)

16. 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 December 31, 2020	Canada	China	Total
	$	$	$
Current assets	8,306,268	34,848,289	43,154,557
Non-current assets	3,425,431	569,671	3,995,102

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

17. 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:

	December 31, 2020	December 31, 2019
	$	$
Financial assets at fair value through profit or loss		
Marketable securities (level 1)	303,603	-
Amortized cost financial assets		
Cash and cash equivalents	15,431,583	12,643,996
Short-term investments	17,134,877	18,848,668
Note receivable	9,589,148	13,079,993
Receivables	402,660	922,227
Due from related parties	22,042	6,079

Amortized cost financial liabilities	December 31, 2020	December 31, 2019
	$	$
Due to related parties	61,028	77,269
Accounts payable and accrued liabilities	409,097	251,982
Current tax liabilities	318,415	56,176
Due to minority shareholders of a subsidiary	346,028	331,746
Lease obligations, current	140,188	152,526
Lease obligations, non-current	45,547	214,053
Deferred tax liabilities	64,081	196,200

17. Financial instruments and fair value measurements (continued)

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).

Financial instruments that are not measured at fair value on the balance sheet are represented by cash and cash equivalent, short-term investments, receivables, note receivable, due to and from related parties, account payable and accrued liabilities. The fair values of these financial instruments approximate their carrying value due to their short-term nature.

Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including 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.

Credit risk

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if the counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by these counterparties, less any amounts owed to the counterparty by the Company where a legal right of set-off exists and also includes the fair value contracts with individual counterparties which are recorded in the consolidated financial statements. The Company considers its Cash and cash equivalent, short-term investments, and note receivable to be exposed to credit risk.

In order to manage credit risk, the Company:

- limits its credit exposure on cash and cash equivalents by holding its deposits mainly with high credit quality financial institutions in Canada, Hongkong and China,
- Obtain adequate collateral to secure the recoverability of the note receivable (also refer note 7).

Foreign exchange risk

The functional currency of Minco Silver 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 Minco Silver and its Chinese subsidiaries. Therefore, the Company's net loss is 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$4.2 million monetary assets at year-end. This sensitivity analysis shows that a change of +/- 10% in US$ foreign exchange rate would have a -/+ US$0.42 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 does not hold cash and cash equivalent, short-term investments and note receivable at variable rates. As a result, the Company is not exposed to significant interest rate risk.

17. Financial instruments and fair value measurements (continued)

Liquidity risk

Liquidity risk includes the risk that the Company cannot meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements and its exploration and development plans. The annual budget is approved by the Company's board of directors. As at December 31, 2020, the Company has a positive working capital of approximately $42 million and non-current liabilities of $0.11 million that need to be fulfilled. Management concludes that the Company has sufficient funds to meet its current operating and exploration expenditures.

18. Capital management

The Company's objectives in the managing of the liquidity and capital are to safeguard the Company's ability to continue as a going concern and provide the financial capacity to meet its strategic objectives. The capital structure of the Company consists of equity attributable to common shareholders, comprising of issued share capital, common share purchase warrants, contributed surplus, accumulated other comprehensive income and accumulated deficit.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt and/ or acquire or dispose of assets to facilitate the management of its capital requirements. The Company prepares annual expenditure budgets that are updated as necessary depending upon various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Company's board of directors.

As at December 31, 2020, the Company does not have any long-term debt and has sufficient funds to meet its current operating and exploration and development obligations.

19. Subsequent event

In early March 2021, the Company received the new exploration permit on the Fuwan Silver Project for five years with an expiry date of March 8, 2026. Now that both exploration permits have been renewed, the Company plans to resume its permitting, obtaining a mining license and exploration activities on its Changkeng Gold Project and Fuwan Silver Projects.