Minco Silver Corporation

Consolidated Financial Statements
For the year ended December 31, 2021 and 2020
(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, 2022

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, 2021 and 2020, 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, 2021 and 2020;
- 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 significant accounting policies and other explanatory information.

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.

PricewaterhouseCoopers LLP
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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, 2021. The matter was 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 the matter.

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit loss 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 $11.1 million principal and interest receivable amounted to $1.95 million as at December 31, 2021 and is accounted for at amortized cost. The note receivable is secured by a variety of assets including: land, real estate and cash security owned by the entity controlled by Longxin Mining Corp., and other related defendants (the borrowers). No incremental expected credit loss was recorded beyond the success fee payable to counsel as the value of the collateral exceeds the carrying value of the principal and interest of the note receivable. During the year, the Company initiated court proceedings and as a result of the court verdict and failure by the borrowers to pay the outstanding amounts, the Company seized some of the collateral and remains entitled to the remaining collateral. The borrowers filed an appeal to the verdict, which remains unresolved but the Company expects the court verdict to be upheld. 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	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 court proceeding documents; – Agreed the securities collateralized in favour of the Company to the court verdict; – Evaluated management's assessment of fair value of the seized real estate by comparing to market prices of recently sold similar properties; – Inquired with legal counsel responsible for the matter as to the expected outcome of the appeal; – Assessed whether the fair value of the seized real estate and cash security exceeds the carrying value of the note receivable and interest receivable as at December 31, 2021; and – Tested the estimated success fee by agreeing the estimate to the terms of the legal contract. • 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
approach, which requires loss allowance for a financial instrument at an amount equal to 12-month expected credit losses. Management applied significant judgment in estimating the valuation of the collateral as part of their expected credit loss assessment related to the note receivable. To estimate expected credit losses, management considered the valuation of the security of the note receivable, the success fee and the probability that the court verdict would be upheld. 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 valuation 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.

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, 2022

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Minco Silver Corporation

Consolidated Statements of Financial Position

(Expressed in Canadian dollars, unless otherwise stated)

	December 31, 2021	December 31, 2020
Assets	$	$
Current assets		
Cash and cash equivalents (note 4)	5,020,671	15,431,583
Short-term investments (note 5)	4,987,531	17,134,877
Note receivable (note 7)	11,057,243	9,589,148
Financial assets at fair value through profit or loss (note 6)	23,132,528	303,603
Receivables (note 8)	2,112,919	402,660
Due from related parties (note 15)	162,988	22,042
Prepaid expenses and advances	355,960	270,644
	46,829,840	43,154,557
Deposits	69,407	-
Investment accounted for using the equity method (note 10)	738,638	3,333,695
Right-of-use assets (note 12)	686,956	155,016
Property, plant and equipment (note 11)	465,553	506,391
Total assets	48,790,394	47,149,659
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	215,620	409,097
Credit losses payable	1,213,678	-
Current tax liabilities	640,559	318,415
Due to minority shareholders (note 13)	354,195	346,028
Due to related parties (note 15)	43,602	61,028
Lease obligation, current (note 12)	172,603	140,188
	2,640,257	1,274,756
Deferred tax liabilities	400,668	64,081
Lease obligation, non-current (note 12)	566,988	45,547
	3,607,913	1,384,384
Equity		
Equity attributable to owners of the parent		
Share capital (note 14)	107,812,327	107,812,327
Contributed surplus	27,726,821	27,598,183
Accumulated other comprehensive income	4,132,698	3,270,493
Deficit	(93,206,998)	(91,662,359)
	46,464,848	47,018,644
Non-controlling interest (note 13)	(1,282,367)	(1,253,369)
Total liabilities and equity	48,790,394	47,149,659

Subsequent event (note 20)

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, 2021 and 2020

(Expressed in Canadian dollars, unless otherwise stated)

	2021	2020
	$	$
Operating expenses		
Audit, legal and regulatory	218,921	285,855
Amortization	244,399	194,786
Consulting	70,625	59,305
Directors' fees	75,750	81,000
Interest expense (note 12)	63,126	21,429
Office administration expenses	192,953	179,377
Property investigation and permitting expenses	862,327	1,122,770
Rent (note 12)	36,367	39,629
Salaries and benefits	378,298	558,382
Share-based compensation (note 14)	127,694	411,190
Travel and transportation	52,720	44,338
	2,323,180	2,998,061
Loss before the following	(2,323,180)	(2,998,061)
Finance and other income (expenses)		
Foreign exchange gain (loss)	(64,181)	21,595
Gain on disposal of financial assets at fair value through profit or loss (note 8)	1,512,962	77,770
Net fair value gains on financial assets at fair value through profit or loss	468,719	24,996
Interest and dividend income	3,189,903	1,697,769
Credit losses (note 7)	(1,181,871)	-
Gain (Loss) before share of gain (loss) from equity investment	1,602,352	(1,175,931)
Impairment of equity investment (note 9)	(1,436,514)	-
Share of (loss) / income of equity investment (note 9)	(1,135,280)	152,177
Loss before income taxes	(969,442)	(1,023,754)
Income tax expenses, current (note 16)	(322,144)	(318,415)
Income tax recovery (expenses), deferred (note 16)	(280,411)	132,119
Net loss for the year	(1,571,997)	(1,210,050)
Net loss attributable to:		
Shareholders of the Company	(1,544,639)	(1,130,349)
Non-controlling interest	(27,358)	(79,701)
	(1,571,997)	(1,210,050)
Loss per share, basic and diluted	(0.03)	(0.02)
Weighted average number of common shares outstanding - basic and diluted	61,025,083	60,948,000

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

(Expressed in Canadian dollars, unless otherwise stated)

	2021	2020
	$	$
Net loss for the year	(1,571,997)	(1,210,050)
Other comprehensive income (loss)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation from functional to presentation currency	884,772	1,426,601
Share of comprehensive loss from equity investment (note 10)	(24,207)	(77,030)
Comprehensive (loss) / income for the year	(711,432)	139,521
Comprehensive (loss) / income attributable to:		
Shareholders of the Company	(682,434)	217,756
Non-controlling interest	(28,998)	(78,235)
	(711,432)	139,521

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, 2021 and 2020
(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, 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 10)	-	-	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
Balance - January 1, 2021	61,025,083	107,812,327	27,598,183	3,270,493	(91,662,359)	47,018,644	(1,253,369)	45,765,275
Net loss for the year	-	-	-	-	(1,544,639)	(1,544,639)	(27,358)	(1,571,997)
Other comprehensive income (loss)	-	-	-	862,205	-	862,205	(1,640)	860,565
Share of reserve changes from equity investment (note 10)	-	-	944	-	-	944	-	944
Share-based compensation	-	-	127,694	-	-	127,694	-	127,694
Balance – December 31, 2021	61,025,083	107,812,327	27,726,821	4,132,698	(93,206,998)	46,464,848	(1,282,367)	45,182,481

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

Minco Silver Corporation

Consolidated Statements of Cash Flows

Years ended December 31, 2021 and 2020

(Expressed in Canadian dollars, unless otherwise stated)

	2021	2020
	$	$
Operating activities		
Net loss for the year	(1,571,997)	(1,210,050)
Adjustments for:		
Amortization	244,399	194,786
Deferred income tax expenses (recovery)	280,411	(132,119)
Income tax expense	322,144	318,415
Foreign exchange loss (gain)	64,181	(21,595)
Gain on disposal of investment in financial assets at fair value through profit or loss	(1,512,962)	(77,770)
Unrealized gain on investment in financial assets at fair value through profit or loss	(468,719)	(24,996)
Impairment of equity investment	1,436,514	-
Share of loss (income) of equity investment	1,135,280	(152,177)
Credit losses	1,213,678	-
Interest and dividend income	(3,189,903)	(1,697,769)
Interest expense	63,126	21,429
Share-based compensation	127,694	411,190
Changes in items of working capital:		
Accounts payable and accrued liabilities	(203,480)	93,969
Due to / from related parties	(157,236)	(31,897)
Prepaid expenses and deposits	(78,603)	121,069
Receivables	7,166	70,783
Net cash used in operating activities	(2,288,307)	(2,116,732)
Financing activities		
Repayment of lease obligations	(218,652)	(202,508)
Proceeds from stock option exercises	-	98,360
Net cash used in financing activities	(218,652)	(104,148)
Investing activities		
Investment in an associate (note 10)	-	(3,180,000)
Deposit	(69,407)	-
Purchase of property, plant and equipment	(16,967)	(414,798)
Interest and dividend income received	358,185	2,213,080
Proceeds from promissory note (note 7)	-	3,965,067
Proceeds from disposition of financial assets at fair value through profit or loss	8,500,220	160,070
Acquisition of investments in financial assets at fair value through profit or loss	(28,842,923)	(360,907)
Purchase of short-term investments	(21,055,842)	(17,085,771)
Redemption of short-term investments	33,279,929	19,482,561
Net cash (used in) / generated from investing activities	(7,846,805)	4,779,302
Effect of exchange rates on cash and cash equivalents	(57,148)	229,165
(Decrease) / increase in cash and cash equivalents	(10,410,912)	2,787,587
Cash and cash equivalents – Beginning of year	15,431,583	12,643,996
Cash and cash equivalents – End of year	5,020,671	15,431,583

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, 2022.

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"), Guangdong Changfu 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, 2021 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.

<u>Associates and equity method</u>

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 twelve-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 equity investment in Hempnova Lifetech Corp. ("Hempnova") 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.

Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

· The contract involves the use of an identified asset, either explicitly or implicitly, including consideration of supplier substitution rights;

3. Summary of significant accounting policies (continued)

Leases (continued)

- The Company has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The right of use ("ROU") asset is initially measured based on the initial amount of the lease obligation plus any initial direct costs incurred less any lease incentives received.

The assets are depreciated to the earlier of the end of the useful life of the ROU asset or the lease term using the straight-line method to reflect the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. The ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease obligation. The lease obligation is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the Company's incremental borrowing rate.

The lease obligation is measured at amortized cost using the effective interest method and remeasured when there is a change in future lease payments. Future lease payments can arise from a change in an index or rate, if there is a change in the Company's estimate of the expected payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease obligation is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded to the statement of loss, if the carrying amount of the ROU asset has been reduced to zero.

Adoption of new accounting standards

IAS 16, *Property, plant and equipment* ("PP&E") outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, or depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.

IAS 16 requires that the cost of an asset includes any costs attributable to brining the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. One of those costs is testing whether the asset is functioning property.

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning property). The proceeds from selling such samples, together with the costs of producing them, are now recognized in profit or loss. An entity will use IAS 2, *Inventories,* to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use.

The amendment requires entities to separately disclose the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. An entity should also disclose the line item in the statement of comprehensive income where the proceeds are included.

This amendment could have significant impact on entities where items ae produced and sold as part of brining an item of PP&E to the location and condition necessary for its intended use, and where management has previously considered an asset's operating performance in its assessment of whether the asset is ready for use (for example, in the mining industry). Management might need to introduce processes to track the cost of items sold and to account for an asset as ready for its intended use earlier than before.

3. Summary of significant accounting policies (continued)

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:

Significant Influence on Hempnova Lifetech Corp.

Management has assessed the level of influence that the Company has on 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).

Impairment

In accordance with the Company's accounting policy, the Company's mineral interest and equity investment in Hempnova are 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.

Mineral interest

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 the Company's right's to explore in the specific area, whether substantive exploration and evaluation activities have been planned or budgeted, whether evaluation in the specific area has not led to the discovery of commercially viable quantities of mineral resources, or sufficient data exist to indicate that the carrying value of the property will not be recoverable. The Company fully impaired the Fuwan Silver Project and Changkeng Gold Project on September 30, 2019 (Refer to Note 8, below, for details). As at December 31, 2021, management assessed the Fuwan Silver Project and Changkeng Gold Project for impairment reversal indicators and did not identify any.

Equity investment in Hempnova

Management assesses whether there is objective evidence that its investment in Hempnova is impaired each reporting period. 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 Hempnova below its carrying value. As at December 31, 2021, the Company identified impairment indicators and impaired $1,436,514 of the equity investment in Hempnova.

(Expressed in Canadian dollars, unless otherwise stated)

3. Summary of significant accounting policies (continued)

Critical accounting estimates and judgments (continued)

Note receivable

Management applied significant judgment in estimating the valuation of the collateral as part of their expected credit loss assessment related to the note receivable. To estimate expected credit losses, management considered the valuation of the security of the note receivable, the success fee, and the probability that the court verdict would be upheld. As at December 31, 2021, the Company's note receivable was from Longxin Mining Corp. with the outstanding Note principal of $11,057,243 (RMB 55,424,433) (December 31, 2020: $9,589,148 (RMB 49,200,000)). The accrued interest included in the Company's receivable was $1,949,863 (RMB 9,773,693) (December 31, 2020: $283,880 (RMB 1,456,533)).

The Company has not received any repayment since December 11, 2020 as agreed. On March 11, 2021, the Company filed a legal action to recover the outstanding Note principal and interest receivable. The court has legally frozen the Note collaterals. As a result, the Company accrued 10% success fee of $1,181,871 (RMB 6,083,561) as expected credit loss provision at December 31, 2021 (See Note 7 for the detail disclosure).

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, 2021	As at December 31, 2020
	$	$
Cash	4,779,789	10,643,059
Cash equivalents	240,882	4,788,524
	5,020,671	15,431,583

As at December 31, 2021, cash and cash equivalents of $1,348,196 (or RMB 6,757,834) (December 31, 2020 - $7,967,515, (or RMB 40,879,726)) 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, 2021, 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	4,987,531	March 24, 2022	2.8%
		4,987,531		

(Expressed in Canadian dollars, unless otherwise stated)

5. Short-term investments (continued)

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		

(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, 2021 and December 31, 2020, 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

Common shares and warrants

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. The investment does not alter the Company's business focus on exploration and development of mineral properties.

A summary of the investments as at December 31, 2021 and December 31, 2020 is as the follows:

Costs:	Common shares	Warrants	Total
	$	$	$
Balance, at December 31, 2019	-	-	-
Additions	360,907	-	360,907
Proceeds from disposals	(160,070)	-	(160,070)
Realized gain	77,770	-	77,770
Balance, at December 31, 2020	278,607	-	278,607
Additions	10,061,148	34,446	10,095,594
Proceeds from disposals	(8,500,220)	-	(8,500,220)
Realized gain	1,512,962	-	1,512,962
Balance, at December 31, 2021	3,352,497	34,446	3,386,943

(Expressed in Canadian dollars, unless otherwise stated)

6. Financial assets at fair value through profit or loss (continued)

Fair Value:	Common shares	Warrants	Total
	$	$	$
Balance, at December 31, 2019	-	-	-
Additions	360,907	-	360,907
Cost of disposals	(82,300)	-	(82,300)
Unrealized gain	24,996	-	24,996
Balance, at December 31, 2020	303,603	-	303,603
Additions	10,061,148	34,446	10,095,594
Cost of disposals	(6,987,258)		(6,987,258)
Unrealized gain adjustment	280,907	1,620	282,527
Balance, at December 31, 2021	3,658,400	36,066	3,694,466

	2021	2020
	$	$
Proceeds from disposals	8,500,220	160,070
Cost of disposals	(6,987,258)	(82,300)
Realized gains	1,512,962	77,770
Unrealized gain adjustment	282,527	24,996
Total gain	1,795,489	102,766

Floating return wealth management products ("WMPs") without principal protection

During the year ended December 31, 2021, the Company also invested $19,251,870 (RMB 96,500,000) in WMPs issued by China Merchant Bank. $5,486,284 (RMB 27,500,000) can be redeemed at any time, and $13,765,586 (RMB 69,000,000) can be redeemed at six months or seven months open period from the date the Company initially invested. As at December 31, 2021, the fair market value of WMPs was $19,438,062.

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.

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, bore 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, including land, real estate and cash security. 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).

(Expressed in Canadian dollars, unless otherwise stated)

7. Note receivable (continued)

On November 21, 2020, a supplemental agreement was signed with the maturity of the note extended to March 31, 2021 and the interest rate remained at 12% per annum. Pursuant to this supplemental agreement, if the Company did not receive the outstanding principal and interests by March 31, 2021, the Company has the right to (i) retreat the amounts applied to principal repayment in the year 2020 shall be considered as interest payments; (ii) to charge the interest at 24% of an annum rate from January 1, 2020 until the principal and accrued interest are fully paid off; (iii) to revise the accrued interest and principal payment as it deems fit.

Since December 11, 2020, the Company has not received any payments from Longxin. In April 2021, Minco China entered into a legal service agreement (the "Anheli Service Agreement") with Beijing Anheli Law Firm ("Anheli") for a legal action to recover the outstanding Note principal and accrued interest. On May 11, 2021, the Company filed a lawsuit with the court in order to recover $11,057,243 (RMB 55,424,433) of the outstanding Note principal plus $629,085 (RMB 3,253,625) of interest accrued until April 1, 2021 at an annual interest rate of 24% for the period from January 1, 2020 to August 19, 2020 and at an interest rate of 15.4% per annum thereafter.

On November 12, 2021, the Company received the court verdict on the lawsuit that Longxin and other related defendants should pay the Company above claimed amounts, and the legal and court fees. As a result of the court verdict and failure by the borrowers to pay the outstanding amounts, the Company seized certain collateral including real estate and cash, and remains entitled to the remaining collateral. The borrowers filed an appeal to the verdict, which remains unresolved but the Company expects the court verdict to be upheld.

As at December 31, 2021, the amount of the outstanding Note principal was $11,057,243 (RMB 55,424,433) (December 31, 2020: $9,589,148 (RMB 49,200,000)), and the accrued interest included in the Company's receivable was $1,949,863 (RMB 9,773,693) (December 31, 2020: $283,880 (RMB 1,456,533).

A summary the note receivable for the year ended 2021 and 2020 is as follows:

	Note principle	Interest receivable	Total
	$	$	$
Year ended December 31, 2020			
At January 1, 2020	13,079,993	798,292	13,878,285
Payments received	(3,965,067)	(1,758,899)	(5,723,966)
Accrued interest – 12%	-	1,254,402	1,254,402
Foreign exchange gain (loss)	474,222	(9,915)	464,307
At December 31, 2020	9,589,148	283,880	9,873,028
Revised of principal and interest payment	1,241,782	(1,241,782)	-
Accrued interest – 24% from January 1 to August 19, 2020, 15.4% to December 31, 2020	-	1,165,140	1,165,140
Accrued interest – 15.4% (i)	-	1,735,925	1,735,925
Foreign exchange gain	226,313	6,700	233,013
At December 31, 2021	11,057,243	1,949,863	13,007,106

(i) The interest was calculated by 24% prior to August 19, 2020 and thereafter by four times of the annum loan market quotation rate announced by the National Interbank Lending Centre, which was supported by the court and legal regulations in China.

As per the terms of Service Agreement with Anheli, the Company paid $59,850 (RMB 300,000) of legal fees and is required to pay a success fee which equals 10% of the total principal and interests recovered by the Company from this legal action. The Company accrued such 10% as a provision for legal fees of $1,181,871 (RMB 6,083,561) as at December 31, 2021.

(Expressed in Canadian dollars, unless otherwise stated)

8. Receivable

	December 31, 2021	December 31, 2020
	$	$
Interest receivable	1,990,734	365,351
GST receivable	9,666	4,966
Other receivable	112,519	32,343
	2,112,919	402,660

Included in the interest receivable, $1,949,863 was from note receivable (2020 - $ 283,880), and $38,404 was from term deposit (2020 - $ 81,471).

9. 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 did not have any expected cash flows from the mineral properties. 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 and the exploration permit for the Fuwan Silver Project was renewed in March 2021 and expires on March 8, 2026. As substantive expenditures on further exploration for and evaluation of mineral resources is not currently planned or budgeted, , management determined that this was not an indicator of reversal of impairment for the year ended December 31, 2021.

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 was renewed in March 2021 for five years with an expiry date of March 8, 2026.

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 permit expires on November 21, 2022.

Field expenses and property investigation

During the year ended December 31, 2021 the Company expensed $759,039 (2020 - $1,027,975) of field salary, consulting, insurance, permitting and general administration.

The Company is also focused on the acquisition of advanced high-quality mineral projects around the world. During the year ended December 31, 2021, the Company spent $103,288 (2020 - $94,795) of salary, consulting and other expenses related to property investigations.

(Expressed in Canadian dollars, unless otherwise stated)

10. Investment accounted for using the equity method

In May 2020, the Company participated in 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 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.

At an initial recognition as at May 13, 2020 and as at December 31, 2020 as well as December 31, 2021, the Company owned 12.7% of Hempnova. The continuity of this investment is as follows:

	Total
	$
Carrying value, at January 1, 2020	-
Acquisition	3,180,000
Share of Hempnova's income	152,177
Share of Hempnova changes in reserve and equity portion of convertible debenture	78,548
Share of other comprehensive loss of Hempnova	(77,030)
Carrying value, at December 31, 2020	3,333,695
Impairment of equity investment	(1,436,514)
Share of Hempnova's loss	(1,135,280)
Share of Hempnova changes in reserve and equity portion of convertible debenture	944
Share of other comprehensive loss of Hempnova	(24,207)
Carrying value, at December 31, 2021	738,638

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

	December 31, 2021	December 31, 2020
	$	$
Cash	535,201	828,146
Other current assets	3,543,292	9,612,309
Non-current assets	8,987,322	12,083,424
Current liabilities	(2,174,748)	(820,428)
Non-current liabilities	(6,383,411)	(8,073,411)
Shareholders' equity	4,507,656	13,630,040
Minco Silver's share in percentage	12.70%	12.70%
Minco Silver's share of net assets of Hempnova	572,472	1,731,015

(Expressed in Canadian dollars, unless otherwise stated)

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

Reconciliation to carrying amounts:

	December 31, 2021	December 31, 2020
	$	$
Minco Silver's share of net assets of Hempnova	572,472	1,731,015
Goodwill	166,166	1,602,680
Carrying value of investment in Hempnova	738,638	3,333,695

A summary of Hempnova's income statement for the year ended December 31, 2021 and for the period from May 13, 2020 to December 31, 2020 is as follows:

	Year ended December 31, 2021		From May 13, 2020 to December 31, 2020	
	Hempnova	Minco Silver share	Hempnova	Minco Silver share
	$	$	$	$
Net (loss) / income	(8,939,213)	(1,135,280)	1,198,235	152,177
Other comprehensive loss	(190,606)	(24,207)	(606,534)	(77,030)
Comprehensive (loss) / income	(9,129,819)	(1,159,487)	591,701	75,147

As at December 31, 2021, management identified the loss incurred in the year to be an indicator of impairment for the investment in Hempnova and recorded an impairment charge of $1,436,514 (2020 - $Nil)

11. Property, plant and equipment

	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. Property, plant and equipment (continued)

	Leasehold improvement	Motor vehicles	Office equipment and furniture	Total
	$	$	$	$
Year ended December 31, 2021				
At January 1, 2021	438,422	38,788	29,181	506,391
Additions	15,814	-	1,153	16,967
Depreciation	(67,701)	-	(421)	(68,122)
Exchange differences	8,723	915	679	10,317
At December 31, 2021	395,258	39,703	30,592	465,553
At December 31, 2021				
Cost	837,532	670,225	464,180	1,971,937
Accumulated depreciation	(442,274)	(630,522)	(433,588)	(1,506,384)
Net book value	395,258	39,703	30,592	465,553

12. 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. Each beginning of the year, the cost sharing agreement was reviewed and the sharing percentage was changed if necessary.

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, 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, 2021 and December 31, 2020 is as follows:

	Vancouver	Beijing	Total
	$	$	$
Right-of-use assets, January 1, 2020	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
Change to the lease terms	33,577	676,219	709,796
Amortization	(45,624)	(130,653)	(176,277)
Unrealized foreign exchange	-	(1,579)	(1,579)
Right-of-use assets, December 31, 2021	60,832	626,124	686,956

(Expressed in Canadian dollars, unless otherwise stated)

12 Leases (continued)

b) Lease obligation

The continuity of the lease obligation as at December 31, 2021 and 2020 is as follows:

	Vancouver	Beijing	Total
	$	$	$
Lease liability recognized, January 1, 2020	108,559	258,020	366,579
Change to lease terms	(4,941)	-	(4,941)
Interest accretion	7,067	14,362	21,429
Lease payment made	(34,645)	(167,863)	(202,508)
Unrealized foreign exchange	-	5,176	5,176
Lease obligation, December 31, 2020	76,040	109,695	185,735
Change to lease terms	33,577	676,219	709,796
Interest accretion	6,850	56,276	63,126
Lease payments	(50,801)	(167,851)	(218,652)
Unrealized foreign exchange	-	(414)	(414)
Lease obligation, December 31, 2021	65,666	673,925	739,591
Lease obligation, current	48,514	124,089	172,603
Lease obligation, non-current	17,152	549,836	566,988

The maturity analysis of the Company's contractual undiscounted lease liabilities as at December 31, 2021 is as follows:

	Vancouver	Beijing	Total
	$	$	$
Less than one year	51,677	172,369	224,046
One to two years	17,323	172,369	189,692
Two to three years	-	172,369	172,369
Three to four years	-	172,369	172,369
Five and beyond five years	-	114,913	114,913
	69,000	804,389	873,389

c) Amounts recognized in Statement of Loss

For the year ended December 31, 2021	Vancouver	Beijing	Total
	$	$	$
Interest on lease obligation	6,850	56,276	63,126
Rent expenses related to short-term and low-value(i)	-	36,367	36,367
Amortization	45,624	130,653	176,277

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 and low value(i)	2,506	37,123	39,629
Amortization	31,234	122,815	154,049

(i) Represent short-term rental for office and employees, and low-value leases for storage.

(Expressed in Canadian dollars, unless otherwise stated)

13. Non-controlling interest ("NCI")

Below is a summary of the financial information of Mingzhong:

Summary of financial positions:

	December 31, 2021	December 31, 2020
NCI percentage	49%	49%
	$	$
Current assets	116,208	207,656
Current liabilities	(1,022,145)	(1,036,860)
Net current liabilities	(905,937)	(829,204)
Non-current asset	6,918	6,928
Net liabilities	(899,019)	(822,276)
Accumulated NCI	(1,282,367)	(1,253,369)

Summary of income statements:	Year ended December 31, 2021	Year ended December 31, 2020
	$	$
Net loss	55,833	162,655
Loss allocated to NCI (49%)	27,358	79,701

Summary of statements of cash flows:

	Year ended December 31, 2021	Year ended December 31, 2020
	$	$
Cash outflows from operating activities	(92,658)	(131,183)

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, 2021 and the year ended December 31, 2020, the Company received $Nil from the minority shareholders. As at December 31, 2021, the amount of $354,195 (December 31, 2020 - $346,028) was remaining in Mingzhong's payable account to minority shareholders.

(Expressed in Canadian dollars, unless otherwise stated)

14. 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, 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, 2021, there were no stock options granted.

During the year ended December 31, 2021, due to vesting conditions from previously granted options, the Company recorded $127,694 of the stock option component as share-based compensation (2020 - $411,190).

A continuity of the options outstanding is as follows:

	Number outstanding	Weighted average exercise price
	#	$
Balance, January 1, 2020	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
Forfeited	(130,000)	0.62
Balance, December 31, 2021	7,333,000	0.93

During the year ended December 31, 2021, the weighted average share price on the date options exercised was $Nil (2020 - $0.69). As at December 31, 2021, there was $Nil (December 31, 2020 - $153,447) of total unrecognized compensation cost relating to unvested options.

(Expressed in Canadian dollars, unless otherwise stated)

14. 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	1,440,000	3.26	0.46	1,440,000	0.46
0.51 – 0.69	2,768,000	1.55	0.64	2,768,000	0.64
0.70 – 1.40	3,125,000	0.14	1.40	3,125,000	1.40
	7,333,000	1.29	0.93	7,333,000	0.93

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

	2021	2020
Risk-free interest rate	-	0.64%
Dividend yield	-	0%
Volatility	-	88%
Forfeiture rate	-	21%
Estimated expected lives	-	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, 2020	950,000	1.40
Expired	(950,000)	1.40
Balance, December 31, 2020 and December 31, 2021	-	-

(Expressed in Canadian dollars, unless otherwise stated)

14. Share capital (continued)

(b) Long-term Incentive Plan (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: *Performance share units (“PSU”) (continued)*

	$
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.

15. Related party transactions

(a) Key management compensation

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

During the year ended December 31, 2021 and 2020, the following compensation and benefit were paid to or accrued for the key management.

	2021	2020
	$	$
Senior management remuneration and benefit	584,919	611,671
Directors’ fees	75,750	81,000
Share-based compensation	93,669	288,353
	754,338	981,024

(Expressed in Canadian dollars, unless otherwise stated)

15. 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. During the year ended December 31, 2021, the lease term was extended to August 31, 2026. The monthly rent is $17,485 (RMB 90,000), of which 20% is shared with Hempnova.

Pursuant to the lease agreement, the Company was required to pay lease improvement expenses. During the year ended December 31, 2021, the Company recorded lease improvements of $15,814 (RMB 81,400) (2020 - $414,798 (RMB 2,135,008)).

(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, 2021, the Company paid or accrued $50,240 (December 31, 2020 – $35,351) in respect of rent and $219,593 (December 31, 2020 – $252,882) in shared head office expenses and administration costs to Minco Capital.

(d) Due to and due from related parties

	December 31, 2021	December 31, 2020
	$	$
Due to:		
Companies owned by the CEO	(43,602)	(59,711)
Minco Capital - reimbursement of shared expenses	-	(1,317)
Total	(43,602)	(61,028)
Due from:		
Hempnova - reimbursement of shared expenses	132,220	-
Minco Capital - reimbursement of shared expenses	6,420	-
MBM – reimbursement of shared expenses	24,348	22,042
Total	162,988	22,042

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, 2021, the amount held by Minco Yinyuan in trust for Minco China was $155,296 (December 31, 2020 - $156,559).

(f) Investment in Hempnova

Refer to Note 10 above for investment accounted for using the equity method.

(Expressed in Canadian dollars, unless otherwise stated)

16. 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:

	2021	2020
	$	$
Loss before income taxes	(969,442)	(1,023,754)
Statutory income tax rate	27%	27%
Expected tax recovery at statutory income tax rate	(261,749)	(276,414)
Non-deductible expenses and other items	334,018	200,220
Difference in tax rates	(32,752)	19,672
Change in deferred income tax asset not recognized	825,865	535,808
Foreign exchange	(262,825)	(292,990)
Income tax expense	602,556	186,296

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, 2021 and 2020 are as follows:

	2021	2020
	$	$
Deferred income tax assets not recognized		
Equity investment	329,584	(20,749)
Non-capital losses	2,701,641	2,520,061
Mineral interest	11,661,156	11,329,457
	14,692,381	13,828,769

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	953,720
2041	71,380
	9,978,268

(Expressed in Canadian dollars, unless otherwise stated)

17. Geographical information

The Company considers that it operates 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, 2021	Canada	China	Total
	$	$	$
Current assets	7,454,875	39,374,965	46,829,840
Non-current assets	811,340	1,149,214	1,960,554

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

18. 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, 2021	December 31, 2020
	$	$
Financial assets at fair value through profit or loss		
Marketable securities (level 1)	3,694,466	303,603
Non-principal-protected wealth management product (level 2)	19,438,062	-
Amortized cost financial assets		
Cash and cash equivalents	5,020,671	15,431,583
Short-term investments	4,987,531	17,134,877
Note receivable	11,057,243	9,589,148
Deposit	69,407	-
Receivables	2,112,919	402,660
Due from related parties	162,988	22,042

(Expressed in Canadian dollars, unless otherwise stated)

18. Financial instruments and fair value measurements (continued)

Amortized cost financial liabilities	December 31, 2021	December 31, 2020
	$	$
Due to related parties	43,602	61,028
Accounts payable and accrued liabilities	215,620	409,097
Credit losses payable	1,213,678	-
Due to minority shareholders of a subsidiary	354,195	346,028
Lease obligations, current	172,603	140,188
Lease obligations, non-current	566,988	45,547

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, security deposits, 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,
- Obtained 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.

18. Financial instruments and fair value measurements (continued)

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$3.2 million monetary assets at year-end. This sensitivity analysis shows that a change of +/- 10% in US$ foreign exchange rate would have a -/+ US$0.32 million impact on net loss.

Interest rate risk

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

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.

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, 2021, the Company has a positive working capital of approximately $44 million. Management concludes that the Company has sufficient funds to meet its current operating and exploration expenditures.

19. 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, 2021, the Company does not have any long-term debt and has sufficient funds to meet its current operating and exploration and development obligations.

20. Subsequent event

Subsequent to the year ended December 31, 2021, the Company acquired additional equity from the public market for a total cost of $172,524, disposed of certain investments for total proceeds of $1,015,408, and recognized a realized gain of $431,096.