**MINCO SILVER CORPORATION**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**FOR THE YEAR ENDED DECEMBER 31, 2021**

*This Management's Discussion and Analysis ("MD&A") of Minco Silver Corporation ("we", "our", "us", "Minco Silver" or the "Company") has been prepared by management on the basis of available information up to March 29, 2022, and should be read in conjunction with the audited consolidated financial statements and related notes for the most recent year ended December 31, 2021. The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").*

*Except as noted, all financial amounts are expressed in Canadian dollars. All references to "$" and "dollars" are to Canadian dollars, all references to "US$" are United States dollars and all references to "RMB" are Chinese Renminbi.*

*Additional information regarding the Company, including the above mentioned audited financial statements for the year ended December 31, 2021 and Annual Information Form ("AIF") for the same period, which contain extensive disclosure of the history and properties of the Company, are available under the Company's profile on SEDAR at www.sedar.com.*

*Refer to Note 3 of the audited consolidated financial statements for the year ended December 31, 2021 for details of the Company's significant accounting policies.*

*This MD&A contains forward-looking information that is subject to risk factors set out in a cautionary note contained in the Company's MD&A. The Company's audit committee reviewed the consolidated financial statements and MD&A, and recommended approval to the Company's Board of Directors.*

Minco Silver (TSX: MSV) was incorporated under the laws of British Columbia, Canada on August 20, 2004. Minco Silver is engaged in the acquisition, exploration and development of precious metals mineral properties and projects.

As at December 31, 2021, the Company had the following Chinese subsidiaries: Minco Investment Holding HK Ltd. ("Minco HK"), Minco Resource Limited ("Minco Resources"), Minco Mining (China) Co. Ltd. ("Minco China"), Guang Dong Changfu Mining Co. Ltd., ("Changfu Minco"), 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") and the Company.

At the date of this MD&A, the Company has 61,025,083 common shares and 3,879,000 stock options outstanding.

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## 1. Highlights for the Year

During the year ended December 31, 2021:

(a) The Exploration Permit for the Fuwan Silver Project, the Luoke-Jilinggang exploration permit, was renewed in March 2021 for five years with an expiry date of March 8, 2026.

(b) The Note receivable from Longxin Mining Co., Ltd. (“Longxin”) was due on March 31, 2021. 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 to 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 interests 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 a court verdict on the lawsuit that Longxin and other related defendants shall pay the Company of aforesaid claimed amounts and incurred litigation expenses. In addition to the registered collaterals, the Company has frozen certain Longxin assets through local court enforces to secure the recovery of the outstanding Note principal and interests, etc.

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

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)).

Refer to Note 7, *Note receivable,* of the consolidated financial statements for the year ended December 31, 2021 and 2020 for more details.

(c) The Company invested in certain equity through the public market using the Company’s surplus cash held. The investment does not alter the Company’s business focus on exploration and development of mineral properties.

As at December 31, 2021, the fair market value of such investments was $3,694,466 (December 30, 2020: $303,603). During the year ended December 31, 2021, the Company purchased various companies’ common shares and warrants with a total cost of $10,095,594 , and realized a gain of $1,512,962 from disposal of certain investments (with disposal proceeds of $8,500,220 and purchase costs of $6,987,258).

During the year ended December 31, 2021, the Company also invested $19,251,870 (RMB 96,500,000) in floating return wealth management product (“WMPs”) without principal protection 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.

As at December 31, 2021, the Company also recorded an unrealized gain of $468,719 as a result of fair market value changes.

(d) During the year ended December 31, 2021, the Company recorded an interest and dividend income of $3,189,903, of which $358,185 was received.

(e) The Company has a lease agreement with the Company’s CEO for an office located in Beijing, China. The lease started on April 1, 2019 and ended on August 31, 2021. During the year ended December 31, 2021, the lease term was extended to August 31, 2026.

(f) During the year ended December 31, 2021, the Company continued its focus on the acquisition of advanced high-quality mineral projects around the world with merit for exploration and development. The Company searched and evaluated certain potential mineral properties in North America, South America, Europe and Africa. The COVID-19 travel restriction limited certain onsite visiting for such evaluation and investigation.

Subsequent to the year ended December 31, 2021, the Company further purchased additional equities from the public market for a total cost of $172,524, and realized a gain of $431,096 from disposal of certain investments (with proceeds of $1,015,408 and purchase costs of $584,312).

## 2. Exploration and Project Development Activities

### 2.1 Impairment

In the past, the Company experienced significant delays in the renewal of exploration permits of both the Fuwan Silver Deposit 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.

Although the Company fully impaired the Fuwan Silver project and Changkeng Gold project, the renewal applications for the exploration permits were still on-going. In late 2020, the renewal for the Changkeng Gold Project exploration permit was obtained. In early March 2021, the Company received the new exploration permit on the Fuwan Silver Project for five years with an expiry date of March 8, 2026. With both exploration permits were renewed, the Company continued its permitting to obtain a mining license on its Changkeng Gold Project and Fuwan Silver Projects.

A value in use calculation is not applicable as the Company does not have any expected cash flows from using these mineral properties at this stage of operations. In estimating the fair value less cost of disposal, management did not have observable or unobservable inputs to estimate the recoverable amount greater than $Nil. As this valuation technique requires management's judgment and estimates of the recoverable amount, it is classified within Level 3 of the fair value hierarchy.

### 2.2 Disclosure of Technical Information

The Fuwan Silver Project and the Changkeng Gold Project is located in a major part of the northeast-trending Fuwan silver belt which hosts the known gold and silver occurrences in the Sanzhou basin. Technical information or other scientific information of the Fuwan Silver Project are disclosed in two Technical Reports, which are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com under the Company's profile or on the Company's website at www.mincosilver.com.

The following is a summary:

A National Instrument 43-101 ("NI 43-101") compliant technical report entitled "Technical Report and Updated Resource Estimate on the Fuwan Property Guangdong Province, China", dated January 25, 2008, was prepared by Eugene Puritch, P. Eng. Ontario, Tracy Armstrong, P. Geo Ontario, and Antoine Yassa, P.Geo. Québec. This technical report includes relevant information regarding the data, data validation and the assumptions, parameters, and methods of the mineral resource estimates on the Fuwan Silver Project.

A NI 43-101 compliant technical report entitled "Fuwan Silver Project Feasibility Study Technical Report" effective date September 1, 2009 (the "Feasibility Study") was prepared by John Huang, P.Eng., S. Byron V. Stewart, P.Eng., Aleksandar Živković, P.Eng. and Scott Cowie, B. Eng, MAusIMM, and Eugene Puritch, P.Eng.. These preparers are qualified persons for NI 43-101. This technical report includes relevant information regarding the data, data validation and the assumptions, parameters and methods used in determining the ore reserves on the Fuwan Silver Project.

The Company acquired Changkeng Gold Project from Minco Capital Corp. ("Minco Capital") on July 31, 2015. Technical Information of the Changkeng Gold Project is available from the NI 43-101 technical report prepared for Minco Capital entitled "Technical Report and Updated Resource Estimate on the Changkeng Gold Project Guangdong Province, China", dated effective February 21, 2009 and prepared by Tracy Armstrong, P. Geo Ontario, Eugene Puritch, P. Eng. Ontario and Antoine Yassa, P.Geo. Québec who are qualified persons for the purposes of NI 43-101. This technical report includes relevant information regarding the data, data validation and the assumptions, parameters, and methods of the mineral resource estimates on the Changkeng Gold Project and is available at www.sedar.ca under the profile of Minco Capital.

The Company has not updated the three technical reports or feasibility studies mentioned above since their initial publication. Readers are cautioned not to rely on the above-mentioned technical reports / feasibility study for the assessment of the prospect of the Fuwan Silver Project and Changkeng Gold Project, and for the accuracy of certain numbers, including the mineral resources estimates, capital cost, development cost, preproduction cost and operating cost presented in this MD&A, which have been derived from the above-mentioned technical reports.

All other disclosure of a scientific or technical nature in this MD&A was reviewed and approved by Wan Fang, a Member of the Association of Professional Engineers and Geoscientists of Ontario (P. Geo) and a "qualified person", as such term is defined in NI 43-101.

The Company is evaluating the Fuwan Project and the Changkeng Project for further exploration and development or for sale.

### 2.3 Fuwan Silver Project

The Company, through Changfu Minco, has Luoke-Jilinggang Permit on the Fuwan area covering a total area of 21.75 $mk^2$ located in Gaoming County approximately 45 km southwest of Guangzhou, the fourth largest city in China and the capital city of Guangdong Province.

The Luoke- Jilinggang Permit was renewed in early March 2021 for five years with an expiry date of March 8, 2026.

### 2.4 Changkeng Gold Project

The Changkeng Gold Project is adjoined to the Fuwan Silver Project and situated close to well-established water, power, and transportation infrastructure. The Company has 51% interest in the Changkeng Project through its subsidiary Mingzhong, which is a cooperative joint-venture established with three Chinese partners.

The Changkeng exploration permit expires on November 21, 2022. The Company plans to renew the exploration permit before the expiration date.

### 2.5 Property investigation and permitting expenses

During 2019, the Company impaired $60 million of capitalized exploration and evaluation costs incurred on the Fuwan Silver Project and Changkeng Gold Project as a result of the delay and uncertainty in the renewal of exploration permits. Since then, the Company has expensed all permitting, exploration and evaluation costs until further review on the potential of the projects.

During the year ended December 31, 2021 the Company expensed $862,327 (2020 - $1,122,770) of consulting, travel, salary, consulting, insurance, permitting and general administration related to the property investigation and permitting expenses.

## 3. Selected Annual Information and Summary of Quarterly Results

### 3.1 Selected Annual Information

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | $ | $ | $ |
| Revenue | - | - | - |
| Net loss | (1,571,997) | (1,210,050) | (60,546,222) |
| Loss per share (basic and diluted) | (0.03) | (0.02) | (1.00) |
| Total assets | 48,790,394 | 47,149,659 | 46,317,608 |
| Total long-term financial liabilities | 566,988 | 45,547 | 214,053 |
| Cash dividends | - | - | - |

Total assets increased by $1.7 million to $48.8 million as at December 31, 2021 compared to $47.1 million as at December 31, 2020 mainly due to $2.0 million of the realized and unrealized gain on financial assets at fair value through profit or loss, $3.19 million of the interest and dividend income, which offset the operating expenses and $2.6 million decreased carrying value of equity investment in Hempnova.

Total assets increased by $832,051 to $47.2 million as at December 31, 2020 compared to $46 million as at December 31, 2019 mainly due to the realized and unrealized gain on investment, interest income from the note receivable, and the appreciation of the USD and RMB against the Canadian dollar during the year, which offset the operating expenses that increased in 2020.

As at December 31, 2021, 2020 and 2019, the long-term financial liabilities were non-current lease obligations.

### 3.2 Summary of Quarterly Results

| | Income (loss) attributable to shareholders | Earnings (loss) per share Basic | Diluted |
|---|---|---|---|
| | $ | $ | $ |
| 12-31-2021 | (1,775,113) | (0.03) | (0.03) |
| 09-30-2021 | 846,518 | 0.01 | 0.01 |
| 06-30-2021 | (132,687) | (0.00) | (0.00) |
| 03-31-2021 | (483,357) | (0.01) | (0.01) |
| 12-31-2020 | (218,637) | (0.00) | (0.00) |
| 09-30-2020 | (695,856) | (0.01) | (0.01) |
| 06-30-2020 | (636,912) | (0.01) | (0.01) |
| 03-31-2020 | 643,125 | 0.01 | 0.01 |

The Company has not generated revenue yet. Variations in quarterly performance over the years and eight quarters were primarily due to variation in impairment charges recorded, change in foreign exchange rate and share-based compensation. Appreciation or depreciation of the US dollar can result in significant foreign exchange gains and losses due to the US dollar funds held by the Company.

Some dollar amounts are rounded in thousands (‘000) for discussion purposes below and sections thereafter.

Net loss of $1,775,000 for the quarter ended December 31, 2021 was mainly due to $1,437,000 of the impairment on the equity investment in Hempnova during the quarter.

Net income of $847,000 for the quarter ended September 30, 2021 was mainly due to the realized gain from investment recorded during that quarter.

Net income of $643,000 for the quarter ended March 31, 2020 was mainly due to the foreign exchange gain and interest income.

## 4. Results of Operations

The Company’s working capital was $44.2 million at the end of the fourth quarter as at December 31, 2021 compared to $43.7 million at the end of the third quarter as at September 30, 2021. The increase of $0.5 million was due primarily to the increase of the interest receivable and fair value of WMPs during the fourth quarter of 2021.

### 4.1 Operating Result Comparison for the Three Months Ended December 31, 2021 and 2020

| For the quarter ended December 31, | 2021 | 2020 | Change |
|---|---|---|---|
| | $ | $ | $ |
| Operating expenses | (683,269) | (762,237) | 78,968 |
| Other income and expenses | 996,478 | 170,970 | 825,508 |
| Income tax expenses | (398,343) | (186,296) | (212,047) |
| Impairment of equity investment | (1,436,514) | - | (1,436,514) |
| Share of (loss) / income of equity investment | (260,474) | 526,960 | (787,434) |
| Net loss | (1,782,122) | (250,603) | (1,531,519) |

Net loss for the three months ended December 31, 2021 was $1,782, 000 compared to $251,000 in the prior year’s same period. The increase in loss of $1,532, 000 was mainly due to impairment of $1,437,000 of equity investment, increase of $787,000 loss from equity investment, and increase of $212,000 income tax expenses, which offset by the decrease of operating expenses of $79,000 and increase of $826,000 other income and expenses during the quarter ended December 31, 2021 compared to the prior year same period.

Share of income of equity investment

In May 2020, the Company purchased 7,950,000 common shares of Hempnova represented approximately 12.7% of the issued and outstanding common shares of Hempnova. During the three months ended December 31, 2021, the Company's share of HempNova loss was $260,000 (2020 – shared income of $527,000) using the equity method for this investment.

Impairment of equity investment

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 mainly due to Hempnova significantly impaired its $1.5 million of biomass inventory and $1.6 million of certain equipment. As a result, the Company impaired $1,437,000 of goodwill initially recorded upon the date of investment in May 2020.

The movement in connection with the operating expenses and other income (expenses) are discussed in the section 4.1.1 and 4.1.2 respectively, below.

### 4.1.1 Operating Expenses

The Company maintains a field office in Gaoyao County, Zhaoqin City, Guangdong province, an office in Beijing, China and an office in Vancouver, Canada. The Company's operating expenses includes overhead associated with administering, field expenses and property investigation activities.

The following table is a summary of the Company's operating expenses for the three months ended December 31, 2021 and 2020:

| Three months ended December 31 | ref | 2021 | 2020 | Change |
|---|---|---|---|---|
| | | $ | $ | $ |
| Audit, legal and regulatory | a | 52,065 | 76,292 | (24,227) |
| Amortization | b | 68,207 | 47,010 | 21,197 |
| Consulting | | 14,250 | 17,500 | (3,250) |
| Directors' fees | | 17,250 | 16,500 | 750 |
| Property investigation and permitting expenses | c | 319,879 | 295,492 | 24,387 |
| Interest expenses | | 14,814 | 4,042 | 10,772 |
| Office administration | d | 83,663 | 60,412 | 23,251 |
| Rent | | 18,802 | 5,160 | 13,642 |
| Salaries and benefit | e | 76,920 | 154,472 | (77,552) |
| Share-based compensation | f | 1,822 | 68,571 | (66,749) |
| Travel and transportation | | 15,597 | 16,786 | (1,189) |
| Total operating expenses | | 683,269 | 762,237 | (78,968) |

During the three months ended December 31, 2021, the Company's operating expenses decreased by $79,000 compared to the prior year's same period. The major changes in the operating expenses are as follows:

(a) The audit fees for 2020 increased by $25,000 as the auditors assessed that additional work would be required due to the equity investment in Hempnova in 2020.

(b) The amortization increased by $21,000 for the three months ended December 31, 2021 compared to the prior year's same period mainly due to $19,000 of increased amortization on lease improvement for Beijing China office, which was completed and started to amortize in early 2021.

(c) Included in property investigation and permitting expenses, there were consulting, permitting, insurance and general administration expenses related to the new project search and permitting renewal. During the three months ended

December 31, 2021, the permitting expenses increased by $25,000 due to the reimbursement to the project manager in China for the permitting related expenses incurred during the year.

(d) Office administration expenses increased by $23,000 during the three months ended December 31, 2021 as the Company shared a higher percentage of office expenses compared to the prior year's same period as per the cost sharing agreement with the related companies.

(e) During the three months ended December 31, 2021, salaries and benefits decreased by $78,000 as the Company had less staff.

(f) Shared-based compensation fluctuates from year to year depending on the timing and fair value of options vested in each period. In 2021, the Company did not grant any options to its consultant and employees. During the three months ended December 31, 2021, the stock option expenses had been fully amortized.

### 4.1.2 Other Income (Expenses)

| Three months ended December 31, | 2021 | 2020 | Change |
|---|---|---|---|
| | $ | $ | $ |
| Foreign exchange loss | (18,774) | (275,836) | 257,062 |
| Gain on disposal of financial assets at fair value through profit or loss | 120,618 | 2,667 | 117,951 |
| Net fair value gains on financial assets at fair value through profit or loss | 440,475 | 24,996 | 415,479 |
| Interest and dividend income | 454,159 | 419,143 | 35,016 |
| Total other income | 996,478 | 170,970 | 825,508 |

Foreign exchange loss

The Company's foreign exchange gain (loss) is a result of two components:

- The effect of the change of exchange rate between US dollar and Canadian dollar on the US dollar denominated in cash and cash equivalent and short-term investment held by the Company's parent and Hong Kong subsidiaries. Canadian dollar is the functional currency of these entities.
- The effect of the change of exchange rate between US dollar and RMB on the US dollar denominated deposit and short-term investment held by the Company's Chinese subsidiaries. RMB is the functional currency of the Company's Chinese subsidiaries.

During the three months ended December 31, 2021, US dollar depreciated against Canadian dollars approximately 0.5% (2020- 4.8%) and US dollar depreciated against RMB approximately 1.7% (2020 – 4.0%). As a result, the net foreign exchange loss was $19,000 for the three months ended December 31, 2020 compared to $276,000 for the prior year's same period.

Gain on disposal of and net fair value gain on financial assets at fair value through profit or loss

The Company, through the public market, invested in certain common shares of public companies. The fair value is designated as a fair-value-through-profit-or-loss (FVTPL) financial asset and is measured at its fair value at inception and at each subsequent reporting period.

During the three months ended December 31, 2021, the Company recorded a realized gain of $121,000 (December 31, 2020 - $3,000) from the investments. The Company also recorded an unrealized gain of $440,000 (2020 - $25,000) based on the fair market value as at the quarter-end.

During the year ended December 31, 2021, the Company also invested $19,251,870 (RMB 96,500,000) WMPs issued by China Mercantile Bank. During the three months ended December 31, 2021, the Company recorded an unrealized gain of $181,000 based on the fair market value.

Interest and dividend income

The Company retreated the amount received as principal payment in 2020 to be considered as interest payment, which resulted into an increase in outstanding principle of the Note receivable. The increased principal of the Note receivable led to an increase in interest income by $40,000 for the three months ended December 31, 2021 as compared to the interest income generated during the same period in 2020. In addition, the interest rate was also increased from 12% in 2020 to 15.4% in 2021.

## 4.2 Operating Result Comparison for the Year Ended December 31, 2021 and 2020

| | 2021 | 2020 | Change |
|---|---|---|---|
| | $ | $ | $ |
| Operating expenses | (2,323,180) | (2,998,061) | 674,881 |
| Other income | 3,925,532 | 1,822,130 | 2,103,402 |
| Income taxes expenses, current and deferred | (602,555) | (186,296) | (416,259) |
| Impairment of equity investment | (1,436,514) | - | (1,436,514) |
| Share of (loss) / income of equity investment | (1,135,280) | 152,177 | (1,287,457) |
| Net loss | (1,571,997) | (1,210,050) | (361,947) |

Net loss for the year ended December 31, 2021 was $1,572,000 (loss of $0.03 per share) compared to $1,210,000 (loss of $0.02 per share) in 2020. The net loss increased by $362,000 mainly due to the impairment of $1,437,000 and increase in loss of $1,287,000 from the share of equity investment in Hempnova and increase in income tax expenses of $416,000, which was offset by the increase in other income of $2,103,000, and decrease in operating expenses of $675,000.

The movement in connection with the operating expenses and other income (expenses) are discussed in section 4.2.1 and 4.2.2 respectively, below.

### 4.2.1 Operating Expenses for the Year Ended December 31, 2021 and 2020

The following table is a summary of the Company's operating expenses for the year ended December 31, 2021 and 2020:

| Year ended December 31, | ref | 2021 | 2020 | Change |
|---|---|---|---|---|
| | | $ | $ | $ |
| Audit, legal and regulatory | a | 218,921 | 285,855 | (66,934) |
| Amortization | a | 244,399 | 194,786 | 49,613 |
| Consulting | | 70,625 | 59,305 | 11,320 |
| Directors' fees | | 75,750 | 81,000 | (5,250) |
| Property investigation and permitting expenses | b | 862,327 | 1,122,770 | (260,443) |
| Interest expenses | c | 63,126 | 21,429 | 41,697 |
| Office administration | a | 192,953 | 179,377 | 13,576 |
| Rent | | 36,367 | 39,629 | (3,262) |
| Salaries and benefit | a | 378,298 | 558,382 | (180,084) |
| Share-based compensation | a | 127,694 | 411,190 | (283,496) |
| Travel and transportation | | 52,720 | 44,338 | 8,382 |
| Total operating expenses | | 2,323,180 | 2,998,061 | (674,881) |

(a) Please refer to the analyses in section 4.1.1 above.

(b) Property investigation and permitting expenses decreased by $260,000 during the year ended December 31, 2021 compared to 2020. During 2020, the Company incurred more expenses for the exploration permits application related activities.

(c) Interest expenses increased by $42,000 during the year ended December 31, 2021 compared to 2020 as a result of the lease obligation increased in 2021.

The rest of analyses of the movement refer to the section 4.1.1 above.

### 4.2.2 Other Income (Expenses) for the Year Ended December 31, 2021 and 2020

| Year ended December 31, | 2021 | 2020 | Change |
|---|---|---|---|
| | $ | $ | $ |
| Foreign exchange (loss) / gain | (64,181) | 21,595 | (85,776) |
| Credit losses | (1,181,871) | - | (1,181,871) |
| Gain on disposal of financial asset at fair value through profit or loss | 1,512,962 | 77,770 | 1,435,192 |
| Net fair value gains on financial assets at fair value through profit or loss | 468,719 | 24,996 | 443,723 |
| Interest and dividend income | 3,189,903 | 1,697,769 | 1,492,134 |
| Total other income (expenses) | 3,925,532 | 1,822,130 | 2,103,402 |

Credit losses

On May 11, 2021, the Company filed a lawsuit to 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 interests 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 a court verdict on the lawsuit that Longxin and other related defendants shall pay the Company of aforesaid claimed amounts as well as litigation expenses incurred.

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

Interest and dividend income

There was $2.8 million (RMB 14.4 million) of accrued interest from Longxin recorded during the year ended December 31, 2021, of which $1.1 million (RMB 5.7 million) was an adjustment to 2020 interest with a higher outstanding principal and higher interest rate due to Longxin default on repayment by March 31, 2021.

The rest of analyses of the movement refer to the section 4.1.2 above.

## 5. Liquidity and Capital Resources

### 5.1 Cash Flows

| | Years ended December 31, | |
|---|---|---|
| Cash generated from (used in) | 2021 | 2020 |
| | $ | $ |
| Operating activities | (2,288,307) | (2,116,732) |
| Financing activities | (218,652) | (104,148) |
| Investing activities | (7,846,805) | 4,779,302 |

**Operating activities**

During the year ended December 31, 2021 and 2020, there was no revenue generated from operation and cash used in the operating activities mainly accounted for $432,000 of changes in working capital (2020 - $254,000) and $1,856,000 of cash used in operation expenditures (2020 - $2,371,000).

**Financing activities**

During the year ended December 31, 2021, the Company paid $219,000 in connection with the lease obligation (2020 - $203,000). During 2020, the Company received $98,000 from stock options exercised.

**Investing activities**

During the year ended December 31, 2021, the Company acquired $28,843,000 of investments in financial assets at fair value through profit or loss (2020 - $361,000), and received $8,500,000 from the disposition of investments (2020 - $160,000). The Company also received $358,000 interest income during 2021 (2020 - $2,213,000). The net redemption of short-term investment during 2020 was $12,224,000 (2020 – $2,397,000). The Company used $17,000 to purchase property, plant and equipment (2020 - $415,000). During 2020, the Company invested $3,180,000 in an associate.

## 5.2 Capital Resources and Liquidity Risk

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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| | $ | $ |
| Working capital | 44,189,583 | 41,879,801 |
| Cash and cash equivalents | 5,020,671 | 15,431,583 |
| Short-term investment | 4,987,531 | 17,134,877 |
| Note receivable | 11,057,243 | 9,589,148 |

The Company has not generated revenues yet and currently relies on cash on hand for its working capital requirements to fund exploration, development, permitting and administrative activities.

The Company believes the working capital on hand is sufficient to meet its current operational and development obligations in the next 12-month operating period, and the Company is not subject to external constraint in using its resources on hand.

The Company has a significant amount of its cash, cash equivalent, and short-term investment in China. For the cash denominated in RMB that is maintained in China, the remittance of funds to jurisdictions outside China is subject to government rules and regulations on foreign currency controls. Such remittance requires approval by the relevant government authorities or designated banks in China or both.

Most of the Company's China operating subsidiaries had accumulated losses. However, if these Chinese subsidiaries become profitable in the future and have extra cash that can pay to the parent company outside China, the repatriations of profits out of China are subject to restrictions. To repatriate profits from China, the Company must comply with Chinese regulations pertaining to repatriations. Minco China must provide the following documents to its Chinese bank: (i) a board resolution authorizing the distribution; (ii) a capital verification report and an audit report; (iii) a tax certificate, which shows that Minco China has paid the related tax in compliance with Chinese laws; and (iv) a foreign exchange registration certificate. Minco China will comply with these requirements when needed.

During 2020, the Company applied to reduce the registered capital of Minco China by US $20 million from US $60 million to US $40 million. After a long working process, the application was approved by various Chinese government agencies in 2020. The Company plans to wire the funds once sufficient RMB term-deposits have matured and/or the outstanding Note principal repayment received for funding potential acquisition of properties outside of China.

## 6. Off-Balance Sheet Arrangements

The Company does not have off-balance sheet arrangements.

## 7. Transactions with Related Parties

(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 |

(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% was 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 the lease improvement 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 | (59,711) | (59,711) |
| Minco Capital - reimbursement of shared expenses | (1,317) | (1,317) |
| Total | (61,028) | (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 |
| | 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

The Company has significant influence even though its shareholding in Hempnova 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.

## 8. 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:

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.

Significant Influence on Hempnova Lifetech Corp.

Management has assessed the level of influence that the Company has on Hempnova Lifetech Corp. ("Hempnova") and determined that it has significant influence even though its shareholding is below 20%. This is because the Company has the ability to influence decision making due to the fact that the Company and Hempnova have board members and management in common; in addition, certain directors and management also directly and/or indirectly own Hempnova common shares.

Note receivable

At each reporting date, the Company applies its judgement to evaluate the collectability of a material note receivable and make a provision based on the assessed amount of expected credit losses. As at December 31, 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% of 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).

## 9. Significant Accounting Policies

The annual financial information presented in this MD&A has been prepared in accordance with International Financial Reporting Standards. The Company's management has made judgments and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expense. Actual amounts incurred by the Company may differ from these values.

The Company's significant accounting policies, applied judgements, and estimates are set out in the note 3 of the audited annual consolidated financial statements for the year ended December 31, 2021.

## 10. 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 following table shows the carrying values of assets and liabilities for each of these categories at December 31, 2021 and December 31, 2020.

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| | $ | $ |
| **Fair value through profit and loss** | | |
| Non-principal-protected wealth management products (level 2) | 19,438,062 | - |
| Investment in marketable securities (level 1) | 3,694,466 | 303,603 |
| **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 |
| Receivables | 2,112,919 | 402,660 |
| Due from related parties | 162,988 | 22,042 |
| Deposit | 69,407 | - |

| Amortized cost financial liabilities | December 31, 2021 | December 31, 2020 |
|---|---|---|
| | $ | $ |
| Due to related party | 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 price risk, currency risk and interest rate risk), credit risk and liquidity risk. Risk management activities are carried out by management, who identifies and evaluates the financial risks.

**Credit risk**

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

In order to manage credit risk, the Company:

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

**Foreign exchange risk**

The functional currency of the Company is the Canadian dollar and the functional currency of its Chinese subsidiaries is RMB. Most of the foreign currency risk is related to US dollar funds held by the Company and its Chinese subsidiaries. Therefore, the Company's net earnings are impacted by fluctuations in the valuation of the US dollar in relation to the Canadian dollar and RMB.

The Company does not hedge its exposure to currency fluctuations. The Company has completed a sensitivity analysis to estimate the impact that a change in foreign exchange rates would have on the net loss of the Company, based on the Company's net US$3.2 million monetary assets at year-end. This sensitivity analysis shows that a change of +/- 10% in US$ 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.

## 11. Risks Factor and Uncertainties

A comprehensive discussion of risk factors is included in the Company's AIF for the year ended December 31, 2021, which is available on SEDAR at www.sedar.com.

## 12. Disclosure Controls and Procedure and Internal Controls over Financial Reporting

Internal control over financial reporting ("ICFR") is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework used to design the Company's ICFR is the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Management has evaluated the effectiveness of the Company's disclosure controls and procedures and has concluded, based on its evaluation that these controls and procedures provide reasonable assurance that material information relating to the Company is made known to management and reported as required. Management is also responsible for establishing and maintaining adequate internal controls over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations and may not prevent or detect misstatements on a timely basis. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The CEO and the CFO, with the assistance of management, conducted an evaluation of the effectiveness of the Company's ICFR as at December 31, 2021. Based on the evaluation, the CEO and the CFO have concluded that as at December 31, 2021, the Company's internal control over financial reporting is effective.

The Board of Directors approves the financial statements and MD&A and ensures that management has discharged its financial responsibilities. The Board's review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports, prior to filing.

### 12.1. Changes in Internal Controls over Financial Reporting

NI 52-109 also requires Canadian public companies to disclose any changes in ICFR during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, ICFR. No material changes were made to internal controls in the three months ended December 31, 2021.

## 13. Cautionary Statement of Forward Looking Information

Except for statements of historical fact, this MD&A contains certain "forward looking information" and "forward looking statements" within the meaning of applicable securities laws, which reflect management's current expectations regarding, among other things and without limitation, the Company's future growth, results of operations, performance and business prospects, opportunities, future price of minerals and the effects thereof, the estimation of mineral reserves and resources, the timing and amount of estimated capital expenditures, the realization of mineral reserves estimates, costs and timing of proposed activities, plans and budgets for and expected results of exploration activities, exploration and permitting timelines, requirements for additional capital, government regulation of mining operations, environmental risks, clamation obligations and expenses, the availability of future acquisition opportunities and use of the proceeds of from financing. Generally, forward looking statements and information can be identified by the use of forward looking terminology such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes" or variations of such words and phrases or statements that certain actions events or results "may", "could", "would", "might", "will be taken", "occur" or "be achieved" or the negative connotation thereof.

Forward looking statements are made based upon certain assumptions and other important factors that, if untrue, could cause the actual results, performances or achievements of the Company to be materially different from future results, performances or achievements expressed or implied by such statements. Such statements and information are based on numerous assumptions regarding present and future business strategies and the environment in which the Company operates, including the price of silver and gold, anticipated costs and ability to achieve goals. Certain important factors that could cause actual results, performances or achievements to differ materially from those in the forward looking statements include, among others, silver and gold price volatility, mineral reserves and resources and metallurgical recoveries, mining operational and development risks, litigation risks, regulatory restrictions (including environmental regulatory restrictions and liability), activities by governmental authorities (including changes in taxation and the change of environmental laws and regulations), currency fluctuations, the speculative nature of mineral exploration, the global economic climate, dilution, share price volatility, competition, loss of key employees, additional funding requirements and defective title to mineral claims or property.

Although the Company has attempted to identify important factors that could cause actual events or results to differ materially from those described in forward looking statements, there may be other factors that cause events or results not be as anticipated, estimated or intended.

Such forward looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements expressed or implied by statements containing forward looking information. Such factors include, among others: results of exploration and development activities, management's historical experience with development-stage mining operations, regulatory changes, possible variations in reserves, grades or recovery rates, availability of material and equipment, timeliness of governmental approvals, changes in commodity prices (particularly silver prices), general economic, market and business conditions, unanticipated environmental impacts on operations, the availability of capital of acceptable terms, and the other factors discussed in the section entitled "Risk Factor and Uncertainties" in this MD&A.

Forward looking statements included or incorporated by reference in this MD&A are based on a number of assumptions including, but not limited to:

- The collection of the note and accrued interest.
- The continued availability of equity and debt financing to fund the Fuwan Silver Project and Changkeng related exploration and development activities.
- The continued ability of the Company to attract and retain key management personnel.
- The ability of the Company to evaluate precious metals projects outside China for potential acquisition.
- The ability of the Company to renew the exploration permits, mining area permit before their expiry.
- The ability of the Company to pursue an alternative strategy in finding a large mining group as a business partner in China or outside China.

- The Company is able to withdraw sufficient money from China when needed (e.g. to finance acquisition of new mineral properties at areas other than China).

Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that statements containing forward looking information will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on statements containing forward looking information.

The Company undertakes no obligation to update forward looking information if circumstances or management's estimates or opinions should change except as required by law. Users of this MD&A are cautioned not to place undue reliance on forward looking statements.