

Minco Silver Corporation

Condensed Consolidated Interim Financial Statements

For the three months end March 31, 2022

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

NOTICE TO READER

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

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

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

Dr. Ken Cai
President and CEO

Melinda Hsu, CPA, CGA
Chief Financial Officer

Vancouver, Canada

May 13, 2022

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Minco Silver Corporation

Condensed Consolidated Interim Statements of Financial Position

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

	March 31, 2022	December 31, 2021
Assets	\$	\$
Current assets		
Cash and cash equivalents (note 3)	18,175,946	5,020,671
Short-term investments (note 4)	-	4,987,531
Note receivable (note 6)	10,924,084	11,057,243
Financial assets at fair value through profit or loss (note 5)	14,529,610	23,132,528
Receivables (note 7)	2,587,547	2,112,919
Due from related parties (note 14)	165,243	162,988
Prepaid expenses and advances	396,545	355,960
	46,778,975	46,829,840
Deposits	68,729	69,407
Investment accounted for using the equity method (note 9)	614,616	738,638
Right-of-use assets (note 11)	804,832	686,956
Property, plant and equipment (note 10)	433,656	465,553
Total assets	48,700,808	48,790,394
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	189,395	215,620
Credit losses payable	1,199,062	1,213,678
Current tax liabilities	640,559	640,559
Due to minority shareholders (note 12)	349,929	354,195
Due to related parties (note 14)	100,510	43,602
Lease obligation, current (note 11)	217,653	172,603
	2,697,108	2,640,257
Deferred tax liabilities	400,668	400,668
Lease obligation, non-current (note 11)	644,064	566,988
	3,741,840	3,607,913
Equity		
Equity attributable to owners of the parent		
Share capital (note 13)	107,812,327	107,812,327
Contributed surplus	27,728,656	27,726,821
Accumulated other comprehensive income	3,650,469	4,132,698
Deficit	(92,944,894)	(93,206,998)
	46,246,558	46,464,848
Non-controlling interest (note 12)	(1,287,590)	(1,282,367)
Total liabilities and equity	48,700,808	48,790,394

Approved by the Board of Directors:

(signed) Maria Tang Director

(signed) George Lian Director

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

Minco Silver Corporation

Condensed Consolidated Interim Statements of Operations and Net Income (Loss)

For the three months ended March 31, 2022 and 2021

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

	Three months ended March 31,	
	2022	2021
	\$	\$
Operating expenses		
Audit, legal and regulatory	64,159	56,469
Amortization	80,296	46,550
Consulting	22,500	13,125
Directors' fees	17,250	24,000
Interest expense (note 11)	17,653	17,015
Office administration	44,011	41,058
Property investigation and permitting expenses (note 8)	107,181	270,556
Rent (note 11)	12,049	1,645
Salaries and benefits	46,694	70,429
Share-based compensation (note 13)	-	63,252
Travel and others	9,604	18,068
	421,397	622,167
Loss before finance and other income (expenses)	(421,397)	(622,167)
Finance and other income (expenses)		
Foreign exchange loss	(67,951)	(44,078)
Gain on disposal of financial assets at fair value through profit or loss (note 5)	569,539	11,510
Unrealized loss on investment in financial assets at fair value through profit or loss (note 5)	(184,886)	(74,538)
Interest and dividend income	469,385	373,436
Net income (loss) before share of loss from equity investment	364,690	(355,837)
Share of loss of equity investment (note 9)	(108,349)	(133,937)
Net income (loss) for the period	256,341	(489,774)
Net income (loss) attributable to:		
Shareholders of the Company	262,104	(483,357)
Non-controlling interest	(5,763)	(6,417)
	256,341	(489,774)
Income (loss) per share, basic and diluted	0.00	(0.01)
Weighted average number of common shares outstanding, basic and diluted	61,025,083	61,025,083

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

Minco Silver Corporation

Condensed Consolidated Interim Statements of Comprehensive Loss

For the three months ended March 31, 2022 and 2021

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

	Three months ended March 31,	
	2022	2021
	\$	\$
Net income (loss) for the period	256,341	(489,774)
Other comprehensive loss		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation from functional to presentation currency	(362,944)	(532,043)
Share of comprehensive loss from equity Investment (note 9)	(118,745)	(40,844)
Comprehensive loss for the period	(225,348)	(1,062,661)
Comprehensive loss attributable to:		
Shareholders of the Company	(219,221)	(1,056,946)
Non-controlling interest	(6,127)	(5,715)
	(225,348)	(1,062,661)

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Minco Silver Corporation

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

For the three months ended March 31, 2022 and 2021

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

Changes in Shareholders' Equity								
	Number of Shares	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Subtotal	Non-controlling interest	Total equity
	#	\$	\$	\$	\$	\$	\$	\$
Balance - January 1, 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 period	-	-	-	-	(483,357)	(483,357)	(6,417)	(489,774)
Other comprehensive (loss) / income	-	-	-	(573,589)	-	(573,589)	702	(572,887)
Share of reserve changes from equity investment (note 9)	-	-	7,997	-	-	7,997	-	7,997
Share-based compensation	-	-	63,252	-	-	63,252	-	63,252
Balance – March 31, 2021	61,025,083	107,812,327	27,669,432	2,696,904	(92,145,716)	46,032,947	(1,259,084)	44,773,863
Balance - January 1, 2022	61,025,083	107,812,327	27,726,821	4,132,698	(93,206,998)	46,464,848	(1,282,367)	45,182,481
Net income (loss) for the period	-	-	-	-	262,104	262,104	(5,763)	256,341
Other comprehensive (loss) / income	-	-	-	(482,229)	-	(482,229)	540	(481,689)
Share of reserve changes from equity investment (note 9)	-	-	1,835	-	-	1,835	-	1,835
Balance – March 31, 2022	61,025,083	107,812,327	27,728,656	3,650,469	(92,944,894)	46,246,558	(1,287,590)	44,958,968

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

Minco Silver Corporation

Condensed Consolidated Interim Statements of Cash Flows

For the three months ended March 31, 2022 and 2021

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

	Three months ended March 31,	
	2022	2021
	\$	\$
Operating activities		
Net income (loss) for the period	256,341	(489,774)
Adjustments for:		
Amortization	80,296	46,550
Foreign exchange loss	67,951	44,078
Interest and dividend income	(469,384)	(373,436)
Interest expense	17,653	17,015
Gain on disposal of investment in financial assets at fair value through profit or loss	(569,539)	(11,510)
Unrealized loss on investment in financial assets at fair value through profit or loss	184,886	74,538
Share-based compensation	-	63,252
Share of loss of equity investment	108,349	133,937
Changes in items of working capital:		
Accounts payable and accrued liabilities	(25,061)	(146,886)
Due to / from related parties	54,101	(12,025)
Prepaid expenses and deposits	(43,876)	(71,767)
Receivables	(252,434)	(38,155)
Net cash used in from operating activities	(590,717)	(764,183)
Financing activities		
Repayment of lease obligations	(69,596)	(54,738)
Net cash used in financing activities	(69,596)	(54,738)
Investing activities		
Acquisition of investments in financial assets at fair value through profit or loss	(160,489)	(4,131,672)
Proceeds from disposal of financial assets at fair value through profit or loss	8,991,149	86,735
Proceeds from (purchase of) property and equipment	3,255	(24,246)
Interest and dividend income received	213,483	96,208
Purchase of short-term investments	-	(16,284,563)
Redemption of short-term investments	4,985,940	16,768,995
Net cash generated from (used in) investing activities	14,033,338	(3,488,543)
Effect of exchange rates on cash and cash equivalents	(217,750)	(174,981)
Increase (decrease) in cash and cash equivalents	13,155,275	(4,482,445)
Cash and cash equivalents - Beginning of period	5,020,671	15,431,583
Cash and cash equivalents - End of period	18,175,946	10,949,138

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

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022 and 2021

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

1. Nature of operations

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

Since February 2020, the coronavirus (“COVID-19”) has caused a slowdown in the global economy and caused volatility in the global financial markets. It has also 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 6).

2. Basis of preparation

These condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries, Minco Investment Holding HK Ltd. (“Minco HK”), 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 March 31, 2022 is as follows:

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

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

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. These condensed consolidated interim financial statements should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2021, which were prepared in accordance with IFRS as issued by the IASB.

These condensed consolidated interim financial statements were approved by the board of directors for issue on May 13, 2022.

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022 and 2021

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

2. Basis of preparation (continued)

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

The Company's accounting policies and significant judgements and estimates applied in these condensed consolidated interim financial statements are consistent with those of the annual consolidated financial statements for the year ended December 31, 2021.

3. Cash and cash equivalents

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

	As at March 31, 2022	As at December 31, 2021
	\$	\$
Cash	10,686,195	4,779,789
Cash equivalents	7,489,751	240,882
	18,175,946	5,020,671

As at March 31, 2022, cash and cash equivalents of \$14,005,225 (December 31, 2021 - \$1,348,196) resided in the Mainland China. Under Chinese law, cash advanced to the Company's Chinese subsidiaries as registered share capital is maintained in the subsidiaries' registered capital bank account. Remittance of these funds back to Canada requires approvals by the relevant government authorities or designated banks in China or both.

4. Short-term investments

As at March 31, 2022, there was \$Nil of short-term investments, except a defaulted bond and short-term investments as at December 31, 2021 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		

(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 March 31, 2022 and December 31, 2021, 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.

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Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022 and 2021

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

5. 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 March 31, 2022 and December 31, 2021 is as the follows:

Costs:	Common shares	Warrants	Total
	\$	\$	\$
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
Additions	160,489	-	160,489
Proceeds from disposals	(1,015,408)	-	(1,015,408)
Realized gain	431,096	-	431,096
Balance, at March 31, 2022	2,928,674	34,446	2,963,120

Fair Value:	Common shares	Warrants	Total
	\$	\$	\$
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	280,907	1,620	282,527
Balance, at December 31, 2021	3,658,400	36,066	3,694,466
Additions	160,489	-	160,489
Cost of disposals	(584,312)	-	(584,312)
Changes in fair value adjustment	(202,393)	(12,391)	(214,784)
Foreign exchange loss	(14,325)	(59)	(14,384)
Balance, at March 31, 2022	3,017,859	23,616	3,041,475

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022 and 2021

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

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

	Three months ended March 31,	
	2022	2021
	\$	\$
Proceeds from disposals	1,015,408	86,735
Cost of disposals	(584,312)	(75,225)
Realized gains	431,096	11,510
Unrealized loss adjustment	(214,784)	(74,538)
Total gain (loss)	216,312	(63,028)

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

During 2021, the Company started invested in WMPs issued by China Merchant Bank. A summary of the investments as at March 31, 2022 and December 31, 2021 is as the follows:

	March 31, 2022	December 31, 2021
	\$	\$
Fair market value of WMPs, beginning of the period	19,438,062	-
Additions ⁽ⁱ⁾	-	19,251,870
Redemption	(7,975,741)	-
Realized gain	138,442	-
Unrealized gain	29,898	186,192
Foreign exchange loss	(142,526)	-
Fair market value of WMPs, end of the period	11,488,135	19,438,062

- (i) Including in \$19,251,870 (RMB 96,500,000), \$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.

6. 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).

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022 and 2021

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

6. 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 \$10,924,084 (RMB 55,424,433) of the outstanding Note principal plus \$641,285 (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 March 31, 2022, the amount of the outstanding Note principal was \$10,924,084 (RMB 55,424,433) (December 31, 2021: \$11,057,243 (RMB 55,424,433)), and the accrued interest included in the Company’s receivable was \$2,351,633 (RMB 11,931,243) (December 31, 2021: \$1,949,863 (RMB 9,773,693)).

A summary the note receivable for the three months ended March 31, 2022 and year ended December 31, 2021 is as follows:

	Note principle	Interest receivable	Total
	\$	\$	\$
Balance – 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
Revised of principal and interest payment	226,313	6,700	233,013
At December 31, 2021	11,057,243	1,949,863	13,007,106
Accrued interest – 15.4% ⁽ⁱ⁾	-	425,250	425,250
Foreign exchange loss	(133,159)	(23,480)	(156,639)
At March 31, 2022	10,924,084	2,351,633	13,275,717

- (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.

As at March 31, 2022, the Company recorded \$1,199,062 credit losses payable (December 31, 2021 - \$1,213,678).

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Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022 and 2021

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

7. Receivable

	March 31, 2022	December 31, 2021
	\$	\$
Interest receivable	2,354,098	1,990,734
GST receivable	6,481	9,666
Other receivable	226,967	112,519
	<u>2,587,546</u>	<u>2,112,919</u>

Included in the interest receivable, \$2,351,633 was from note receivable (December 31, 2021 - \$ 1,949,863), and \$Nil was from term deposit (December 31, 2021 - \$ 38,404).

8. Mineral interests

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

A value in use calculation was not applicable as the Company 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 three months ended March 31, 2022.

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 three months ended March 31, 2022, the Company expensed \$177,917 (2021 - \$236,136) 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 three months ended March 31, 2022, the Company spent \$24,223 (2021 - \$34,420) of salary, consulting and other expenses related to property investigations.

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Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022 and 2021

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

9. 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.

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.

As at March 31, 2022 and December 31, 2021, the Company owned 12.7% of Hempnova. The continuity of this investment is as follows:

	Total
	\$
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
Share of Hempnova’s loss	(108,349)
Share of Hempnova changes in reserve and equity portion of convertible debenture	1,835
Share of other comprehensive loss of Hempnova	(17,508)
Carrying value, at March 31, 2022	614,616

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

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

	March 31, 2022	December 31, 2021
	\$	\$
Reconciliation to carrying amounts:		
Net assets of Hempnova	3,531,106	4,507,656
Minco Silver's share in percentage	12.7%	12.7%
Minco Silver's share of net assets of Hempnova	448,450	572,472
Goodwill	166,166	166,166
Carrying value of investment in Hempnova	614,616	738,638

10. Property and equipment

	Leasehold improvement	Motor vehicles	Office equipment and furniture	Total
	\$	\$	\$	\$
Balance, at December 31, 2020	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
Balance, at December 31, 2021	395,258	39,703	30,592	465,553
Disposition	(3,255)	-	-	(3,255)
Depreciation	(23,410)	-	(58)	(23,468)
Exchange differences	(4,341)	(478)	(355)	(5,174)
Balance, at March 31, 2022	364,252	39,225	30,179	433,656

	Leasehold improvement	Motor vehicles	Office equipment and furniture	Total
	\$	\$	\$	\$
At March 31, 2022				
Cost	829,936	669,747	463,825	1,963,508
Accumulated depreciation	(465,684)	(630,522)	(433,646)	(1,529,852)
Net book value	364,252	39,225	30,179	433,656
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

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11. Leases

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

The Vancouver lease is for a shared office with other companies related to it by virtue of certain directors and management in common. The lease started in 2018 and will end on April 30, 2023. 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%. Hempnova stopped sharing such lease effective January 1, 2022 (2021 – 20%).

(a) Right-of-use assets

The continuity of the right-of-use assets as at March 31, 2022 and December 31, 2021 is as follows:

	Vancouver	Beijing	Total
	\$	\$	\$
Right-of-use assets, January 1, 2021	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
Change to the lease terms	15,292	166,452	181,744
Amortization	(14,273)	(42,555)	(56,828)
Unrealized foreign exchange	-	(7,040)	(7,040)
Right-of-use assets, March 31, 2022	61,851	742,981	804,832

(b) Lease obligation

The continuity of the lease obligation as at March 31, 2022 and December 31, 2021 is as follows:

	Vancouver	Beijing	Total
	\$	\$	\$
Lease liability recognized, January 1, 2021	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 payment made	(50,801)	(167,851)	(218,652)
Unrealized foreign exchange	-	(414)	(414)
Lease obligation, December 31, 2021	65,666	673,925	739,591
Change to lease terms	15,292	166,452	181,744
Interest accretion	1,419	16,234	17,653
Lease payments	(15,748)	(53,848)	(69,596)
Unrealized foreign exchange	-	(7,675)	(7,675)
Lease obligation, March 31, 2022	66,629	795,088	861,717
Lease obligation, current	61,325	156,328	217,653
Lease obligation, non-current	5,304	638,760	644,064

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11. Leases (continued)

(b) Lease obligation (continued)

The maturity analysis of the Company's contractual undiscounted lease liabilities as at March 31, 2022 is as follows:

	Vancouver	Beijing	Total
	\$	\$	\$
Less than one year	63,981	212,867	276,848
One to two years	5,339	212,867	218,206
Two to three years	-	212,867	212,867
Three to four years	-	212,867	212,867
Five and beyond five years	-	88,695	88,695
	69,320	940,163	1,009,483

(c) Amounts recognized in Statement of Loss

For the three months ended March 31, 2022	Vancouver	Beijing	Total
	\$	\$	\$
Interest on lease obligation	1,419	16,234	17,653
Rent expenses related to short-term and low-value (i)	315	11,734	12,049
Amortization	14,273	42,555	56,828
For the three months ended March 31, 2021	Vancouver	Beijing	Total
	\$	\$	\$
Interest on lease obligation	2,039	14,976	17,015
Rent expenses related to short-term and low-value (i)	443	1,202	1,645
Amortization	11,406	32,836	44,242

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

12. Non-controlling interest ("NCI")

Below is a summary of the financial information of Mingzhong:

Summary of financial positions:

	March 31, 2022	December 31, 2021
NCI percentage	49%	49%
	\$	\$
Current assets	101,729	116,208
Current liabilities	(1,008,379)	(1,022,145)
Net current liabilities	(906,650)	(905,937)
Non-current asset	6,834	6,918
Net liabilities	(899,816)	(899,019)
Accumulated NCI	(1,287,590)	(1,282,367)

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

<u>Summary of income statements:</u>	Three months ended March 31,	
	2022	2021
	\$	\$
Net loss	11,762	13,096
Loss allocated to NCI (49%)	5,763	6,417

Summary of statements of cash flows:

	Three months ended March 31,	
	2022	2021
	\$	\$
Cash outflows from operating activities	(13,235)	(51,350)

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 three months ended March 31, 2022 and the year ended December 31, 2021, the Company received \$Nil from the minority shareholders. As at March 31, 2022, the amount of \$349,929 (December 31, 2021 - \$354,195) was remaining in Mingzhong’s payable account to minority shareholders.

13. Share capital

(a) Common Shares

Authorized: Unlimited number of common shares without par value.

(b) Long-term Incentive Plan

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

Stock Options

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

During the three months ended March 31, 2022 and 2021, there was no stock option granted.

During the three months ended March 31, 2022, the Company recorded \$Nil of the stock option component as the share-based compensation (2021 - \$ 63,252).

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For the three months ended March 31, 2022 and 2021

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

13. Share capital (continued)

(b) Long-term Incentive Plan (continued)

A continuity of the options outstanding is as follows:

	Number outstanding	Weighted average exercise price
	#	\$
Balance, January 1, 2021	7,463,000	0.92
Granted	(130,000)	0.62
Balance, December 31, 2021	7,333,000	0.93
Expired	(2,900,000)	1.40
Forfeited	(554,000)	0.90
Balance, March 31, 2022	3,879,000	0.58

As at March 31, 2022, there was \$Nil (December 31, 2021 - \$Nil) of total unrecognized compensation cost relating to unvested options.

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$	#		\$	#	\$
0.455 – 0.50	1,290,000	3.02	0.46	1,290,000	0.46
0.51 – 0.69	1,181,000	1.84	0.57	1,181,000	0.57
0.70 – 1.40	1,408,000	0.88	0.69	1,408,000	0.69
	3,879,000	1.88	0.58	3,879,000	0.58

The Company used the Black-Scholes option pricing model to determine the fair value of the options.

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.

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For the three months ended March 31, 2022 and 2021

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14. Related party transactions

(a) Key management compensation

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

During the three months ended March 31, 2022 and 2021, the following compensation and benefits were paid to or accrued for the key management.

	Three months ended March 31,	
	2022	2021
	\$	\$
Senior management remuneration and benefits ⁽ⁱ⁾	140,777	159,627
Directors' fees	17,250	24,000
Share-based compensation	-	48,023
	158,027	231,650

(i) including living allowance, medical insurance, and apartment rental for the CEO in China.

(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. In March 2021, the lease term had been extended to August 31, 2026. The monthly rent is \$17,949 (RMB 90,000).

(c) Shared office expenses

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

During the three months ended March 31, 2022, the Company paid or accrued \$16,063 (March 31, 2021 – \$12,600) in respect of rent and \$81,491 (March 31, 2021 – \$61,826) in shared head office expenses and administration costs to Minco Capital.

(d) Due to and due from related parties

	March 31, 2022	December 31, 2021
	\$	\$
Due to:		
CEO	(92,676)	(43,602)
Minco Capital - reimbursement of shared expenses	(7,834)	-
Total	(100,510)	(43,602)
Due from:		
Hemnova - reimbursement of shared expenses	141,188	132,220
Minco Capital - reimbursement of shared expenses	-	6,420
MBM – reimbursement of shared expenses	24,055	24,348
Total	165,243	162,988

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

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

14. Related party transactions (continued)

(e) Trust arrangement with MBM

During 2018, the Company disposed two former subsidiaries (Minco Yinyuan Co. and Minco International Resources Limited) to MBM. After the disposition, Minco Yinyuan has a trust arrangement with Minco China, a wholly owned subsidiary of the Company, to continue holding certain cash and short-term investments for Minco China. As at March 31, 2022, the amount held by Minco Yinyuan in trust for Minco China was \$153,426 (December 31, 2021 - \$155,296).

(f) Investment in Hempnova

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

15. Geographical information

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

As at March 31, 2022	Canada	China	Total
	\$	\$	\$
Current assets	7,347,891	39,431,084	46,778,975
Non-current assets	686,259	1,235,574	1,921,833

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

16. 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:

	March 31, 2022	December 31, 2021
	\$	\$
Financial assets at fair value through profit or loss		
Marketable securities (level 1)	3,041,475	3,694,466
Non-principal-protected wealth management product (level 2)	11,488,135	19,438,062
Amortized cost of financial assets		
Cash and cash equivalents	18,175,946	5,020,671
Short-term investments	-	4,987,531
Note receivable	10,924,084	11,057,243
Deposit	68,729	69,407
Receivables	2,587,547	2,112,919
Due from related parties	165,243	162,988

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16. Financial instruments and fair value measurements (continued)

Amortized cost financial liabilities	March 31, 2022	December 31, 2021
	\$	\$
Due to related parties	100,510	43,602
Accounts payable and accrued liabilities	189,395	215,620
Credit losses payable	1,199,062	1,213,678
Due to minority shareholders of a subsidiary	349,929	354,195
Lease obligations, current	217,653	172,603
Lease obligations, non-current	644,064	566,988

Financial assets and liabilities that are recognized on the balance sheet at fair value can be classified in a hierarchy that is based on the significance of the inputs used in making the measurements. The levels in the hierarchy are:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk, and liquidity risk. Risk management activities are carried out by management, who identifies and evaluates the financial risks.

Credit risk

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

In order to manage credit risk, the Company:

- limits its credit exposure on cash and cash equivalents by holding its deposits mainly with high credit quality financial institutions in Canada, Hong Kong and China,
- Obtain adequate collateral to secure the recoverability of the note receivable (also refer note 6).

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16. Financial instruments and fair value measurements (continued)

Foreign exchange risk

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

The Company does not hedge its exposure to currency fluctuations. The Company has completed a sensitivity analysis to estimate the impact that a change in foreign exchange rates would have on the net loss of the Company, based on the Company's net US\$4 million monetary assets at March 31, 2022. This sensitivity analysis shows that a change of +/- 10% in US\$ foreign exchange rate would have a +/- US\$0.4 million impact on net loss.

Interest rate risk

Financial instruments that expose the Company to interest rate risk are cash and cash equivalents and short-term investments. The Company does not hold cash and cash equivalent, short-term investments and note receivable at variable rates. As a result, the Company is not exposed to significant interest rate risk.

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 March 31, 2022, the Company has a positive working capital of approximately \$44.1 million. Management concludes that the Company has sufficient funds to meet its current operating and exploration expenditures.