# Minco Silver Corporation

Condensed Consolidated Interim Financial Statements
**For the three and nine months ended September 30, 2023**
(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 Chartered Professional Accountants of Canada for a review of condensed consolidated interim financial statements by an entity's auditor.

| | |
|---|---|
| Dr. Ken Cai | Renee Lin, CPA, CGA |
| President and CEO | Chief Financial Officer |

Vancouver, Canada

November 9, 2023

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# Minco Silver Corporation

Condensed Consolidated Interim Statements of Financial Position

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

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| **Assets** | $ | $ |
| **Current assets** | | |
| Cash and cash equivalents (note 3) | 7,938,538 | 7,533,518 |
| Short-term investments (note 4) | 1,892,800 | 3,994,617 |
| Note receivable (note 6) | 7,047,499 | 7,643,126 |
| Financial assets at fair value through profit or loss (note 5) | 23,557,494 | 30,959,898 |
| Receivables (note 7) | 749,438 | 143,283 |
| Due from related parties (note 14) | 46,826 | 168,055 |
| Prepaid expenses and advances | 222,977 | 348,038 |
| | 41,455,572 | 50,790,535 |
| **Deposits** | 67,226 | 70,468 |
| **Investment accounted for using the equity method** (note 9) | 389,706 | 348,093 |
| **Right-of-use assets** (note 11) | 714,582 | 909,365 |
| **Property, plant and equipment** (note 10) | 296,127 | 367,029 |
| **Total assets** | 42,923,213 | 52,485,490 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | 161,906 | 210,477 |
| Credit losses payable | 793,337 | 792,546 |
| Current tax liabilities | 602,063 | 602,063 |
| Due to minority shareholders (note 14) | 328,804 | 348,514 |
| Due to related parties (note 14) | 52,074 | 1,909 |
| Lease obligation, current (note 11) | 217,464 | 213,857 |
| | 2,155,648 | 2,169,366 |
| Deferred tax liabilities | 1,360,763 | 1,360,763 |
| Lease obligation, non-current (note 11) | 587,868 | 780,567 |
| | 4,104,279 | 4,310,696 |
| **Equity** | | |
| **Equity attributable to owners of the parent** | | |
| Share capital (note 13) | 107,812,327 | 107,812,327 |
| Contributed surplus | 28,311,073 | 28,021,216 |
| Accumulated other comprehensive income | 1,385,819 | 3,715,136 |
| Deficit | (97,357,460) | (90,066,542) |
| | 40,151,759 | 49,482,137 |
| **Non-controlling interest** (note 12) | (1,332,825) | (1,307,343) |
| **Total liabilities and equity** | 42,923,213 | 52,485,490 |

**Approved by the Board of Directors:**

(signed) Maria Tang Director

(signed) George Lian Director

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

# Minco Silver Corporation

Condensed Consolidated Interim Statements of Operations and Net Loss

**For the three and nine months ended September 30, 2023 and 2022**

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

| | Three months ended September 30, 2023 | 2022 | Nine months ended September 30, 2023 | 2022 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Exploration and evaluation expenditures** (note 8) | - | 341,582 | 135,675 | 341,582 |
| **Administrative expenses** | | | | |
| Audit, legal and regulatory | 54,236 | 54,808 | 138,032 | 184,852 |
| Amortization (notes 10 & 11) | 73,417 | 76,344 | 227,977 | 232,744 |
| Consulting | - | 3,225 | 18,000 | 48,225 |
| Directors' fees (note 14) | 19,500 | 17,250 | 58,500 | 56,250 |
| Interest expense (note 11) | 16,293 | 14,854 | 53,224 | 48,592 |
| Office administration expenses | 53,218 | 61,245 | 156,802 | 165,075 |
| Property investigation and permitting expenses (note 8) | 243,377 | 109,811 | 873,548 | 460,236 |
| Rent (note 11) | 5,720 | 840 | 9,439 | 15,145 |
| Salaries and benefits | 44,903 | 14,452 | 201,626 | 155,783 |
| Share-based compensation (note 13) | 142,029 | 129,240 | 290,859 | 176,062 |
| Travel and others | 33,915 | 10,920 | 73,701 | 32,516 |
| Total administrative expenses | 686,608 | 492,989 | 2,101,708 | 1,575,480 |
| **Operating loss** | (686,608) | (834,571) | (2,237,383) | (1,917,062) |
| **Finance and other income (expenses)** | | | | |
| Credit loss (note 6) | (25,539) | (42,170) | (83,155) | (212,858) |
| Foreign exchange gain (loss) | 87,647 | 574,159 | (197) | 688,143 |
| Interest and dividend income | 346,151 | 319,228 | 1,068,646 | 1,392,896 |
| Gain on disposal of financial assets at fair value through profit or loss (note 5) | 37,908 | 289,346 | 143,292 | 859,654 |
| Unrealized loss on investment in financial assets at fair value through profit or loss (note 5) | (1,344,181) | (787,000) | (6,256,410) | (1,894,742) |
| **Loss before share of loss from equity investment** | (1,584,622) | (481,008) | (7,365,207) | (1,083,969) |
| Share of gain (loss) from equity investment (note 9) | 80,877 | (47,784) | 45,721 | (430,420) |
| **Net loss** | (1,503,745) | (528,792) | (7,319,486) | (1,514,389) |
| **Net loss attributable to:** | | | | |
| Shareholders of the Company | (1,489,357) | (523,259) | (7,290,918) | (1,495,911) |
| Non-controlling interest | (14,388) | (5,533) | (28,568) | (18,478) |
| | (1,503,745) | (528,792) | (7,319,486) | (1,514,389) |
| **Loss per share, - basic and diluted** | (0.02) | (0.01) | (0.12) | (0.02) |
| **Weighted average number of common shares outstanding, - basic and diluted** | 61,025,083 | 61,025,083 | 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 and nine months ended September 30, 2023 and 2022**
*(Unaudited, expressed in Canadian dollars, unless otherwise stated)*

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| | $ | $ | $ | $ |
| **Net loss for the period** | (1,503,745) | (528,792) | (7,319,486) | (1,514,389) |
| **Other comprehensive loss** | | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | | |
| Exchange differences in translation from functional to presentation currency | 508,845 | (12,907) | (2,323,125) | (1,279,641) |
| Share of comprehensive income (loss) from equity investment (note 9) | 16,032 | 57,282 | (3,106) | (26,294) |
| **Comprehensive loss for the period** | (978,868) | (484,417) | (9,645,717) | (2,820,324) |
| | | | | |
| Shareholders of the Company | (963,984) | (478,843) | (9,620,235) | (2,803,449) |
| Non-controlling interest | (14,884) | (5,574) | (25,482) | (16,875) |
| | (978,868) | (484,417) | (9,645,717) | (2,820,324) |

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

# Minco Silver Corporation

Condensed Consolidated Interim Statements of Changes in Shareholders’ Equity

**For the nine months ended September 30, 2023**

*(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, 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 loss for the period | - | - | - | - | (1,495,911) | (1,495,911) | (18,478) | (1,514,389) |
| Other comprehensive income (loss) | - | - | - | (1,307,538) | - | (1,307,538) | 1,603 | (1,305,935) |
| Share of reserve changes from equity investment (note 9) | - | - | 3,750 | - | - | 3,750 | - | 3,750 |
| Share-based compensation | - | - | 176,062 | - | - | 176,062 | - | 176,062 |
| **Balance – September 30, 2022** | 61,025,083 | 107,812,327 | 27,906,633 | 2,825,160 | (94,702,909) | 43,841,211 | (1,299,242) | 42,541,969 |
| **Balance - January 1, 2023** | 61,025,083 | 107,812,327 | 28,021,216 | 3,715,136 | (90,066,542) | 49,482,137 | (1,307,343) | 48,174,794 |
| Net loss for the period | - | - | - | - | (7,290,918) | (7,290,918) | (28,568) | (7,319,486) |
| Other comprehensive income (loss) | - | - | - | (2,329,317) | - | (2,329,317) | 3,086 | (2,326,231) |
| Share of reserve changes from equity investment (note 9) | - | - | (1,002) | - | - | (1,002) | - | (1,002) |
| Share-based compensation | - | - | 290,859 | - | - | 290,859 | - | 290,859 |
| **Balance – September 30, 2023** | 61,025,083 | 107,812,327 | 28,311,073 | 1,385,819 | (97,357,460) | 40,151,759 | (1,332,825) | 38,818,934 |

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

# Minco Silver Corporation

Condensed Consolidated Interim Statements of Cash Flows

**For the nine months ended September 30, 2023 and 2022**

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

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| **Operating activities** | | |
| Net loss for the period | (7,319,486) | (1,514,389) |
| Adjustments for: | | |
| Amortization | 227,977 | 232,745 |
| Foreign exchange loss (gain) | 197 | (688,143) |
| Interest and dividend income | (1,068,646) | (1,392,896) |
| Credit losses | 85,318 | 212,858 |
| Interest expense | 53,224 | 48,592 |
| Gain on disposal of investments in financial assets at fair value through profit or loss | (143,292) | (859,654) |
| Unrealized loss on investments in financial assets at fair value through profit or loss | 6,256,410 | 1,894,742 |
| Share-based compensation | 290,859 | 176,062 |
| Share of loss (gain) of equity investment | (45,721) | 430,420 |
| Changes in items of working capital: | | |
| Accounts payable and accrued liabilities | (42,028) | 16,945 |
| Due to/from related parties | 168,841 | 129,572 |
| Prepaid expenses and deposits | 112,258 | 92,086 |
| Receivables | 80,472 | (24,263) |
| **Net cash used in operating activities** | (1,343,617) | (1,245,323) |
| **Financing activities** | | |
| Repayment of lease obligations | (207,853) | (205,061) |
| **Net cash used in financing activities** | (207,853) | (205,061) |
| **Investing activities** | | |
| Received a promissory note | 168,717 | - |
| Payment related to the promissory note | (38,214) | - |
| Acquisition of investments in financial assets at fair value through profit or loss | (1,810,683) | (17,584,720) |
| Proceeds from disposal of financial assets at fair value through profit or loss | 1,627,981 | 16,523,125 |
| Proceeds from disposal of property and equipment | 3,010 | 3,171 |
| Purchase of property and equipment | (15,120) | - |
| Interest and dividend income received | 356,032 | 148,007 |
| Purchase of short-term investments | (541,320) | (2,056,050) |
| Redemption of short-term investments | 1,912,533 | 4,857,010 |
| **Net cash generated from investing activities** | 1,662,936 | 1,890,543 |
| **Effect of exchange rates on cash and cash equivalents** | 293,554 | 284,652 |
| **Increase in cash and cash equivalents** | 405,020 | 724,811 |
| **Cash and cash equivalents -** Beginning of period | 7,533,518 | 5,020,671 |
| **Cash and cash equivalents -** End of period | 7,938,538 | 5,745,482 |

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

*(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 traded under the symbol "MSV." The Company's registered office is 2060 – 1055 West Georgia Street, Vancouver, British Columbia, Canada.

## 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 of September 30, 2023, 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 a commodity when it is exposed to or has rights to, variable returns from its involvement with the entity and can affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date it 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, 2022, which were prepared in accordance with IFRS as issued by the IASB.

The board approved these condensed consolidated interim financial statements of directors for issue on November 9, 2023.

(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 charges incurred by the Company may differ from these values.

The Company's accounting policies and significant judgments 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, 2022.

## 3. Cash and cash equivalents

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

| | As of September 30, 2023 | As of December 31, 2022 |
|---|---|---|
| | $ | $ |
| Cash | 3,092,074 | 3,411,183 |
| Cash equivalents | 4,846,464 | 4,122,335 |
| | 7,938,538 | 7,533,518 |

As of September 30, 2023, cash and cash equivalents of $7,255,621 (or RMB 39,177,220) (December 31, 2022 - $5,909,597) (or RMB 30,104,669) resided in Mainland China. Under Chinese law, cash advanced to the Company's Chinese subsidiaries as registered share capital is maintained in the subsidiaries' registered capital bank account. Remittance of these funds back to Canada requires approvals from the relevant government authorities, designated banks in China, or both.

## 4. Short-term investments

As of September 30, 2023, short-term investments consisted of the following:

| | Currency | Amount ($) | Maturity date | Interest rate |
|---|---|---|---|---|
| Corporate bond (i) | USD | - | January 11, 2019 | 6.125% |
| Term deposit | USD | 1,352,000 | September 15, 2024 | 5.9% |
| Term deposit | USD | 540,800 | April 4, 2024 | 5.2% |
| | | 1,892,800 | | |

As of December 31, 2022, short-term investments consisted of the following:

| | Currency | Amount ($) | Maturity date | Interest rate |
|---|---|---|---|---|
| Corporate bond (i) | USD | - | January 11, 2019 | 6.125% |
| Term deposit | USD | 1,354,400 | September 15, 2023 | 3.55% |
| Term deposit | USD | 677,200 | July 6, 2023 | 3.65% |
| Term deposit (ii) | RMB | 1,963,017 | May 2, 2023 | 1.7% |
| | | 3,994,617 | | |

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

## 4. Short-term investments (continued)

(i) The Company invested in a bond issued by China Energy Reserve & Chemicals Group Co. with a principal of USD 800,000 and a maturity date of January 15, 2019. This bond has been in default since September 30, 2018. As of September 30, 2023, and December 31, 2022, the Company still had the corporate bond but has entirely written off this holding to $Nil, given the uncertainty of disposing of this bond through the open market.

(ii) Remittance of short-term investment kept in RMB from China to Canada requires approvals from the relevant government authorities, designated banks in China, or both.

## 5. Financial assets at fair value through profit or loss

The continuity schedule of the Company's financial assets at fair value through profit or loss during the nine months ended September 30, 2023, is as follows:

| | December 31, 2022 | Additions | Proceeds from dispositions | Realized Gains | Unrealized loss | Foreign exchange | September 30, 2023 |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| Investment in common shares and warrants (i) | 1,586,831 | 1,810,683 | (1,627,981) | 143,292 | (190,015) | (2,824) | 1,719,986 |
| Investment in common shares through a partnership (iii) | 29,373,067 | - | - | - | (6,066,395) | (1,469,164) | 21,837,508 |
| Total | 30,959,898 | 1,810,683 | (1,627,981) | 143,292 | (6,256,410) | (1,471,988) | 23,557,494 |

The continuity schedule of the Company's financial assets at fair value through profit or loss during the year ended December 31, 2022, is as follows:

| | December 31, 2021 | Additions | Proceeds from dispositions | Realized Gains | Unrealized gain (losses) | Foreign exchange | December 31, 2022 |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| Investment in common shares and warrants (i) | 3,694,466 | 659,707 | (2,032,725) | 509,889 | (1,292,141) | 47,635 | 1,586,831 |
| Investment in Floating return wealth management products ("WMPs") without principal protection (ii) | 19,438,062 | - | (19,280,421) | 616,127 | (180,510) | (593,258) | - |
| Investment in common shares through a partnership (iii) | - | 23,509,619 | - | - | 5,777,147 | 86,301 | 29,373,067 |
| Total | 23,132,528 | 24,169,326 | (21,313,146) | 1,126,016 | 4,304,496 | (459,322) | 30,959,898 |

*(i) Common shares and warrants*

The Company utilized its surplus cash to make targeted equity investments 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 each subsequent reporting period. The investment strategy does not deviate from the Company's core business focus, which remains centered on exploring and developing mineral properties.

Below is a table summarizing the investment activities related to common shares and warrants in Canada for the three- and nine-month periods ending on September 30, 2023, and September 30, 2022:

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

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

| | Three months ended September 30, 2023 | 2022 | Nine months ended September 30, 2023 | 2022 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Proceeds from disposals | 422,541 | 201,548 | 1,810,683 | 1,272,115 |
| Cost of disposals | (384,633) | (157,134) | (1,667,391) | (793,562) |
| Realized gains | 37,908 | 44,414 | 143,292 | 478,553 |
| Unrealized loss | (118,367) | (431,328) | (190,015) | (1,583,861) |
| Total loss | (80,459) | (386,914) | (46,723) | (1,105,308) |

*(ii). WMPs*

In 2021, the Company invested $19,251,870 (RMB 96,500,000) in WMPs issued by China Merchant Bank. As a result, $5,486,284 (RMB 27,500,000) can be redeemed anytime, and $13,765,586 (RMB 69,000,000) can be redeemed at nine months or seven months' open period from the date the Company initially invested. In 2022, the Company fully redeemed the WMPs.

During the nine months ended September 30, 2023, the Company did not purchase any WMPs. As a result, the fair market value of WMPs was $Nil (December 31, 2022 - $Nil).

During the nine months ended September 30, 2022, the net redemption of WMPs amounted to $1,845,664. As a result of these redemptions, the Company recognized a gain of $381,101. The WMPs held by the Company also experienced an unrealized gain of $310,881 during the same period. Furthermore, the Company accrued a foreign exchange loss of $721,141 during the same nine-month period.

*(iii). Investment in common shares through a partnership*

In October 2022, the Company, through Minco China, acquired an interest in the Tianjin Saikehuan Enterprise Management Center Limited (the "Saikehuan LP") from Tianjin Huaxin Anneng Management Consulting Partnership LP ("Huaxin") for $23,509,619 (RMB 119.8 million), which represents 9.54% interest in the limited partnership. The Company's stake in the Saikehuan LP gives it an indirect interest in approximately 7,480,937 shares of Sichuan Hexie Shuangma Co. Ltd. ("Hexie"), one of China's largest cement manufacturing companies. In conjunction with the acquisition, Minco China also entered into a restructuring and distribution agreement with Saikehuan LP and its general partner, pursuant to which the parties will restructure the Saikehuan LP to initiate Minco China as a direct holder of the Hexie Shares with the right to trade those shares directly on behalf of the Saikehuan LP. Under the terms of this restructuring agreement, the Company will be entitled to recoup its entire purchase price from the proceeds of any sale of Hexie shares. Once the purchase price has been recouped, all remaining proceeds will be distributed 20% to the general partner, with the remaining 80% to Minco China.

As of September 30, 2023, the fair value of the investment was $21,837,508 (RMB 117,913,109 after deducting the payable to the general partner (December 31, 2022 - $29,373,067 (RMB 149,632,281)). Consequently, during the three months ended September 30, 2023, the Company recognized an unrealized loss of $669,395 (RMB 4,009,783), reflecting the ongoing volatility in the investment's fair value. Furthermore, the Company accrued a foreign exchange gain of $406,836 during the same three-month period.

During the nine months ended September 30, 2023, the Company recognized an unrealized loss of $6,066,395 (RMB 31,719,173) (September 30, 2022 - $Nil). Apart from the unrealized loss, the Company also incurred a foreign exchange loss of $1,469,164 during the same nine-month period.

## 6. Note receivable

In 2018, the Company engaged in a preliminary agreement (the "Proposed Acquisition") to acquire 70% of the equity interests in Changning Longxin Mining Co., Ltd. ("Longxin Mining"), a Chinese mining company that holds a 100% interest in the Longwangshan Gold Mine.

As part of 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 10% per annum, and was 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 date of the Note was extended to September 30, 2019, with an increased interest rate of 12% per annum. Subsequently, the Note's maturity was further extended from September 30, 2019, to December 31, 2019, with no change in the interest rate, which remained at 12% per annum.

On November 21, 2020, a supplemental agreement was executed, further extending the maturity of the Note to September 30, 2021, while maintaining the interest rate at 12% per annum. According to the terms of this supplemental agreement, if the outstanding principal and interests were not received by September 30, 2021, the Company would have the following right to (i) Any amounts applied to principal repayment in the year 2020 would be treated as interest payments; (ii) The Company would have the authority to charge the interest at 24% per annum, starting from January 1, 2020, until the full repayment of both the principal and accrued interest. (iii) The Company could revise the calculation of accrued interest and principal payment as it deems appropriate.

Since December 11, 2020, the Company has not received any payments from Longxin. In April 2021, Minco China engaged in a legal service agreement (the "Anheli Service Agreement") with Beijing Anheli Law Firm ("Anheli") to initiate legal action and recover the outstanding Note principal and accrued interest.

Subsequently, on May 11, 2021, the Company filed a lawsuit with the court seeking to recover $11,663,672 (RMB 55,424,433) of the outstanding Note principal, in addition to $625,998 (RMB 3,253,625) representing the interest accrued until April 1, 2021. The interest was calculated at an annual rate of 24% from January 1, 2020, to August 19, 2020, and an interest rate of 15.4% per annum thereafter.

On November 12, 2021, the Company received the court's verdict on the lawsuit, in which Longxin and other related defendants were instructed to pay the claimed amounts to the Company, including the legal and court fees. Due to the borrowers' failure to pay the outstanding amounts, the Company exercised its right to seize specific collateral, which included real estate and cash. The Company retains its entitlement to the remaining collateral.

Following the court verdict, the borrowers filed an appeal against the decision. The Company responded to the appeal in April 2022, adhering to the legal process and maintaining its position to recover the outstanding debt.

On June 6, 2022, the court issued a final judgment, which upheld the original decision.

Subsequently, On June 17, 2022, the Company formally submitted the enforcement request to the court. After due process, on June 27, 2022, the court officially accepted the proposal and appointed an enforcement judge to oversee the proceedings.

During the same year, in 2022, the Company received a total sum of $6,555,707 (RMB 33,894,971) from Longxin Mining. This amount comprised $3,189,141 (RMB 16,488,815) as the principal payment for the Note and $3,366,566 (RMB 17,405,156) for the payment of accrued interests on the Note.

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

**6. Note receivable** (continued)

In the ongoing effort to recover the outstanding amounts from Longxin, the court has taken significant steps. On January 10, 2023, the court issued an auction announcement for the initial batch of 88 sealed properties. Additionally, the court has set a deadline for Longxin to repay the remaining loan balance. Given the substantial assessed value of the seized assets, the company has actively engaged with its legal advisor and collaborated closely with the court to explore alternative methods for disposing of these assets.

Furthermore, on October 26, the court issued a formal notice and announced the first auction dates on December 4th and December 5th. Longxin has initiated contact with the company's legal representative and management, expressing its willingness to settle the outstanding note and accrued interest.

During the nine-month period ending on September 30, 2023, the Company received a total of $382,144 (RMB 1,998,103) from Longxin Mining, which included $168,717 (RMB 882,165) as the principal payment on the Note and $213,427 (RMB 1,115,938) as the payment of accrued interest on the Note.

As of September 30, 2023, the amount of the outstanding Note principal amounted to $7,047,499 (RMB 38,053,450) (December 31, 2022: $7,643,126 (RMB 38,935,615)), and the accrued interest included in the Company's receivable stood at $687,366 (RMB 3,711,480) (December 31, 2022: $71,930 (RMB 366,427).

Below is a summary of the note receivable for the nine months ended September 30, 2023, and the year ended December 31, 2022:

| | Note principal | Interest receivable | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Balance – January 1, 2022** | 11,057,243 | 1,949,863 | 13,007,106 |
| Principal and interest payment | (3,189,141) | (3,366,566) | (6,555,707) |
| Accrued interest – 15.4% (i) | - | 1,547,084 | 1,547,084 |
| Foreign exchange loss | (224,976) | (58,451) | (283,427) |
| **At December 31, 2022** | 7,643,126 | 71,930 | 7,715,056 |
| Principal and interest payment, held in the court | (168,717) | (213,427) | (382,144) |
| Accrued interest – 15.4% (i) | - | 853,179 | 853,179 |
| Foreign exchange loss | (426,910) | (24,316) | (451,226) |
| **At September 30, 2023** | 7,047,499 | 687,366 | 7,734,865 |

(i) The interest was calculated by 24% before August 19, 2020, and after that by four times the annum loan market quotation rate announced by the National Interbank Lending Centre, which was supported by the court and legal

As per the terms of the Service Agreement with Anheli, the Company is obligated to pay a 10% success fee on the total principal and interest recovered by the Company from this legal action. During the nine months ended September 30, 2023, the Company fulfilled its obligation by paying a success fee of $38,214 (RMB 199,810) to Anheli. As of September 30, 2023, the Company recorded a success fee payable of $793,337 (RMB 4,283,676) to Anheli (December 31, 2022 - $792,546 (RMB 4,037,387).

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

## 7. Receivable

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| | $ | $ |
| Interest receivable(i) | 724,260 | 108,698 |
| GST receivable | 693 | 763 |
| Other receivable | 24,485 | 33,822 |
| | 749,438 | 143,283 |

(i). Included in the interest receivable, $687,366 was from note receivable (December 31, 2022 - $ 71,930), and $36,894 was from term deposit (December 31, 2022 - $ 36,768).

## 8. Mineral interests

In the past, the Company encountered delays in the renewal of exploration permits for the Fuwan Silver Project and Changkeng Gold Project. Consequently, in 2019, the Company recorded an impairment of $60,246,258 related to exploration and evaluation costs incurred for the Fuwan Silver Project and Changkeng Gold Project.

A value-in-use calculation was not applicable as the Company had no 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.

In 2022, the Changkeng Gold Project exploration permit was renewed and expires on November 21, 2027. In addition, the exploration permit for the Fuwan Silver Project was renewed in March 2021 and expires on March 8, 2026. However, as substantive expenditures on further exploration and evaluation of mineral resources have yet to be planned or budgeted, management determined that this was not an indicator of impairment reversal for the nine months ended September 30, 2023.

*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 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 was renewed in November 2022 for five years with an expiry date of November 21, 2027.

*Sagvoll and Sulitjelma Projects*

On July 15, 2022, the Company entered into a share option to purchase agreement (the "Option Agreement") with VIAD Royalties AB, a subsidiary of EMX Royalty Corporation, to potentially acquire all issued and outstanding shares of VMS Exploration AS, a Norwegian corporation. VMS Exploration AS owned the Sagvoll and Sulitjelma properties in Norway, collectively referred to as the "Norway Project." The Option Agreement established various financial and operational requirements, including setting the option expiry date by the first anniversary of signing the agreement. Furthermore, if exercised, the Company would have been obligated to incur additional expenditures on the Norway Project, issue more shares, and make payments to VIAD as detailed in the agreement.

**8. Mineral interests** (continued)

As of September 30, 2023, the Company had accrued $604,602 in exploration and evaluation ("E&E") expenses, which included the initial $60,000 payment made upon signing the Option Agreement. These E&E expenses covered a range of costs, such as exploration rights, geological studies, drilling licenses, sampling, and directly attributable administrative expenses. During the three-month period ending September 30, 2023, the Company did not incur any expenses in this category (in contrast to $341,582 in 2022). Over the nine-month period ending September 30, 2023, the Company accrued $135,675 in E&E expenses (compared to $341,582 in 2022).

In July 2023, just prior to the option closing date, the Company made the strategic decision not to exercise the Option Agreement. Consequently, the Company opted not to proceed with the acquisition of the Norway Project. This choice was made after careful consideration, taking into account the presence of another promising investment opportunity and the importance of maximizing the utilization of available funds.

<u>Field expenses and property investigation</u>

During the nine months ending September 30, 2023, the Company incurred expenses for maintaining the exploration permits. The Company remains committed to acquiring advanced, high-quality mineral projects globally. To achieve this objective, the exploration team conducted a thorough review and evaluation of various prospective properties during the period of 2023.

During the three and nine months ended September 30, 2023, the Company incurred a total of $243,377 (2022 - $109,811), and $873,548 (2022 - $460,236) in property investigation and permitting expenses, respectively. These expenses include salaries, consulting fees, legal fees, travel expenses, licensing costs, and other related expenses.

**9. Investment accounted for using the equity method**

In May 2020, the Company made a private placement investment in Hempnova Lifetech Corporation (“Hempnova”) by purchasing 7,950,000 common shares for $0.40 per share for a total investment 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 the private placement was concluded.

Hempnova is actively involved in providing industrial hemp-related services and products. It was incorporated in British Columbia, with its primary business conducted through its wholly owned subsidiary, Hempnova Lifetech (USA) Corp., which operates in the USA.

Although the Company's shareholding in Hempnova is below the 20% threshold, management has determined that the Company possesses significant influence over Hempnova. This influence stems from the Company's ability to impact decision-making, as both companies share certain directors and management, with some owning Hempnova common shares as well. Due to this significant influence, the Company accounts for its investment in Hempnova using the equity method.

Management assesses whether objective evidence is that its investment in Hempnova is impaired each reporting period. Management applies significant judgment in evaluating and determining whether impairment exists 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 Hempnova operates and (iii) evidence of a significant or prolonged decline in fair value of Hempnova below its carrying value. In 2021, the Company identified impairment indicators and impaired $1,436,514 of the equity investment in Hempnova.

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

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

As of September 30, 2023, and December 31, 2022, the Company owned 12.7% of Hempnova. The continuity of this investment is as follows:

| | Total |
|---|---|
| | $ |
| Carrying value, at January 1, 2022 | 738,638 |
| Share of Hempnova's loss | (461,191) |
| Share of Hempnova changes in reserve and the equity portion of convertible debenture | 5,102 |
| Share of other comprehensive gain of Hempnova | 65,544 |
| Carrying value, at December 31, 2022 | 348,093 |
| Share of Hempnova's gain | 45,721 |
| Share of Hempnova changes in reserve and the equity portion of convertible debenture | (1,002) |
| Share of other comprehensive losses of Hempnova | (3,106) |
| Carrying value, at September 30, 2023 | 389,706 |

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

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| | $ | $ |
| Cash | 3,936,709 | 1,314,070 |
| Other current assets | 939,337 | 1,864,446 |
| Non-current assets | 4,462,990 | 5,128,824 |
| Current liabilities | (7,464,235) | (2,787,508) |
| Non-current liabilities | (114,646) | (4,087,338) |
| Shareholders' equity | 1,760,155 | 1,432,494 |
| Minco Silver's share in percentage | 12.7% | 12.70% |
| Minco Silver's share of net assets of Hempnova | 223,540 | 181,927 |

| Reconciliation to carrying amounts: | September 30, 2023 | December 31, 2022 |
|---|---|---|
| | $ | $ |
| Minco Silver's share of net assets of Hempnova | 223,540 | 181,927 |
| Goodwill | 166,166 | 166,166 |
| Carrying value of investment in Hempnova | 389,706 | 348,093 |

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

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

A summary of Hempnova's income statement for the nine months ended September 30, 2023, and 2022, is as follows:

| | September 30, 2023 | | September 30, 2022 | |
|---|---|---|---|---|
| | Hempnova | Minco Silver share | Hempnova | Minco Silver share |
| | $ | $ | $ | $ |
| Revenue | 7,434,020 | 944,121 | 3,532,363 | 448,610 |
| Net income (loss) | 360,008 | 45,721 | (3,389,134) | (430,420) |
| Share of reserve from equity investment | (7,890) | (1,002) | 29,528 | 3,750 |
| Other comprehensive income (loss) | (24,457) | (3,106) | 590,110 | 74,944 |
| Comprehensive income (loss) | 327,661 | 41,613 | (2,769,496) | (351,726) |

During the nine months ended September 30, 2023, management assessed that no impairment charge was required.

## 10. Property, plant and equipment

| | Leasehold improvement | Motor vehicles | Office equipment and furniture | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Balance, at January 1, 2022 | 395,258 | 39,703 | 30,592 | 465,553 |
| Disposition | (3,156) | - | - | (3,156) |
| Depreciation | (86,640) | - | (231) | (86,871) |
| Exchange differences | (7,387) | (637) | (473) | (8,497) |
| Balance, at December 31, 2022 | 298,075 | 39,066 | 29,888 | 367,029 |
| Addition | 15,173 | - | - | 15,173 |
| Disposition | - | (3,010) | - | (3,010) |
| Depreciation | (63,888) | - | (173) | (64,061) |
| Exchange differences | (15,248) | (2,114) | (1,642) | (19,004) |
| Balance, at September 30, 2023 | 234,112 | 33,942 | 28,073 | 296,127 |

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

**10. Property, plant and equipment** (continued)

| | Leasehold improvement | Motor vehicles | Office equipment and furniture | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| At December 31, 2022 | | | | |
| Cost | 826,989 | 669,588 | 463,707 | 1,960,284 |
| Accumulated depreciation | (528,914) | (630,522) | (433,819) | (1,593,255) |
| Net book value | 298,075 | 39,066 | 29,888 | 367,029 |
| At September 30, 2023 | | | | |
| Cost | 826,914 | 664,464 | 462,065 | 1,953,443 |
| Accumulated depreciation | (592,802) | (630,522) | (433,992) | (1,657,316) |
| Net book value | 234,112 | 33,942 | 28,073 | 296,127 |

**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 original lease started in 2018 and ended on April 30, 2023. In November 2022, the Company renewed the lease agreement for another five years, which will end on April 30, 2028.

The Company also entered into a lease agreement with the Company's CEO for a shared office located in Beijing, China (note 15(b)). The lease started on April 1, 2019, and will end on August 31, 2026. Such leases were classified as operating leases under IAS 17. The right-of-use assets and lease obligations were measured at the present value of the lease payments and discounted using an incremental borrowing rate of 8%.

**(a) Right-of-use assets**

The continuity of the right-of-use assets as of September 30, 2023, and December 31, 2022, is as follows:

| | Vancouver | Beijing | Total |
|---|---|---|---|
| | $ | $ | $ |
| Right-of-use assets, January 1, 2022 | 60,832 | 626,124 | 686,956 |
| Change to the lease terms | 289,534 | 165,779 | 455,313 |
| Amortization | (55,321) | (165,076) | (220,397) |
| Foreign exchange | - | (12,507) | (12,507) |
| Right-of-use assets, December 31, 2022 | 295,045 | 614,320 | 909,365 |
| Amortization | (41,491) | (122,425) | (163,916) |
| Foreign exchange | - | (30,867) | (30,867) |
| Right-of-use assets, September 30, 2023 | 253,554 | 461,028 | 714,582 |

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

**11. Leases** (continued)

**(b) Lease obligation**

The continuity of the lease obligation as of September 30, 2023, and December 31, 2022, is as follows:

| | Vancouver | Beijing | Total |
|---|---|---|---|
| | $ | $ | $ |
| Lease liability recognized, January 1, 2022 | 65,666 | 673,925 | 739,591 |
| Change to lease terms | 289,534 | 165,779 | 455,313 |
| Interest accretion | 26,662 | 58,509 | 85,171 |
| Lease payment made | (63,711) | (208,885) | (272,596) |
| Foreign exchange | - | (13,055) | (13,055) |
| Lease obligation, December 31, 2022 | 318,151 | 676,273 | 994,424 |
| Interest accretion | 17,877 | 35,347 | 53,224 |
| Lease payments | (52,938) | (154,915) | (207,853) |
| Foreign exchange | - | (34,463) | (34,463) |
| Lease obligation, September 30, 2023 | 283,090 | 522,242 | 805,332 |
| Lease obligation, current | 51,912 | 165,552 | 217,464 |
| Lease obligation, non-current | 231,178 | 356,690 | 587,868 |

The maturity analysis of the Company's contractual undiscounted lease liabilities as of September 30, 2023, is as follows:

| | Vancouver | Beijing | Total |
|---|---|---|---|
| | $ | $ | $ |
| Less than one year | 72,197 | 200,016 | 272,213 |
| One to two years | 73,186 | 200,016 | 273,202 |
| Two to three years | 74,176 | 183,348 | 257,524 |
| Three to four years | 75,166 | - | 75,166 |
| Five and beyond five years | 42,325 | - | 42,325 |
| | 337,050 | 583,380 | 920,430 |

**(c) Amounts recognized in Statement of Loss**

| For the three months ended September 30, 2023 | Vancouver | Beijing | Total |
|---|---|---|---|
| | $ | $ | $ |
| Interest on lease obligation | 5,712 | 10,581 | 16,293 |
| Rent expenses related to short-term and low-value | - | 5,720 | 5,720 |
| Amortization | 13,831 | 39,454 | 53,285 |

| For the three months ended September 30, 2022 | Vancouver | Beijing | Total |
|---|---|---|---|
| | $ | $ | $ |
| Interest on lease obligation | 829 | 14,025 | 14,854 |
| Rent expenses related to short-term and low-value | - | 840 | 840 |
| Amortization | 20,008 | 59,572 | 79,580 |

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

## 11. Leases (continued)

| For the nine months ended September 30, 2023 | Vancouver | Beijing | Total |
|---|---|---|---|
| | $ | $ | $ |
| Interest on lease obligation | 17,877 | 35,347 | 53,224 |
| Rent expenses related to short-term and low-value | 664 | 8,775 | 9,439 |
| Amortization | 41,491 | 122,425 | 163,916 |

| For the nine months ended September 30, 2022 | Vancouver | Beijing | Total |
|---|---|---|---|
| | $ | $ | $ |
| Interest on lease obligation | 3,377 | 45,215 | 48,592 |
| Rent expenses related to short-term and low-value | 315 | 14,830 | 15,145 |
| Amortization | 42,820 | 124,362 | 167,182 |

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

Below is a summary of the financial information of Mingzhong:

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

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| **NCI percentage** | 49% | 49% |
| | $ | $ |
| Current assets | 43,101 | 61,632 |
| Current liabilities | (989,850) | (1,005,293) |
| Net current liabilities | (946,749) | (943,661) |
| Non-current asset | 6,422 | 6,807 |
| Net liabilities | (940,327) | (936,854) |
| **Accumulated NCI** | (1,332,825) | (1,307,343) |

<u>Summary of income statements:</u>

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | $ | $ | $ | $ |
| Net loss | 29,363 | 11,292 | 58,302 | 37,710 |
| **Loss allocated to NCI (49%)** | 14,388 | 5,533 | 28,568 | 18,478 |

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

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

Summary of statements of cash flows:

| | Nine months ended September 30, 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Cash outflows from operating activities | 68,190 | 39,502 |

One of Mingzhong's minority shareholders has a related party relationship with Minco Silver.

In 2017, Mingzhong embarked on an equity financing initiative to raise capital to finance its operations from its minority shareholders. As a result, in 2018, minority shareholders made contributions totaling $351,968 through their subscriptions. However, the completion of the equity financing is subject to receiving remittance from the remaining minority shareholders. Unfortunately, as of December 31, 2022, the equity financing has not been fully completed due to one of the minority shareholders failing to fulfill its subscription obligation.

During the nine months ended September 30, 2023, the Company did not receive any funds from the minority shareholder. As of September 30, 2023, the $328,804 (December 31, 2022 - $348,514) remained 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 up to ten years, with vesting periods determined at its sole discretion and prices equal to or greater than the closing market price on a date preceding the date of the options is granted. These options are equity-settled.

In 2022, the Company granted 3,000,000 stock options to purchase common shares to employees, consultants and directors at an exercise price of $0.23 per common share. These options vest 18 months from the grant date and expire on May 27, 2027.

During the nine months ended September 30, 2023, the Company granted 2,930,000 stock options to purchase common shares to employees, consultants and directors at an exercise price of $0.20 per common share. These options vest 18 months from the grant date and expire on June 2, 2028.

During the three months ended September 30, 2023, the Company recorded $142,029 of the stock option component as the share-based compensation (2022 - $129,240).

During the nine months ended September 30, 2023, the Company recorded $290,859 of the stock option component as the share-based compensation (2022 - $176,062).

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

**13. Share capital** (continued)

The continuity of the outstanding options is as follows:

| | Number outstanding | Weighted average exercise price |
|---|---|---|
| | # | $ |
| Balance, January 1, 2022 | 7,333,000 | 0.93 |
| Granted | 3,000,000 | 0.23 |
| Expired | (2,900,000) | 1.40 |
| Forfeited | (794,000) | 0.75 |
| Balance, December 31, 2022 | 6,639,000 | 0.43 |
| Granted | 2,930,000 | 0.20 |
| Expired | (1,408,000) | 0.69 |
| Forfeited | (90,000) | 0.29 |
| Balance, September 30, 2023 | 8,071,000 | 0.30 |

As of September 30, 2023, there was $214,495 (December 31, 2022 - $132,106) of the total unrecognized compensation cost relating to unvested options.

| Options outstanding | | | | Options exercisable | |
|---|---|---|---|---|---|
| Range of exercise prices | Number outstanding | Weighted average remaining contractual life (years) | Weighted average exercise price | Number exercisable | Weighted average exercise price |
| $ | # | | $ | # | $ |
| 0.20 – 0.22 | 2,930,000 | 4.67 | 0.20 | - | - |
| 0.23 – 0.44 | 2,860,000 | 3.66 | 0.23 | 1,906,662 | 0.23 |
| 0.57 – 0.60 | 1,181,000 | 0.91 | 0.51 | 2,281,000 | 0.51 |
| | 8,071,000 | 3.25 | 0.30 | 4,187,662 | 0.38 |

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

| | 2023 | 2022 |
|---|---|---|
| Risk-free interest rate | 3.46% | 2.59% |
| Dividend yield | 0% | 0% |
| Volatility | 86% | 86% |
| Forfeiture rate | 19% | 21% |
| Estimated expected lives | 5 years | 5 years |

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

**13. Share capital** (continued)

Option pricing models require 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.

## 14. Related party transactions

(a) Key management compensation

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

During the three and nine months ended September 30, 2023, and 2022, the following compensation and benefits were paid to or accrued for the key management.

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | $ | $ | $ | $ |
| Senior management remuneration and benefit (i) | 137,253 | 146,013 | 679,936 | 427,544 |
| Directors' fees | 19,500 | 17,250 | 58,500 | 56,250 |
| Share-based compensation | 119,381 | 108,981 | 303,784 | 142,537 |
| | 276,134 | 272,244 | 1,042,220 | 626,331 |

(i) including living allowance and medical insurance for the CEO in China. During the nine months ended September 30, 2023, the Company paid a bonus of $264,899 to its senior management.

(b) Rental agreement with the CEO

On April 1, 2019, Minco China, a wholly-owned subsidiary of the Company, entered into a lease agreement to utilize an office in Beijing, China. The lessor of the property is the Company's CEO. The lease agreement became effective on April 1, 2019, and is set to expire on August 31, 2026. The monthly rent for the office space amounts to $17,213 (RMB 90,000). Additionally, the Company incurred the expenses for lease improvements as part of the agreement.

(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 three months ended September 30, 2023, the Company paid or accrued $18,949 (2022 – $15,688) in respect of rent and $45,132 (2022 – $53,253) in shared head office expenses and administration costs to Minco Capital.

During the nine months ended September 30, 2023, the Company paid or accrued $53,602 (2022 – $31,751) in respect of rent and $160,256 (2022 – $134,744) in shared head office expenses and administration costs to Minco Capital.

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

## 14. Related party transactions (continued)

(d) Due from (due to) related parties

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| | $ | $ |
| Due to: | | |
| CEO | 52,074 | - |
| Minco Capital - reimbursement of shared expenses | - | 1,909 |
| Total | 52,074 | 1,909 |
| Due from: | | |
| CEO | - | 7,287 |
| Minco Capital - reimbursement of shared expenses | 4,222 | - |
| Hempnova - reimbursement of shared expenses | 20,002 | 136,811 |
| MBM – reimbursement of shared expenses | 22,602 | 23,957 |
| Total | 46,826 | 168,055 |

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

(e) Trust arrangement with MBM

In 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 particular cash and short-term investments for Minco China. As of September 30, 2023, the amount held by Minco Yinyuan in trust for Minco China was $152,511 (December 31, 2022 - $158,673).

(f) Investment in Hempnova

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

## 15. Geographical information

The Company is considered to operate in one segment to explore and develop resource properties. The geographical division of the Company's assets is as follows:

| As of September 30, 2023 | Canada | China | Total |
|---|---|---|---|
| | $ | $ | $ |
| Current assets | 4,377,325 | 37,078,247 | 41,455,572 |
| Non-current assets | 643,952 | 823,689 | 1,467,641 |

| As of December 31, 2022 | Canada | China | Total |
|---|---|---|---|
| | $ | $ | $ |
| Current assets | 5,357,513 | 45,433,022 | 50,790,535 |
| Non-current assets | 646,696 | 1,048,259 | 1,694,955 |

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

## 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 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:

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| | $ | $ |
| **Financial assets at fair value through profit or loss** | | |
| Marketable securities (level 1) | 23,557,494 | 30,959,898 |
| **Amortized cost of financial assets** | | |
| Cash and cash equivalents | 7,938,538 | 7,533,518 |
| Short-term investments | 1,892,800 | 3,994,617 |
| Note receivable | 7,047,499 | 7,643,126 |
| Deposit | 67,226 | 70,468 |
| Receivables | 749,438 | 143,283 |
| Due from related parties | 46,826 | 168,055 |

| Amortized cost financial liabilities | September 30, 2023 | December 31, 2022 |
|---|---|---|
| | $ | $ |
| Due to related parties | 52,074 | 1,909 |
| Accounts payable and accrued liabilities | 161,906 | 210,477 |
| Credit losses payable | 793,337 | 792,546 |
| Due to minority shareholders of a subsidiary | 328,804 | 348,514 |
| Lease obligations, current | 217,464 | 213,857 |
| Lease obligations, non-current | 587,868 | 780,567 |

Financial assets and liabilities recognized on the balance sheet at fair value can be classified in a hierarchy based on the significance of the inputs used in 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 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.

## 16. Financial instruments and fair value measurements (continued)

### Financial risk factors

The company's activities expose it to financial risks: market risk (including currency risk and interest rate risk), credit risk, and liquidity risk. Management carries out risk management activities, which identifies and evaluates the financial risks.

### Credit risk

Counterparty credit risk is the financial benefits of contracts with a specific counterparty that 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.

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 to note 6).

### Foreign exchange risk

The functional currency of Minco Silver is the Canadian dollar, and the functional currency of its Chinese subsidiaries is RMB. Most 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 about 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$3.40 million monetary assets as of September 30, 2023. This sensitivity analysis shows that a change of +/- 10% in the US$ foreign exchange rate would have a -/+ US$0.34 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 a planning and budgeting process to help determine the funds required to support the Company's standard operating requirements and its exploration and development plans. The annual budget is approved by the Company's board of directors. As of September 30, 2023, the Company has positive working capital of approximately $39.3 million. Management concludes that the Company has sufficient funds to meet its current operating and exploration expenditures.