

Minco Silver Corporation

Condensed Consolidated Interim Financial Statements

For the three months end March 31, 2020

(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, 2019

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Minco Silver Corporation

Condensed Consolidated Interim Statements of Financial Position

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

	March 31, 2020	December 31, 2019
Assets	\$	\$
Current assets		
Cash and cash equivalents (note 3)	15,459,315	12,643,996
Short-term investments (note 4)	20,216,043	18,848,668
Note receivable (note 5)	11,851,852	13,079,993
Receivables	596,082	922,227
Due from related parties (note 10)	230,009	6,079
Prepaid expenses and deposits	526,733	378,683
	48,880,033	45,879,646
Right-of-use assets (note 7)	275,590	311,139
Property, plant and equipment	122,781	126,823
Total assets	49,278,404	46,317,608
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	228,365	308,158
Due to minority shareholders (note 8)	355,435	331,746
Due to related parties (note 10)	57,083	77,269
Lease obligation, current (note 7)	189,644	152,526
	830,527	869,699
Deferred tax liabilities	196,200	196,200
Lease obligation, non-current (note 7)	139,868	214,053
	1,166,595	1,279,952
Equity		
Equity attributable to owners of the parent		
Share capital (note 9)	107,675,997	107,650,215
Contributed surplus	27,213,788	27,172,197
Accumulated other comprehensive income	4,296,013	1,922,388
Deficit	(89,888,885)	(90,532,010)
Total equity	49,296,913	46,212,790
Non-controlling interest (note 8)	(1,185,104)	(1,175,134)
Total liabilities and equity	49,278,404	46,317,608

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, 2020 and 2019

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

	Three months ended March 31,	
	2020	2019
	\$	\$
Operating expenses		
Audit, legal and regulatory	39,947	32,894
Amortization	49,072	22,533
Consulting	19,375	19,840
Directors' fees	17,250	19,500
Field office expenses (note 6)	199,918	159,820
Interest expense (note 7)	6,662	4,594
Investor relations	2,790	3,770
Office administration expenses	36,237	40,442
Property investigation expenses (recovery)	22,500	(388,571)
Rent (note 7)	9,563	10,537
Salaries and benefits	76,038	66,766
Share-based compensation (note 9)	51,793	154,420
Travel and transportation	3,060	100,828
	534,205	247,373
Loss before finance and other income (expenses)	(534,205)	(247,373)
Finance and other income (expenses)		
Foreign exchange gain (loss)	680,020	(155,599)
Gain on short-term investment	-	23,686
Interest income	484,972	564,584
Net income for the period	630,787	185,298
Net income (loss) attributable to:		
Shareholders of the Company	643,125	196,816
Non-controlling interest	(12,338)	(11,518)
	630,787	185,298
Earnings per share , basic and diluted	0.01	0.00
Weighted average number of common shares outstanding, basic and diluted	60,862,651	60,704,748

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

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Condensed Consolidated Interim Statements of Comprehensive Income

For the three months ended March 31, 2020 and 2019

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

	Three months ended March 31,	
	2020	2019
	\$	\$
Net income for the period	630,787	185,298
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation from functional to presentation currency	2,375,993	367,537
Comprehensive income for the period	3,006,780	552,835
Comprehensive income attributable to:		
Shareholders of the Company	3,016,750	520,072
Non-controlling interest	(9,970)	32,763
	3,006,780	552,835

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

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Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

For the three months ended March 31, 2020 and 2019

(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, 2019	60,704,748	107,538,681	27,023,391	7,345,105	(41,817,684)	100,089,493	11,347,639	111,437,132
Net income (loss) for the period	-	-	-	-	196,816	196,816	(11,518)	185,298
Adoption of IFRS 16	-	-	-	-	(6,071)	(6,071)	-	(6,071)
Other comprehensive income	-	-	-	323,256	-	323,256	44,281	367,537
Share-based compensation	-	-	179,972	-	-	179,972	-	179,972
Balance – March 31, 2019	60,704,748	107,538,681	27,203,363	7,668,361	(41,626,939)	100,783,466	11,380,402	112,163,868
Balance - January 1, 2020	60,845,750	107,650,215	27,172,197	1,922,388	(90,532,010)	46,212,790	(1,175,134)	45,037,656
Net income (loss) for the period	-	-	-	-	643,125	643,125	(12,338)	630,787
Other comprehensive income	-	-	-	2,373,625	-	2,373,625	2,368	2,375,993
Issuance of shares	27,333	25,782	(10,202)	-	-	15,580	-	15,580
Share-based compensation	-	-	51,793	-	-	51,793	-	51,793
Balance – March 31, 2020	60,873,083	107,675,997	27,213,788	4,296,013	(89,888,885)	49,296,913	(1,185,104)	48,111,809

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, 2020 and 2019

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

	Three months ended March 31,	
	2020	2019
	\$	\$
Operating activities		
Net income for the period	630,787	185,298
Adjustments for:		
Amortization	49,072	22,533
Foreign exchange (gain) / loss	(680,020)	155,599
Gain on short-term investments	-	(23,686)
Interest income	(484,972)	-
Interest expense	6,662	4,594
Share-based compensation	51,793	154,420
Changes in items of working capital:		
Accounts payable and accrued liabilities	(89,455)	40,552
Due to / from related parties	(71,209)	193,150
Prepaid expenses and deposits	(120,963)	132,340
Receivables	(8,923)	266,658
Net cash (used in)/generated from operating activities	(717,228)	1,131,458
Financing activities		
Repayment of lease obligations	(50,174)	(11,344)
Proceeds from stock option exercises	15,580	-
Net cash used in financing activities	(34,594)	(11,344)
Investing activities		
Development costs	-	(131,856)
Interest income received	902,504	-
Received of a promissory note (note 5)	2,162,162	-
Purchase of short-term investments	(2,261,468)	(6,347,892)
Redemption of short-term investments	2,199,517	4,623,805
Net cash generated from/(used in) investing activities	3,002,715	(1,855,943)
Effect of exchange rates on cash and cash equivalents	564,426	(29,300)
Increase (decrease) in cash and cash equivalents	2,815,319	(765,129)
Cash and cash equivalents - Beginning of period	12,643,996	6,555,249
Cash and cash equivalents - End of period	15,459,315	5,790,120

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, 2020 and 2019

(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 threatened a slowdown in the global economy as well as caused volatility in the global financial markets. While the full impact of COVID-19 on the global economy is uncertain, 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 5).

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”), Changfu Minco Mining Co. Ltd., formerly Foshan Minco Fuwan Mining Co. Ltd., (“Changfu Minco”), Zhongjia Jinggu Limited (“Zhongjia”), Minco Resource Limited (“Minco Resources”), Minco Mining (China) Corporation (“Minco China”), Tibet Miming Co. Ltd. (“Tibet Minco”), and its 51% interest in Mingzhong Mining Co. Ltd. (“Mingzhong”). Changfu Minco is subject to a 10% net profit interest held by Guangdong Geological Bureau (“GGB”) and the Company, indirectly through Changfu Minco, owns 90% of Zhongjia.

Information of the Company’s subsidiaries as at March 31, 2020 is as follows:

Name	Principal activities (ownership interest)	Country of Incorporation
Minco HK	Holding company (100%)	China
Changfu Minco	Exploring, evaluating and developing mineral properties (90%)	China
Zhongjia	Service company (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, 2019, 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, 2020.

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and 2019

(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, 2019.

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.

	March 31, 2020	December 31, 2019
	\$	\$
Cash	13,831,192	8,600,768
Cash equivalents	1,628,123	4,043,228
	15,459,315	12,643,996

As at March 31, 2020, cash and cash equivalents of \$5,275,878 (or RMB26,353,010) (December 31, 2019 - \$3,420,389, (or RMB 18,304,846)) resided in Mainland China. Under Chinese law, cash advanced to the Company's Chinese subsidiaries as registered share capital is maintained in the subsidiaries' registered capital bank account. Remittance of these funds back to Canada requires approvals by the relevant government authorities or designated banks in China or both.

4. Short-term investments

As at March 31, 2020, short-term investments consisted of the following:

	Currency	Amount (\$)	Maturity date	Interest rate
Corporate bond (i)	USD	-	January 11, 2019	6.125%
Term deposit	USD	1,594,128	December 20, 2020	2.3%
Term deposit (ii)	RMB	18,011,914	January 4, 2021	1.65% to 2.10%
Term deposit	CAD	610,000	December 16, 2020	2.35%
		20,216,043		

As at December 31, 2019, short-term investments consisted of the following:

	Currency	Amount (\$)	Maturity date	Interest rate
Corporate bond (i)	USD	-	January 11, 2019	6.125%
Term deposit	USD	1,459,402	December 20, 2020	2.3%
Term deposit (ii)	RMB	15,851,253	January 4, 2021	1.65% to 2.10%
Term deposit	CAD	1,538,013	March 16, 2020 to December 16, 2020	2.35%
		18,848,668		

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(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 the maturity date of January 15, 2019. This bond was in default since June 30, 2018. As at March 31, 2020 and December 31, 2019, the Company still had the corporate bond issued but fully written off this holding to \$Nil given it is uncertain to dispose 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.

5. Note receivable

During 2018, the Company entered into a preliminary agreement (the "Proposed Acquisition") to acquire 70% of the equity interests in Changing Longxin Mining Co., Ltd. ("Longxin Mining"), a Chinese mining company which holds a 100% interest in the Longwangshan Gold Mine. The estimated purchase price for the 70% equity interest in Longxin Mining under the preliminary agreement was a range of 147 to 168 million RMB (approximately \$28-32 million).

In conjunction with the Proposed Acquisition, on August 6, 2018, Minco China entered into a loan agreement with Longxin Mining and its shareholders pursuant to which Minco China provided the shareholders of Longxin Mining with a loan of \$14,630,621 (73.8 million RMB) (the "Note").

The Note was due and payable six months from issuance, bears interest at the rate of 10% per annum, and is secured by 100% equity interest in Longxin Mining and all assets of the Longwangshan Gold Mine. In addition, the Note is guaranteed by both Longxin Mining's shareholders and a real estate company controlled by them. The Note was meant to form part of the consideration for the Proposed Acquisition.

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

During the year ended December 31, 2019, Minco China received:

- interest payments of \$1,389,577 (RMB 7 million),
- reimbursement of \$396,500 (RMB 2 million) for the Company's due diligence cost in connection with the Proposed Acquisition,
- Repayment of a partial principal of \$729,947 (RMB 3.8 million).

In January 2020, the Company received \$2,162,162 (RMB 10.8 million) of repayment of a partial principal and \$798,292 (RMB 4.2 million) of the payment of interest accrued up to December 31, 2019.

As at March 31, 2020, the amount of the outstanding Note principal was \$11,851,852 (RMB 59.2 million) (December 31, 2019: \$13,079,993 (RMB 70 million)), and the amount of accrued interest was \$351,257 (RMB 1.8 million) (December 31, 2019: \$798,292 (RMB 4.2 million)) which was included in the Company's receivable.

This Note receivable came due on December 31, 2019. The Company is working on an extension agreement of the Note with shareholders of Longxin Mining, which was delayed due to the impact of COVID-19. The Note continues to be secured by a 100% equity interest in Longxin Mining, all assets of the Longwangshan Gold Mine and personal guarantees provided by shareholders of Longxin Mining.

Subsequent to the three months ended March 31, 2020, the Company further received \$1 million (RMB 5 million), of which \$365,019 (RMB 1.8 million) was the payment of interest accrued up to March 31, 2020 and \$635,982 (RMB 3.2 million) was repayment of a partial principal.

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and 2019

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

6. Mineral interests

The Company has experienced a delay in the renewal of exploration permits of Fuwan Silver Deposit, which expired in July 2017. The exploration permit of the Changkeng Gold Project expired in September 2019. The Company is applying for a renewal; however, the likelihood of getting this approval is unknown. Based on the experience and the current status of the renewal application of Fuwan Silver Deposit, the company expects the permit renewal application for the Changkeng Gold Project may be subject to similar delays. The continued delays in receipt of the renewed exploration permits has been considered as an impairment indicator by the Company leading to a test of the recoverable amount of the Fuwan Silver and Changkeng Gold Project, which resulted in impairment losses of \$60,246,258 during the year ended December 31, 2019. A value in use calculation is not applicable as the Company does not have any expected cash flows from using these mineral properties at this stage of operations. In estimating the fair value less cost of disposal, management did not have observable or unobservable inputs to estimate the recoverable amount greater than \$Nil. As this valuation technique requires management's judgment and estimates of the recoverable amount, it is classified within Level 3 of the fair value hierarchy.

Fuwan Silver Project

Minco Silver has a 90% interest in Changfu Minco, the Company's operating subsidiary in China and permit holder for the Fuwan Silver Project, subject to a 10% net profit interest held by GGB. There will be no distributions to, or participation by, GGB, until such time as Minco Silver's investment in the project is recovered. GGB is not required to fund any expenditures related to the Fuwan Silver Project. The Exploration Permit for the Fuwan Silver Project is the Luoke-Jilinggang exploration permit, which expired on July 20, 2017. Although the Company has fully impaired the Fuwan Silver Deposit, the renewal application for the Luoke-Jilinggang exploration permit is still on-going and the Company intends to renew and keep the title of this mineral interest in good standing.

Changkeng Gold Project

The Company holds a 51% interest in Mingzhong which owns the Changkeng Gold Project. The Changkeng Gold Project immediately adjoins the Fuwan Silver Project.

The Changkeng exploration permit expired on September 10, 2019. Although the Company has fully impaired the Changkeng Gold Project on September 30, 2019, the renewal application for the Changkeng project exploration permit is still on-going and the Company intends to renew and keep the title of this mineral interest in good standing.

The company is also focus on the acquisition of advanced high quality mineral projects around the world. During the three months ended March 31, 2020, the Company expensed \$199,918 (2019: 159,820) of field office salary, consulting, insurance and general administration expenses, and capitalized \$Nil of mineral interests (2019: \$421,879). During the three months ended March 2020, the Company also spent \$22,500 (2019: recovered \$388,571) on property investigation.

7. Leases

The Company's recognized right-of-use assets and liabilities were 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 be ended on April 30, 2023. The Company also entered into a lease agreement with the Company's CEO for a shared office located in Beijing, China (note 10(b)). The lease started on April 1, 2019 and will be ended on August 31, 2021.

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and 2019

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

7. Leases (continued)

Such leases were classified as operating leases under IAS 17. The right-of-use assets and lease obligations were measured at the present value of the lease payments and discounted using an incremental borrowing rate of 8%

a) Right-of-use assets

The continuity of the right-of-use assets as at March 31, 2020 and December 31, 2019 is as follows:

	Vancouver	Beijing	Total
	\$	\$	\$
Right-of-use assets, January 1, 2019	136,238	-	136,238
Addition	-	344,733	344,733
Amortization	(27,184)	(142,648)	(169,832)
Right-of-use assets, December 31, 2020	109,054	202,085	311,139
Change to the lease terms	(4,941)	-	(4,941)
Amortization	(7,809)	(30,446)	(38,255)
Unrealized foreign exchange	-	7,647	7,647
Right-of-use assets, March 31, 2020	96,304	179,286	275,590

b) Lease obligation

The continuity of the lease obligation as at March 31, 2020 and December 31, 2019 is as follows:

	Vancouver	Beijing	Total
	\$	\$	\$
Lease liability recognized, January 1, 2019	135,919	-	135,919
Addition	-	344,733	344,733
Interest accretion	10,874	27,579	38,453
Lease payment made	(38,234)	(114,292)	(152,526)
Lease obligation recognized, December 31, 2019	108,559	258,020	366,579
Change to lease terms	(4,941)	-	(4,941)
Interest accretion	1,972	4,690	6,662
Lease payments	(8,561)	(41,613)	(50,174)
Unrealized foreign exchange	-	11,386	11,386
Lease obligation, March 31, 2020	97,029	232,483	329,512
Lease obligation, current	28,285	161,359	189,644
Lease obligation, non-current	68,744	71,124	139,868

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

	Vancouver	Beijing	Total
	\$	\$	\$
Less than one year	34,796	172,973	207,769
Beyond one year	74,394	72,072	146,466
	109,190	245,045	354,235

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Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and 2019

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

7. Leases (continued)

c) Amounts recognized in Statement of Loss

For the three months ended March 31, 2020	Vancouver	Beijing	Total
	\$	\$	\$
Interest on lease obligation	1,972	4,690	6,662
Rent expenses related to short-term leases (i)	-	5,548	5,548
Rent expenses related to low-value leases (ii)	526	3,489	4,015
Amortization	7,809	30,446	38,255

For the three months ended March 31, 2019	Vancouver	Beijing	Total
	\$	\$	\$
Interest on lease obligation	4,594	-	4,594
Rent expenses related to short-term leases (i)	-	5,320	5,320
Rent expenses related to low-value leases (ii)	526	4,691	5,217
Amortization	9,588	-	9,588

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

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

8. Non-controlling interest (“NCI”)

Below is a summary of the financial information of Mingzhong:

Summary of financial positions:

	March 31, 2020	December 31, 2019
NCI percentage	49%	49%
	\$	\$
Current assets	319,080	325,253
Current liabilities	(1,029,673)	(964,152)
Net current liabilities	(710,593)	(638,899)
Non-current asset	7,403	6,998
Net liabilities	(703,190)	(631,901)
Accumulated NCI	(1,185,104)	(1,175,134)

Summary of income statements:

	Three months ended March 31, 2020	2019
	\$	\$
Net loss	25,180	23,506
Loss allocated to NCI (49%)	12,338	11,518

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Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and 2019

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

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

Summary of statements of cash flows:

	Three months ended March 31,	
	2020	2019
	\$	\$
Cash outflows from operating activities	(28,290)	(26,152)
Cash outflows from investing activities	-	(9,017)

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 2020 and the year ended December 31, 2019, the Company received \$Nil from the minority shareholders. As at March 31, 2020, the amount of \$355,435 (December 31, 2019 - \$331,746) was remaining in Mingzhong’s payable account.

9. 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, 2020, there were no stock options granted. During the year ended December 31, 2019, the Company granted 1,500,000 stock options to purchase common shares to employees, consultants and directors at an exercise price of \$0.57 per common share. These options vest over an 18 month period from the grant date and expire on February 1, 2024.

During the three months ended March 31, 2020, the Company expensed \$51,793 of the stock option component as the share-based compensation. During the three months ended March 31, 2019, the Company recorded \$179,972 of the stock option component as the share-based compensation, of which \$154,420 was recorded as operating expenses and \$25,552 was capitalized to the mineral interests.

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Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and 2019

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

9. Share capital (continued)

A continuity of the options outstanding is as follows:

	Number outstanding	Weighted average exercise price
	#	\$
Balance, January 1, 2019	6,396,337	1.05
Granted	1,500,000	0.57
Exercised	(141,002)	0.48
Expired	(565,000)	0.80
Forfeited	(70,000)	0.96
Balance, December 31, 2019	7,120,335	0.98
Exercised	(27,333)	0.57
Expired	(41,667)	1.10
Balance, March 31, 2020	7,051,335	0.98

For the three months ended March 31, 2020, the weighted average share price on the days options exercised was \$0.98 (2019 - \$Nil). As at March 31, 2020, there was \$37,328 (December 31, 2019 - \$77,412) 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
\$	#		\$	#	\$
0.42 – 0.50	593,335	0.47	0.42	593,335	0.42
0.51 – 0.57	1,385,000	3.84	0.57	898,327	0.57
0.58 – 0.69	1,723,000	2.87	0.69	1,723,000	0.69
0.70 – 1.40	3,350,000	1.89	1.40	3,350,000	1.40
	7,051,335	2.39	0.98	6,564,662	1.01

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9. Share capital (continued)

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

	Three months ended March 31,	
	2020	2019
Risk-free interest rate	-	1.85%
Dividend yield	-	0%
Volatility	-	79% - 82%
Forfeiture rate	-	23%
Estimated expected lives	-	5 years

Option pricing models require the use of subjective estimates and assumptions including the expected stock price volatility. The stock price volatility is calculated based on the Company's historical volatility. Changes in the underlying assumptions can materially affect the fair value estimates.

Performance share units ("PSU")

A summary of the PSUs outstanding is as follows:

	Number outstanding	Fair value per unit
	#	\$
Balance, January 1, 2019 and December 31, 2019	950,000	1.40
Expired	(950,000)	1.40
Balance, March 31, 2020	-	-

On February 20, 2017, the Company granted 1,000,000 PSUs to employees and consultants of the Company, whereby 50% of these PSU vest upon the receipt of the final approval for the Environmental Impact Assessment (EIA) report for the Fuwan Silver Project, the Changkeng Gold Project or the Combination of both. The remaining 50% vests upon the receipt of the mining license issued by Ministry of Land and Resources ("MOLAR") for the Fuwan Silver Project, the Changkeng Gold Project, or the combination of both (collectively the "Performance Criteria").

PSU are vested when each of the Performance Criteria is met on or before February 20, 2020, the end of the three-year performance cycle. Each PSU will become one common share of the Company when it is vested.

The fair value of the PSU's was estimated as \$1.40 per unit at the grant date based on the share price on that date. The Company recognizes compensation expenses equal to the market value of the PSU granted over the vesting period using the Black-Scholes option pricing model taking into consideration forfeiture estimates made based on the Company's history.

During 2019, the Company fully impaired the Fuwan Silver Project and Changkeng Gold Project. Management decided the performance criteria would not be met before the expiry. Consequently, the share-based compensation recorded to the Company's statement of operation and to the share-based compensation capitalized to mineral interests from fiscal 2017 up to the September 30, 2019 had been reversed.

These 950,000 PSU expired in February 2020.

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10. Related party transactions

(a) Key management compensation

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

During the three months ended March 31, 2020 and 2019, the following compensation and benefit were paid to or accrued for the key management.

	Three months ended March 31,	
	2020	2019
	\$	\$
Senior management remuneration and benefit	171,139	148,769
Directors' fees	17,250	19,500
Share-based compensation	36,018	122,412
	<u>224,407</u>	<u>290,681</u>

(b) Rental agreement with the CEO

On April 1, 2019, the Company's wholly owned subsidiary, Minco China, entered into a lease agreement with the Company's CEO for the use of an office in Beijing, China with an effective date on April 1, 2019 and expiry date on August 31, 2021. The monthly rent is \$17,340 (RMB 90,000), of which 20% was shared with and paid by HempNova Lifetech Corporation ("HempNova") during the three months ended March 31, 2020. Pursuant to the lease agreement, the Company also pays lease improvement expenses. As at March 31, 2020, there was \$153,761 (RMB 768,000) of prepaid lease improvement expenses remained.

(c) Shared office expenses

Minco Silver, 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.

(d) Due to and due from related parties

	March 31, 2020	December 31, 2019
	\$	\$
Due to:		
Companies owned by the CEO and the CFO	(21,387)	(58,116)
Minco Capital - reimbursement of shared expenses	(35,696)	(19,153)
Total	<u>(57,083)</u>	<u>(77,269)</u>
Due from:		
MBM – reimbursement of shared expenses	58,172	6,079
HempNova – reimbursement of shared expenses	171,837	-
Total	<u>230,009</u>	<u>6,079</u>

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)

10. Related party transactions (continued)

During the three months ended March 31, 2020, the Company paid or accrued \$9,088 (March 31, 2019 – \$10,798) in respect of rent and \$65,276 (March 31, 2019 – \$66,917) in respect of shared head office expenses and administration costs to Minco Capital.

(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, 2020, the amount held by Minco Yinyuan in trust for Minco China was \$171,240 (December 31, 2019 - \$177,535).

11. 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, 2020	Canada	China	Total
	\$	\$	\$
Current assets	12,531,139	36,348,894	48,880,033
Non-current assets	25,047	373,324	398,371

As at December 31, 2019	Canada	China	Total
	\$	\$	\$
Current assets	12,318,076	33,561,570	45,879,646
Non-current assets	136,187	301,775	437,962

12. Financial instruments and fair value measurements

The Company does not have instruments measured at fair value. 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:

Amortized cost financial assets	March 31, 2020	December 31, 2019
	\$	\$
Cash and cash equivalents	15,459,315	12,643,996
Short-term investments	20,216,043	18,848,668
Note receivable	11,851,852	13,079,993
Receivables	674,306	922,227
Due from related parties	230,009	6,079

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12. Financial instruments and fair value measurements (continued)

Amortized cost financial liabilities	March 31, 2020	December 31, 2019
	\$	\$
Due to related party	57,083	77,269
Accounts payable and accrued liabilities	228,365	308,158
Due to minority shareholders	355,435	331,746
Lease obligations, current	189,644	152,526
Lease obligations, non-current	139,868	214,053

13. Subsequent events

a) Subsequent to March 31, 2020, the Company anticipated a private placement investment in 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. The Company's investment represented approximately 12.7% of the issued and outstanding common shares of HempNova after closing of the HempNova private placement. HempNova is involved in the business of hemp processing in Oregon, USA and has certain directors and management in common with the Company.

The Company acquired the HempNova shares for investment purposes and funding for the investment in HempNova was sourced from surplus cash held by the Company. The investment does not alter the Company's business focus on exploration and development of mineral properties.

b) In April 2020, the Company granted 1,500,000 stock options to purchase common shares to employees, consultants and directors at an exercise price of \$0.455 per common share. These options vest over an 18 month period from the grant date and expire on April 6, 2025.