

Minco Silver Corporation

Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 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

November 13, 2020

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Minco Silver Corporation

Condensed Consolidated Interim Statements of Financial Position

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

	September 30, 2020	December 31, 2019
Assets	\$	\$
Current assets		
Cash and cash equivalents (note 3)	13,423,260	12,643,996
Short-term investments (note 4)	19,139,931	18,848,668
Note receivable (note 5)	9,658,042	13,079,993
Receivables	1,329,055	922,227
Due from related parties (note 11)	22,193	6,079
Prepaid expenses and deposits	212,083	378,683
	43,784,564	45,879,646
Investment accounted for using the equity method (note 7)	2,801,746	-
Right-of-use assets (note 8)	194,437	311,139
Property, plant and equipment	445,628	126,823
Total assets	47,226,375	46,317,608
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	249,616	308,158
Due to minority shareholders (note 9)	348,514	331,746
Due to related parties (note 11)	5,250	77,269
Lease obligation, current (note 8)	180,166	152,526
	783,546	869,699
Deferred tax liabilities	196,200	196,200
Lease obligation, non-current (note 8)	53,451	214,053
	1,033,197	1,279,952
Equity		
Equity attributable to owners of the parent		
Share capital (note 10)	107,812,327	107,650,215
Contributed surplus	27,466,531	27,172,197
Accumulated other comprehensive income	3,357,514	1,922,388
Deficit	(91,221,653)	(90,532,010)
	47,414,719	46,212,790
Non-controlling interest (note 9)	(1,221,541)	(1,175,134)
Total liabilities and equity	47,226,375	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 Loss

For the three and nine months ended September 30, 2020 and 2019

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Operating expenses				
Audit, legal and regulatory	48,864	53,284	209,563	188,854
Amortization	49,083	63,581	147,776	152,685
Consulting	11,250	15,197	41,805	53,803
Directors' fees	19,500	20,250	64,500	56,250
Field and permitting expenses (note 6)	153,238	120,566	759,778	408,598
Interest expense (note 8)	4,882	11,823	17,387	27,454
Investor relations	1,053	451	4,218	5,160
Office administration expenses	39,305	38,363	114,747	118,828
Property investigation expenses (recovery)	22,500	20,806	67,500	(344,288)
Rent (note 8)	13,169	6,809	34,469	30,796
Salaries and benefits	140,078	57,826	403,910	180,509
Share-based compensation (note 10)	150,304	(29,258)	342,619	314,854
Travel and transportation	19,737	19,944	27,552	133,151
	672,963	399,642	2,235,824	1,326,654
Loss before the following	(672,963)	(399,642)	(2,235,824)	(1,326,654)
Finance and other income (expenses)				
Impairment on mineral interests	-	(60,246,297)	-	(60,246,297)
Foreign exchange (loss) / gain	(154,123)	68,264	297,431	(226,530)
Gain on investment in marketable securities	51,510	-	77,770	-
Unrealized loss on investment in marketable securities	(2,667)	(79,395)	(2,667)	(84,352)
Interest income	374,202	557,981	1,278,626	1,724,576
Gain on disposal of subsidiary (note 2)	-	-	222,069	-
Loss before share of loss from equity investment	(404,041)	(60,099,089)	(362,595)	(60,159,257)
Share of loss from equity investment (note 7)	(304,269)	-	(374,783)	-
Net loss	(708,310)	(60,099,089)	(737,378)	(60,159,257)
Net loss attributable to:				
Shareholders of the Company	(695,856)	(48,304,796)	(689,643)	(48,343,031)
Non-controlling interest	(12,454)	(11,794,293)	(47,735)	(11,816,226)
	(708,310)	(60,099,089)	(737,378)	(60,159,257)
Loss per share, basic and diluted	(0.01)	(0.99)	(0.01)	(0.99)
Weighted average number of common shares outstanding, basic and diluted	61,003,507	60,726,970	60,922,118	60,712,155

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

Minco Silver Corporation

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

For the three and nine months ended September 30, 2020 and 2019

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Net loss for the period	(708,310)	(60,099,089)	(737,378)	(60,159,257)
Other comprehensive income (loss)				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation from functional to presentation currency	624,834	(2,535,517)	1,677,461	(6,277,575)
Share of comprehensive loss from equity Investment (note 7)	(29,604)	-	(18,938)	-
Exchange difference on translation of disposed subsidiary	-	-	(222,069)	-
Comprehensive (loss) / income for the period	(113,080)	(62,634,606)	699,076	(66,436,832)
Shareholders of the Company	(100,475)	(50,526,292)	745,483	(53,850,925)
Non-controlling interest	(12,605)	(12,108,314)	(46,407)	(12,585,907)
	(113,080)	(62,634,606)	699,076	(66,436,832)

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, 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 loss for the period	-	-	-	-	(48,343,031)	(48,343,031)	(11,816,226)	(60,159,257)
Adoption of IFRS 16	-	-	-	-	(6,071)	(6,071)	-	(6,071)
Other comprehensive loss	-	-	-	(5,507,894)	-	(5,507,894)	(769,681)	(6,277,575)
Issuance of shares	66,667	58,412	(22,912)	-	-	35,500	-	35,500
Share-based compensation	-	-	108,059	-	-	108,059	-	108,059
Balance – September 30, 2019	60,771,415	107,597,093	27,108,538	1,837,211	(90,166,786)	46,376,056	(1,238,268)	45,137,788
Balance - January 1, 2020	60,845,750	107,650,215	27,172,197	1,922,388	(90,532,010)	46,212,790	(1,175,134)	45,037,656
Net loss for the period	-	-	-	-	(689,643)	(689,643)	(47,735)	(737,378)
Other comprehensive income	-	-	-	1,435,126	-	1,435,126	1,328	1,436,454
Share of reserve from equity investment (note 7)	-	-	15,467	-	-	15,467	-	15,467
Issuance of shares	179,333	162,112	(63,752)	-	-	98,360	-	98,360
Share-based compensation	-	-	342,619	-	-	342,619	-	342,619
Balance – September 30, 2020	61,025,083	107,812,327	27,466,531	3,357,514	(91,221,653)	47,414,719	(1,221,541)	46,193,178

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, 2020 and 2019

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

	Nine months ended September 30,	
	2020	2019
	\$	\$
Operating activities		
Net loss for the period	(737,378)	(60,159,257)
Adjustments for:		
Amortization	147,776	152,685
Foreign exchange (gain) / loss	(297,431)	226,530
Gain on disposal of subsidiary	(222,069)	-
Impairment on mineral interests	-	60,246,297
(Gain) / Loss on short-term investments	(77,770)	-
Unrealized loss on investment	2,667	84,352
Share of loss on equity investment	374,783	-
Interest income	(1,278,626)	(1,724,576)
Interest expense	17,387	27,454
Share-based compensation	342,619	314,854
Changes in items of working capital:		
Accounts payable and accrued liabilities	(65,677)	(43,514)
Due to / from related parties	(87,616)	160,763
Prepaid expenses and deposits	180,304	80,365
Receivables	7,148	320,898
Net cash used in operating activities	(1,693,883)	(313,149)
Financing activities		
Repayment of lease obligations	(151,323)	(134,237)
Proceeds from stock option exercises	98,360	35,500
Net cash used in financing activities	(52,963)	(98,737)
Investing activities		
Investment in an associate (note 7)	(3,180,000)	-
Development costs	-	(505,257)
Property, plant and equipment	(341,814)	1,123
Interest income received	927,642	1,383,564
Received of a promissory note (note 5)	4,083,075	705,147
Acquisition of investment in marketable securities	(155,117)	(2,787,000)
Purchase of short-term investments	(2,682,613)	(7,921,429)
Redemption of short-term investments	3,460,902	8,483,891
Net cash generated from (used in) investing activities	2,112,075	(639,961)
Effect of exchange rates on cash and cash equivalents	414,035	(283,782)
Increase (decrease) in cash and cash equivalents	779,264	(1,335,629)
Cash and cash equivalents – Beginning of period	12,643,996	6,555,249
Cash and cash equivalents – End of period	13,423,260	5,219,620

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 and nine months ended September 30, 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 and 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) and has limited the Company’s property investigation and acquisition.

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”), 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.

Information of the Company’s subsidiaries as at September 30, 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
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.

On June 15, 2020, the Company deregistered its subsidiary, Zhongjia Jingu Limited (“Zhongjia”). The Company indirectly through Changfu Minco and Tibet Minco invested RMB 8 million and RMB 2 million in Zhongjia, respectively. By the date of the deregistration, Zhongjia transferred \$1,481,804 (RMB 7,548,604) of cash and \$1,198 (RMB 6,101) of fixed assets to Changfu Minco, and \$370,451 (RMB 1,887,151) of cash and \$299 (RMB 1,525) of fixed assets to Tibet, respectively. The Company recognized an accumulated foreign exchange gain of \$222,069 on the disposal.

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2020 and 2019

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

2. Basis of preparation (continued)

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 November 13, 2020.

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.

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

3. Cash and cash equivalents

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

	As at September 30, 2020	As at December 31, 2019
	\$	\$
Cash	8,510,909	8,600,768
Cash equivalents	4,912,351	4,043,228
	13,423,260	12,643,996

As at September 30, 2020, cash and cash equivalents of \$7,381,790 (or RMB 37,604,315) (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 September 30, 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	1,498,842	December 20, 2020	2.3%
Term deposit (ii)	RMB	16,560,939	January 4, 2021	1.65% to 2.10%
Term deposit	CAD	1,010,000	May 1, 2021	0.95% to 1.7%
Investment in common shares (iii)	CAD	70,150		
		19,139,931		

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2020 and 2019

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

4. Short-term investments (continued)

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%
			March 16, 2020 to	
Term deposit	CAD	1,538,013	December 16, 2020	2.35%
		18,848,668		

- (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 September 30, 2018. As at September 30, 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.
- (iii) The Company invested in certain common shares from the open market. These investments are classified as fair-value-through-profit-or-loss (FVTPL) financial assets and valued at their fair value at inception and at each subsequent reporting period. During the nine months ended September 30, 2020, the Company invested a total of \$155,117, of which \$82,300 investment realized a gain of \$77,770 and \$72,817 investment recorded an unrealized loss of \$2,667. As such, the fair value of the remaining investments as at September 30, 2020 was \$70,150.

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

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,

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2020 and 2019

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

5. Note receivable (continued)

- Repayment of a partial principal of \$729,947 (RMB 3.8 million).

During the nine months ended September 30, 2020, Minco China received:

- interest payments of \$ 812,708 (RMB 4,200,000) for the interest accrued in 2019,
- Repayment of a partial principal of \$4,083,075 (RMB 20,800,000)

As at September 30, 2020, the amount of the outstanding Note principal was \$9,658,042 (RMB 49,200,000) (December 31, 2019: \$13,079,993 (RMB 70,000,000)), and the accrued interest included in the Company's receivable was \$967,898 (RMB 4,930,667) (December 31, 2019: \$798,292 (RMB 4,200,000)).

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.

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.

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Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2020 and 2019

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

6. Mineral interests (continued)

During the nine months ended September 30, 2020, the Company expensed \$759,778 (2019 - \$408,598) of field salary, consulting, insurance and general administration etc. expenses, of which \$113,071 was special service fees paid by Minco China pursuant to an agreement entered with Beijing YuRen law firm (“YuRen”). YuRen is engaged to claim compensation from the local government for not issuing LuoKe-Jilinggan permit and the Changkeng exploration permit.

The Company is also focus on the acquisition of advanced high-quality mineral projects around the world. During the nine months ended September 30, 2020, the Company also spent \$67,500 (2019 - recovered \$344,288) on property investigation.

7. Investment accounted for using the equity method

In May 2020, the Company participated a private placement investment in Hempnova Lifetech Corporation (“Hempnova”) by purchasing 7,950,000 common shares at a price of \$0.40 per share for a total investment amount of \$3,180,000. 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 industrial hemp related services and products and it was incorporated in British Columbia and conducts its principal business through its wholly owned subsidiary, Hempnova Lifetech (USA) Corp. that was incorporated in USA.

Management assessed and determined that the Company has significant influence on Hempnova despite its shareholding being below 20%. This is because the Company has the ability to influence decision making due to the fact that the Company and Hempnova have certain directors and management in common. As a result, the Company accounts for this investment using the equity method.

At an initial recognition as at May 13, 2020 then as at September 30, 2020, the Company owned 12.7% of Hempnova. The continuity of this investment is as follows:

	Total
	\$
January 1, 2020	-
Acquisition	3,180,000
Share of Hempnova’s loss	(374,783)
Share of Hempnova reserve	15,467
Share of other comprehensive income of Hempnova	(18,938)
September 30, 2020	2,801,746

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

	September 30, 2020
	\$
Cash	2,743,730
Other current assets	2,226,854
Non-current assets	12,044,444
Current liabilities	(347,612)
Non-current liabilities	(7,225,952)
Shareholders' equity	9,441,464
Minco Silver’s share in percentage	12.70%
Minco Silver’s share of net assets of Hempnova	1,199,066

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2020 and 2019

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

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

Reconciliation to carrying amounts:

Minco Silver's share of net assets of Hempnova	1,199,066
Goodwill	1,602,680
Carrying value of investment in Hempnova	2,801,746

A summary of Hempnova's income statement for the period from May 13, 2020 to September 30, 2020 is as follows:

	Hempnova	Minco Silver share
	\$	\$
Revenue	55,868	7,095
Net loss	(2,951,045)	(374,783)
Other comprehensive income	(149,124)	(18,938)
Comprehensive loss	(3,100,169)	(393,721)

Management assesses whether there is objective evidence that its investment in Hempnova is impaired. Management applies significant judgment in assessing whether indicators of impairment exist that would necessitate impairment testing. Loss events such as (i) significant financial difficulty of Hempnova and or (ii) significant changes with an adverse effect that have taken place in the market, economic or legal environment in which the Hempnova operates. As at September 30, 2020, there was no indicators of impairment for the investment in Hempnova.

8. 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 11(b)). The lease started on April 1, 2019 and will be ended on August 31, 2021.

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 September 30, 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	(23,424)	(91,739)	(115,163)
Unrealized foreign exchange	-	3,402	3,402
Right-of-use assets, September 30, 2020	80,689	113,748	194,437

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8. Leases (continued)

b) Lease obligation

The continuity of the lease obligation as at September 30, 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	5,509	11,878	17,387
Lease payments	(25,934)	(125,389)	(151,323)
Unrealized foreign exchange	-	5,915	5,915
Lease obligation, September 30, 2020	83,193	150,424	233,617
Lease obligation, current	29,742	150,424	180,166
Lease obligation, non-current	53,451	-	53,451

The maturity analysis of the Company's contractual undiscounted lease liabilities as at September 30, 2020 is as follows:

	Vancouver	Beijing	Total
	\$	\$	\$
Less than one year	35,095	155,471	190,566
Beyond one year	56,721	-	56,721
	91,816	155,471	247,287

c) Amounts recognized in Statement of Loss

For the three months ended September 30, 2020

	Vancouver	Beijing	Total
	\$	\$	\$
Interest on lease obligation	1,699	3,183	4,882
Rent expenses related to short-term leases (i)	-	10,702	10,702
Rent expenses related to low-value leases (ii)	118	2,349	2,467
Amortization	7,807	30,438	38,245

For the three months ended September 30, 2019

	Vancouver	Beijing	Total
	\$	\$	\$
Interest on lease obligation	3,445	8,378	11,823
Rent expenses related to short-term leases (i)	-	5,673	5,673
Rent expenses related to low-value leases (ii)	143	993	1,136
Amortization	9,588	43,330	52,918

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8. Leases (continued)

For the nine months ended September 30, 2020	Vancouver	Beijing	Total
	\$	\$	\$
Interest on lease obligation	5,509	11,878	17,387
Rent expenses related to short-term leases (i)	-	21,386	21,386
Rent expenses related to low-value leases (ii)	983	12,100	13,083
Amortization	23,424	91,739	115,163

For the nine months ended September 30, 2019	Vancouver	Beijing	Total
	\$	\$	\$
Interest on lease obligation	10,336	17,118	27,454
Rent expenses related to short-term leases (i)	-	23,263	23,263
Rent expenses related to low-value leases (ii)	983	6,550	7,533
Amortization	28,765	88,539	117,304

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

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

9. Non-controlling interest (“NCI”)

Below is a summary of the financial information of Mingzhong:

Summary of financial positions:

	September 30, 2020	December 31, 2019
NCI percentage	49%	49%
	\$	\$
Current assets	238,569	325,253
Current liabilities	(1,008,308)	(964,152)
Net current liabilities	(769,739)	(638,899)
Non-current asset	7,071	6,998
Net liabilities	(762,668)	(631,901)
Accumulated NCI	(1,221,541)	(1,175,134)

Summary of income statements:	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	\$	\$	\$	\$
Net loss	25,416	24,069,986	97,418	24,114,747
Loss allocated to NCI (49%)	12,454	11,794,293	47,735	11,816,226

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

Summary of statements of cash flows:

	Nine months ended September 30,	
	2020	2019
	\$	\$
Cash outflows from operating activities	(101,653)	(69,910)
Cash outflows from investing activities	-	(26,586)

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 nine months ended September 30, 2020 and the year ended December 31, 2019, the Company received \$Nil from the minority shareholders. As at September 30, 2020, the amount of \$348,514 (December 31, 2019 - \$331,746) was remaining in Mingzhong’s payable account.

10. Share capital

(a) Common Shares

Authorized: Unlimited number of common shares without par value.

(b) Long-term Incentive Plan

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

Stock Options

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

During the year ended December 31, 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 nine months ended September 30, 2020, the Company granted 1,500,000 stock options to purchase common shares to employees, consultants and directors at an exercise price of \$0.455 per common share. These options vest over an 18-month period from the grant date and expire on April 6, 2025.

During the nine months ended September 30, 2020, the Company recorded \$342,619 of the stock option component as the share-based compensation. During the nine months ended September 30, 2019, the Company recorded \$526,448 of the stock option component as the share-based compensation, of which \$459,199 was recorded as operating expenses and \$67,250 was capitalized to the mineral interests.

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2020 and 2019

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10. 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
Granted	1,500,000	0.46
Exercised	(179,333)	0.58
Expired	(563,335)	0.42
Forfeited	(414,667)	1.10
Balance, September 30, 2020	7,463,000	0.92

During the nine months ended September 30, 2020, the weighted average share price on the date options exercised was \$0.69 (2019 - \$Nil). As at September 30, 2020, there was \$153,447 (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
\$	#		\$	#	\$
0.455 – 0.50	1,480,000	4.51	0.46	-	-
0.51 – 0.69	2,858,000	2.79	0.64	2,858,000	0.64
0.70 – 1.40	3,125,000	1.39	1.40	3,125,000	1.40
	7,463,000	2.55	0.92	5,983,000	1.04

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10. Share capital (continued)

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, September 30, 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 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.

Impacts of the reversal are as follows:

	\$
Reversal of share-based compensation previously charged to the statement of operations	144,345
Reversal of capitalized share-based compensation within the Company's mineral interest (note)	274,044
A decrease in the Company's contributed surplus	418,389

These 950,000 PSU expired in February 2020.

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11. 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, 2020 and 2019, the following compensation and benefit were paid to or accrued for the key management.

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Senior management remuneration and benefit	170,824	171,681	510,478	450,153
Directors' fees	19,500	20,250	64,500	56,250
Share-based compensation	103,188	52,199	241,095	319,418
	293,512	244,130	816,073	825,821

During the three and nine months ended September 30, 2020, the Company paid \$33,121 (RMB 171,165) of medical insurance for the Company's CEO in China, of which \$30,361 was included in prepaid expenses and \$2,760 was included in the senior management remuneration and benefit expenses.

(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 \$17,415 (RMB 90,000), of which 20% was shared with and paid by Hemnova during the nine months ended September 30, 2020.

Pursuant to the lease agreement, the Company also need to pay lease improvement expenses. During the nine months ended September 30, 2020, the Company recorded the lease improvement in progress of \$346,761 (RMB 1,766,468), of which \$196,544 (RMB 1,001,232) was paid during the nine months ended September 30, 2020 and \$150,217 (RMB 765,236) was prepaid during the year ended December 31, 2019. During the nine months ended September 30, 2019, the Company paid the lease improvements of \$88,449 (RMB 456,614) which was included in mineral interests.

(c) Shared office expenses

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

During the three months ended September 30, 2020, the Company paid or accrued \$8,930 (September 30, 2019 – \$10,931) in respect of rent and \$61,743 (September 30, 2019 – \$51,213) in respect of shared head office expenses and administration costs to Minco Capital.

During the nine months ended September 30, 2020, the Company paid or accrued \$26,517 (September 30, 2019 – \$31,983) in respect of rent and \$187,052 (September 30, 2019 – \$175,077) in respect of shared head office expenses and administration costs to Minco Capital.

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11. Related party transactions (continued)

(d) Due to and due from related parties

	September 30, 2020	December 31, 2019
	\$	\$
Due to:		
Companies owned by the CEO	-	(58,116)
A director	(5,250)	-
Minco Capital - reimbursement of shared expenses	-	(19,153)
Total	(5,250)	(77,269)
Due from:		
MBM – reimbursement of shared expenses	22,193	6,079

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

(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 September 30, 2020, the amount held by Minco Yinyuan in trust for Minco China was \$162,965 (December 31, 2019 - \$177,535).

12. 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 September 30, 2020	Canada	China	Total
	\$	\$	\$
Current assets	8,638,887	35,145,677	43,784,564
Non-current assets	2,903,312	538,499	3,441,811
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

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13. Financial instruments and fair value measurements

The Company measured its investments in common shares from the open market at their fair value at inception and at each subsequent reporting period. Fair values of financial instruments not measured at fair value approximate their carrying value due to their short-term nature.

The Company's financial instruments are as follows:

	September 30, 2020	December 31, 2019
	\$	\$
Fair value through profit and loss		
Short-term investment at fair value (level 1)	70,150	-
Amortized cost financial assets		
Cash and cash equivalents	13,423,260	12,643,996
Short-term investments	19,069,781	18,848,668
Note receivable	9,658,042	13,079,993
Receivables	1,329,055	922,227
Due from related parties	22,193	6,079
Amortized cost financial liabilities		
	\$	\$
Due to related party	5,250	77,269
Accounts payable and accrued liabilities	249,616	308,158
Due to minority shareholders of a subsidiary	348,514	331,746
Lease obligations, current	180,166	152,526
Lease obligations, non-current	53,451	214,053