MINCO SILVER CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020

This Management's Discussion and Analysis ("MD&A") of Minco Silver Corporation ("we", "our", "us", "Minco Silver" or the "Company") has been prepared by management on the basis of available information up to March 29, 2021, and should be read in conjunction with the audited consolidated financial statements and related notes for the most recent year ended December 31, 2020. The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Except as noted, all financial amounts are expressed in Canadian dollars. All references to "$" and "dollars" are to Canadian dollars, all references to "US$" are United States dollars and all references to "RMB" are Chinese Renminbi. Some dollar amounts are rounded in thousands ('000) for discussion purposes.

Additional information regarding the Company, including the above mentioned audited financial statements for the year ended December 31, 2020 and Annual Information Form ("AIF") for the same period, which contain extensive disclosure of the history and properties of the Company, are available under the Company's profile on SEDAR at www.sedar.com.

Refer to Note 3 of the audited consolidated financial statements for the year ended December 31, 2020 for details of the Company's significant accounting policies.

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

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

As at December 31, 2020, the Company had the following Chinese subsidiaries: Minco Investment Holding HK Ltd. ("Minco HK"), Minco Resource Limited ("Minco Resources"), Minco Mining (China) Co. Ltd. ("Minco China"), Changfu Minco Mining Co. Ltd., ("Changfu Minco"), Tibet Minco Mining Co. Ltd. ("Tibet Minco"), and its 51% interest in Mingzhong Mining Co. Ltd. ("Mingzhong"). Changfu Minco is subject to a 10% net profit interest held by Guangdong Geological Bureau ("GGB") and the Company.

At the date of this MD&A, the Company has 61,025,083 common shares and 7,463,000 stock options outstanding.

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1. Highlights for the Year

During the year ended December 31, 2020:

(1) the coronavirus ("COVID-19") has caused a slowdown in the global economy as well as caused volatility in the global financial markets. During the year it has limited the Company's property investigation and acquisition activities. Continuing rapid spread of COVID-19 may have an adverse effect on the Company's financial position, results of operations and cash flows in future periods. In particular, there may be increased risk of the recoverability of the Company's outstanding note receivable.

(2) the Company received $4 million (RMB 20.8 million) of repayment of the partial principal of the loan ("Note") from Longxin Mining Co., Ltd., $783,000 (RMB 4.2 million) of the payment of interest accrued up to December 31, 2019, and $976,000(RMB 5.0 million) of the payment of interest accrued in 2020.

As at December 31, 2020, the amount of the outstanding Note principal was $9,589,000 (RMB 49.2 million) (December 31, 2019: $13,080,000 (RMB 70 million)), and the amount of accrued interest included in the Company's receivable was $284,000 (RMB 1.4 million) (December 31, 2019: $798,000 (RMB 4.2 million)).

This Note receivable is due on March 31, 2021 and is 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. The value of the collateral held by the Company for the Note exceeds the outstanding amounts.

(3) 1,500,000 stock options were granted in April 2020 to the Company's 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 with an expiry date on April 6, 2025.

(4) the Company announced a change of management. The Former Chief Financial Officer ("CFO"), Larry Tsang, retired, and Ms. Melinda Hsu was appointed as the new CFO, effective April 1, 2020.

(5) the Company participated in a private placement investment in HempNova Lifetech Corporation ("Hempnova") in May 2020 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. 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 the surplus cash held by the Company. The investment does not alter the Company's business focus on exploration and development of mineral properties.

(6) On June 15, 2020, the Company deregistered its Chinese subsidiary, Zhongjia Jingu Limited ("Zhongjia") due to reorganization. The Company indirectly through its subsidiaries, Changfu Minco and Tibet Minco, invested RMB 8 million (80%) and RMB 2 million (20%) in Zhongjia, respectively. Before the date of the deregistration, Zhongjia transferred $1,471,000 (RMB 7,548,604) of cash and $1,200 (RMB 6,101) of equipment to Changfu Minco, and $368,000 (RMB 1,887,151) of cash and $300 (RMB 1,525) of equipment to Tibet Minco, respectively.

(7) During 2020, the Company applied to reduce the registered capital of Minco China by US $20 million from US $60 million to US $40 million. After a long working process, the application was approved by various Chinese government agencies. Such funds are only allowed to be converted from RMB and wired out from mainland China once together, not by installments. The Company plans to wire the fund once sufficient RMB term-deposits have matured and/or the outstanding Note principal repayment received.

(8) During 2020, the Company invested in certain common shares in the public market, which realized a gain of $77,770 and recorded an unrealized gain of $24,996 as at December 31, 2020. Subsequent to the year ended December 31, 2020, the Company further increased the investments in equity in the public market, using the Company's surplus cash held, for a total cost of $2.2 million. Such investments do not alter the Company's business focus on exploration and development of mineral properties.

(9) In late November 2020, the Company received the new exploration permit on the Changkeng Gold Project for two years with an expiry date of November 21, 2022. In early March 2021, the Company received the new exploration permit on the Fuwan Silver Project for five years with an expiry date of March 8, 2026. Now that both exploration permits have been renewed, the Company plans to resume its permitting, obtaining a mining license and exploration activities on its Changkeng Gold Project and Fuwan Silver Projects.

2. Exploration and Project Development Activities

2.1 Impairment

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

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.

A summary of the capitalized expenditures and impairment of the Fuwan Silver Project is as follows:

	2020	2019
	$	$
Opening Balance – January 1	-	38,506,444
Consulting fees	-	120,010
Salaries and benefits	-	130,551
Share-based compensation	-	(103,397)
Others	-	102,128
Effect of change in the exchange rate with RMB	-	(2,557,978)
Impairment	-	(36,197,758)
Ending Balance – December 31	-	-

A summary of the capitalized expenditures and impairment of the Changkeng Gold Project is as follows:

	2020	2019
	$	$
Opening Balance – January 1	-	25,577,061
Consulting fees	-	120,010
Salaries and benefits	-	26,320
Share-based compensation	-	(103,397)
Effect of change in the exchange rate with RMB	-	(1,571,494)
Impairment	-	(24,048,500)
Ending Balance – December 31	-	-

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

2.2 Disclosure of Technical Information

Technical information or other scientific information of the Fuwan Silver Project are disclosed in two Technical Reports, which are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com under the Company's profile or on the Company's website at www.mincosilver.com.

The following is a summary:

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

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

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

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

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

The Fuwan Silver Project and the Changkeng Gold Project is located in a major part of the northeast-trending Fuwan silver belt which hosts the known gold and silver occurrences in the Sanzhou basin. The Company is evaluating the Fuwan Project and the Changkeng Project for further exploration and development or for sale.

2.3 Fuwan Silver Project

The Company, through Changfu Minco, had reconnaissance survey exploration permit, Luoke-Jilinggan Permit, in the Fuwan area, covering an area located in Gaoming County approximately 45 km southwest of Guangzhou, the fourth largest city in China with more than 14 million people and the capital city of Guangdong Province.

The Luoke- Jilinggang Permit expired on July 20, 2017 and the renewal application was submitted. The process was slow, but in early March 2021 the Company received the new exploration permit on the Fuwan Silver Project for five years with an expiry date of March 8, 2026.

2.4 Changkeng Gold Project

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

The Changkeng exploration permit expired in September 2019. In late November 2020, the Company received the new exploration permit on the ChangKeng Gold Project for two years with expiry date on November 21, 2022.

2.5 Exploration Costs

As at September 30, 2019, the Company impaired $60 million of capitalized exploration and evaluation costs incurred on the Fuwan Silver Project and Changkeng Gold Project as a result of the delay and uncertainty in the renewal of exploration permits. Subsequent to September 30, 2019, the Company has expensed all permitting, exploration and evaluation costs until further review on the potential of the projects.

The Company expensed $1,028,000 during the year ended December 31, 2020 and $726,000 during the quarter ended December 31, 2019 in salary, consulting, permitting, insurance and general administration etc. costs related to the field office and projects, of which $133,609 in 2020 was special service fees paid by Minco China pursuant to an agreement entered into 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.

2.6 Potential Property Investigation

The Company is also focused on the acquisition of advanced high-quality mineral projects around the world with merit for exploration and development. During the year ended December 31, 2020, the Company searched and evaluated certain potential mineral properties over the world, mainly in North America, South America, Australia and Africa. The COVID-19 travel restriction limited onsite visiting for such evaluation and investigation.

During the year ended December 31, 2020, the Company spent $95,000 (2019 - recovered $304,000) on property investigation.

3. Selected Annual Information and Summary of Quarterly Results

3.1 Selected Annual Information

	2020	2019	2018
	$	$	$
Revenue	-	-	-
Net loss	(1,210,050)	(60,546,222)	(170,695)
Loss per share (basic and diluted)	(0.02)	(1.00)	(0.00)
Total assets	47,149,659	46,317,608	112,098,110
Total long-term financial liabilities	109,628	410,253	-
Cash dividends	-	-	-

3.2 Summary of Quarterly Results

	Income (loss) attributable to shareholders	Earnings (loss) per share Basic	Diluted
	$	$	$
12-31-2020	(218,637)	(0.00)	(0.00)
09-30-2020	(695,856)	(0.01)	(0.01)
06-30-2020	(636,912)	(0.01)	(0.01)
03-31-2020	643,125	0.01	0.01
12-31-2019	(371,614)	(0.00)	(0.00)
09-30-2019	(48,304,796)	(0.80)	(0.80)
06-30-2019	(235,051)	(0.00)	(0.00)
03-31-2019	196,816	0.00	0.01

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

Total assets increased by $832,000 to $47,150,000 as at December 31, 2020 compared to $46,318,000 as at December 31, 2019 mainly due to the realized and unrealized gain on investment, interest income from the note receivable, and the appreciation of the USD and RMB against the Canadian dollar during the year, which offset the operating expenses that increased in 2020.

Total assets as at December 31, 2019 decreased by $65.8 million compared to December 31, 2018 primarily due to $60 million of impairment on mineral interests and $4 million of effect of depreciation in the exchange rate with RMB. Such impairment and foreign exchange depreciation were also reflected in the quarter ended September 30, 2019.

As at December 31, 2020 and 2019, the long-term financial liabilities were mainly due to deferred tax liabilities and non-current lease obligations which were $Nil as at December 31, 2018.

Net income of $643,000 for the quarter ended March 31, 2020 compared to net losses at most quarters was mainly due to $680,000 of foreign exchange gain and $485,000 of interest income, offset $534,000 of administration expenses.

4. Results of Operations

The Company's working capital was $41,880,000 at the end of the fourth quarter as at December 31, 2020 compared to $43,001,000 at the end of the third quarter as at September 30, 2020. The decrease of $802,802 was due primarily to the operating expenses during the fourth quarter of 2020.

4.1 Operating Result Comparison for the Three Months Ended December 31, 2020 and 2019

For the quarter ended December 31,	2020	2019	Change
	$	$	$
Operating expenses	(762,237)	(893,464)	131,227
Other income and expenses	170,970	758,875	(587,905)
Income tax expenses	(186,296)	(252,376)	66,080
Share of income of equity investment	526,960	-	526,960
Net loss	(250,603)	(386,965)	136,362

Net loss for the three months ended December 31, 2020 was $251,000 compared to a net loss of $387,000 in the prior year's same period. The decrease in loss of $136,000 was mainly due to the decreased $131,000 of operating expenses and $527,000 of share of gain from equity investment picked up during the quarter ended December 31, 2020 by offset the decreased $588,000 of other income and expenses during the quarter ended December 31, 2020 compared to the prior year same period.

Share of income of equity investment

In May 2020, the Company purchased 7,950,000 common shares of Hempnova represented approximately 12.7% of the issued and outstanding common shares of Hempnova. During the three months ended December 31, 2020, the Company's share of Hempnova income was $526,960 using the equity method for this investment.

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

4.1.1 Operating Expenses

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

The following table is a summary of the Company's operating expenses for the three months ended December 31, 2020 and 2019:

Three months ended December 31	ref	2020	2019	Change
		$	$	$
Audit, legal and regulatory	a	76,292	54,413	21,879
Amortization		47,010	63,161	(16,151)
Consulting		17,500	25,660	(8,160)
Directors' fees		16,500	17,250	(750)
Field and permitting expenses	b	268,197	367,800	(99,603)
Interest expenses		4,042	10,999	(6,957)
Investor relations		1,331	563	768
Office administration		59,081	51,987	7,094
Property investigation expenses		27,295	40,780	(13,485)
Rent		5,160	4,591	569
Salaries and benefit	c	154,472	134,569	19,903
Share-based compensation		68,571	83,911	(15,340)
Travel and transportation		16,786	37,780	(20,994)
Total operating expenses		762,237	893,464	(131,227)

During the three months ended December 31, 2020, the Company's operating expenses decreased by $131,000 compared to the prior year's same period mainly due to cost management and limited travel, property investigation activities as a result of COVID-19. The major changes in the operating expenses are mainly as follows:

(a) The audit fees for 2020 audit increased by $20,000 because the auditors assessed that additional work would be required due to equity investment in HempNova.

(b) Included in field and permitting expenses, there were consulting, permitting, insurance and general administration expenses etc. related to the field office and projects. During the three months ended December 31, 2020, the Company had less activities compared to the prior year's same period.

(c) Salaries and benefit for the three months ended December 31, 2020 increased by $20,000 compared to the prior year's same period mainly because the Company hired new geologists to the property investigation team in late 2019.

4.1.2 Other Income (Expenses)

Three months ended December 31,	2020	2019	Change
	$	$	$
Foreign exchange loss	(275,836)	(130,539)	(145,297)
Gain on investment in marketable security	-	689,024	(689,024)
Unrealized gain on investment	27,663	-	27,663
Loss on short-term investment	-	(286,896)	286,896
Interest income	419,143	487,286	(68,143)
Total other income (expenses)	170,970	758,875	(587,905)

Foreign exchange gain (loss)

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

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

During the three months ended December 31, 2020, US dollar depreciated against Canadian dollars approximately 4.8% (2019- 1.7%) and US dollar depreciated against RMB approximately 4.0% (2019 – 2.4%). As a result, the net foreign exchange loss was $276,000 for the three months ended December 31, 2020 compared to $131,000 for the prior year's same period.

Investment in marketable security

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

During the three months ended December 31, 2020, the Company recorded a realized gain of $Nil (December 31, 2019 - $689,024) from the investment. The Company also recorded an unrealized loss of $27,663 (2019 - $Nil) based on the fair market value as at the quarter-end.

Loss on short-term investment

In 2017, the Company invested in a corporate bond issued by China Energy Reserve & Chemicals Group Co. ("CERCG") with a principal of USD 800,000. This bond was in default since September 30, 2018 and the Company recorded an impairment charge of $734,234 in 2018.

Given the uncertainty of disposing of this corporate bond through the open market, the Company recorded an additional loss of $286,896 to fully impair this bond as at December 31, 2019.

Interest income

The Company's Note receivable bears an interest rate of 12% per annum. The interest income decreased by $68,000 for the three months ended December 31, 2020 compared to the prior year's same period primarily due to the decreased principal of the Note.

4.2 Operating Result Comparison for the Year Ended December 31, 2020 and 2019

	2020	2019	Change
	$	$	$
Operating expenses	(2,998,061)	(2,220,118)	(777,943)
Other income (expenses)	1,822,130	(58,073,728)	59,895,858
Income taxes expenses, current and deferred	(186,296)	(252,376)	66,080
Share of income of equity investment	152,177	-	152,177
Net loss	(1,210,050)	(60,546,222)	59,336,172

Net loss for the year ended December 31, 2020 was $1,210,000 (loss of $0.02 per share) compared to a net loss of $60,546,000 (loss of $1.00 per share) in 2019. The net loss decreased by $59,336,000 mainly due to the impairment of $60 million on mineral interest in 2019, offset by $778,000 of operating expenses that increased in 2020.

The Company picked up $152,000 of share of Hempnova net income for the period from the initial investment on May 13, 2020 to the year ended December 31, 2020.

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

4.2.1 Operating Expenses for the Year Ended December 31, 2020 and 2019

The following table is a summary of the Company's operating expenses for the year ended December 31, 2020 and 2019:

Year ended December 31,	ref	2020	2019	Change
		$	$	$
Audit, legal and regulatory	a	285,855	243,267	42,588
Amortization		194,786	215,846	(21,060)
Consulting		59,305	79,463	(20,158)
Directors' fees		81,000	73,500	7,500
Field and permitting expenses	b	1,027,975	776,398	251,577
Interest accredited		21,429	38,453	(17,024)
Investor relations		5,549	5,723	(174)
Office administration		173,828	170,815	3,013
Property investigation expenses (recovery)	c	94,795	(303,508)	398,303
Rent		39,629	35,387	4,242
Salaries and benefit	d	558,382	315,078	243,304
Share-based compensation		411,190	398,765	12,425
Travel and transportation	e	44,338	170,931	(126,593)
Total operating expenses		2,998,061	2,220,118	777,943

(a) During the year ended December 31, 2020, the Company increased $43,000 of audit, legal and filing fees compared to the prior year mainly due to extra audit, legal and filings needed in connection with the investment in Hempnova.

(b) Subsequent to the impairment of mineral interest as at September 30, 2019, expenditures related to mineral projects were no longer capitalized due to mineral properties impairment. During the year ended December 31, 2020, the Company expensed $1,028,000 (2019: $776,000) of consulting, insurance and general administration expenses, and capitalized $Nil of mineral interests (2019: 302,000).

(c) 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"). The Company decided not to proceed with the Proposed Acquisition on February 4, 2019 and received a reimbursement of $388,571 (RMB 2 million) for the due diligence cost in accordance with the preliminary agreement. As a result, the Company recorded a net of $303,508 of property investigation expenses recovery during 2019.

(d) Salaries and benefits for the three months ended December 31, 2020 increased by $243,000 compared to the prior year's same period mainly because the Company has hired new geologists to the property investigation team in the fourth quarter of 2019 as well as the depreciation of Canadian dollar against RMB.

(e) Travel expenses decreased by $127,000 during the year ended December 31, 2020 compared to the prior year's same period mainly due to less travel as a result of COVID-19.

4.2.2 Other Income (Expenses) for the Year Ended December 31, 2020 and 2019

Year ended December 31,	2020	2019	Change
	$	$	$
Impairment on mineral interest	-	(60,246,258)	60,246,258
Foreign exchange gain (loss)	21,595	(357,108)	378,703
Gain (loss) on investment in marketable security	77,770	599,546	(521,776)
Loss on short-term investment	-	(286,896)	286,896
Unrealized gain on investment	24,996	-	24,996
Interest income	1,697,769	2,216,988	(519,219)
Total other income (expenses)	1,822,130	(58,073,728)	59,895,858

<u>Impairment on mineral interest</u>

As discussed in sections above, the Company impaired $60 million of its mineral interests as at September 30, 2019.

Foreign exchange gain (loss)

During the year ended December 31, 2020, US dollar appreciated against Canadian dollars approximately 3.0% (2019 - depreciation of 4.3%) and US dollar depreciated against RMB approximately 4.3% (2019 - depreciation of 5.7%). As a result, the net foreign exchange gain was $22,000 for the year ended December 31, 2020 compared to a loss of $357,000 for the prior year.

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

5. Liquidity and Capital Resources

5.1 Cash Flows

	Years ended December 31,	
	2020	2019
	$	$
Operating activities, cash outflow	(2,116,732)	(1,143,722)
Financing activities, cash outflow	(104,148)	(84,157)
Investing activities, cash inflow	4,779,302	7,893,452

Operating activities

During the year ended December 31, 2020 and 2019, there was no revenue generated from operation and cash used in the operating activities mainly accounted for $2,371,000 of cash used in operations offset by $254,000 of changes in working capital. During the comparative period of 2019, the cash of $1,567,000 used in the operating activities was offset by $423,000 of changes in working capital.

Financing activities

During the year ended December 31, 2020, the Company paid $203,000 in connection with the lease obligation (2019 - $153,000). The Company received $98,000 from stock options exercised (2019 - $68,000).

Investing activities

During the year ended December 31, 2020, the cash generated from the investing activities was mainly from the receipt of principal repayment of $3,965,000 from the Note (2019 - $710,000) and $2,213,000 of the interest income (2019 - $1,992,000); also, the Company invested $3,180,000 in Hempnova (2019 - $Nil), purchased $415,000 of property, plant and equipment (2019 – sale of $1,000), generated net redemption of $2,397,000 from other short-term investment (2019 - $4,987,000), purchased $361,000 (2019 - $2,808,000) in marketable securities, and received $160,000 (2019 - $3,418,000) from the disposition of investment.

5.2 Capital Resources and Liquidity Risk

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

	December 31, 2020	December 31, 2019
	$	$
Working capital	41,879,801	45,009,947
Cash and cash equivalents	15,431,583	12,643,996
Short-term investment	17,134,877	18,848,668
Note receivable	9,589,148	13,079,993

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

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

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

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

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

6. Off-Balance Sheet Arrangements

The Company does not have off-balance sheet arrangements.

7. Transactions with Related Parties

(a) Key management compensation

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

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

	2020	2019
	$	$
Senior management remuneration and benefit	611,671	602,495
Directors' fees	81,000	73,500
Share-based compensation	288,353	375,831
	981,024	1,051,826

During 2020, the Company paid $33,255 (RMB 171,165) of medical insurance for the Company's CEO in China, of which $22,077 was included in prepaid expenses and $11,178 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 Hempnova during the year ended December 31, 2020. Subsequent to the year ended December 31, 2020, the lease term is extended to August 31, 2026.

Pursuant to the lease agreement, the Company also needs to pay lease improvement expenses. During the year ended December 31, 2020, the Company recorded the lease improvement in progress of $414,798 (RMB 2,135,008), of which $223,345 (RMB 1,149,581) was paid during the year ended December 31, 2020 and $191,453 (RMB 985,427) was paid during the year ended December 31, 2019.

(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 December 31, 2020, the Company paid or accrued $8,930 (December 31, 2019 – $10,931) in respect of rent and $61,743 (December 31, 2019 – $51,213) in shared head office expenses and administration costs to Minco Capital.

During the year ended December 31, 2020, the Company paid or accrued $35,351 (December 31, 2019 – $42,980) in respect of rent and $252,882 (December 31, 2019 – $229,828) in shared head office expenses and administration costs to Minco Capital.

(d) Due to and due from related parties

	December 31, 2020	December 31, 2019
	$	$
Due to:		
Companies owned by the CEO	(59,711)	(58,116)
Minco Capital - reimbursement of shared expenses	(1,317)	(19,153)
Total	(61,028)	(77,269)
Due from:		
MBM – reimbursement of shared expenses	22,042	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 December 31, 2020, the amount held by Minco Yinyuan in trust for Minco China was $156,559 (December 31, 2019 - $177,535).

(f) Investment in Hempnova

The Company has significant influence even though its shareholding in Hempnova is below 20%. This is because the Company has the ability to influence decision making due to the fact that the Company and Hempnova have certain directors and management in common; in addition, certain directors and management also directly and/or indirectly own Hempnova common shares.

8. Critical Accounting Estimates and Judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and judgments are continuously evaluated and are based on management’s experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgment that the company has made in the preparation of the financial statements that have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next year for the following:

Impairment

In accordance with the Company’s accounting policy, the Company’s mineral interest is evaluated every reporting period to determine whether there are any indications of impairment or impairment reversal. If any such indication exists, which is judgmental, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount or an impairment reversal is recognized to the extent that the recoverable amount exceeds the carrying value. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use.

The evaluation of asset carrying values for indications of impairment or impairment reversal includes consideration of both external and internal sources of information, including such factors as market and economic conditions, success renewal of the exploration permits of the Fuwan Silver Property and Changkeng Gold Project, maintenance of the title of the mineral interests, changes in commodity prices, future plans for the Company's mineral properties and mineral resources and/or reserve estimates. The Company fully impaired the Fuwan Silver Property and Changkeng Gold Project on September 30, 2019.

Significant Influence on Hempnova Lifetech Corp.

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

Note receivable

At each reporting date, the Company applies its judgement to evaluate the collectability of a material note receivable and make a provision based on the assessed amount of expected credit losses. As at December 31, 2020, the Company's note receivable was from Longxin Mining Corp. due on March 31, 2021 with an outstanding balance of $9,589,148 (RMB 49.2 million).

During 2020, the Company received a re-payment of $4 million (RMB 20.8 million) of the principal and $1.8 million of interest (RMB 9.2 million). Given the borrower has paid the interest on time and the principal has been partially repaid, also the Company concluded the value of the collateral held by the Company for the promissory note exceeds the outstanding amounts. As a result, no expected credit loss provision has been made for this promissory note.

9. Significant Accounting Policies

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

The Company's significant accounting policies, applied judgements, and estimates are set out in the note 3 of the audited annual consolidated financial statements for the year ended December 31, 2020.

10. Financial Instruments and fair value measurements

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

The following table shows the carrying values of assets and liabilities for each of these categories at December 31, 2020 and December 31, 2019.

	December 31, 2020	December 31, 2019
	$	$
Fair value through profit and loss		
Investment in marketable securities (level 1)	303,603	-
Amortized cost financial assets		
Cash and cash equivalents	15,431,583	12,643,996
Short-term investments	17,134,877	18,848,668
Note receivable	9,589,148	13,079,993
Receivables	402,660	922,227
Due from related parties	22,042	6,079

Amortized cost financial liabilities	December 31, 2020	December 31, 2019
	$	$
Due to related party	61,028	77,269
Accounts payable and accrued liabilities	409,097	308,158
Current tax liabilities	318,415	56,176
Due to minority shareholders of a subsidiary	346,028	331,746
Lease obligations, current	140,188	152,526
Lease obligations, non-current	45,547	214,053
Deferred tax liabilities	64,081	196,200

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

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

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

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

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

Financial risk factors

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

Credit risk

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

In order to manage credit risk, the Company:

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

Foreign exchange risk

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

The Company does not hedge its exposure to currency fluctuations. The Company has completed a sensitivity analysis to estimate the impact that a change in foreign exchange rates would have on the net gain or loss of the Company, based on the Company's net US $5.4 million monetary assets as at December 31, 2020. This sensitivity analysis shows that a change of +/- 10% in US$ foreign exchange rate would have a -/+ US$0.5 million impact.

Interest rate risk

Financial instruments that expose the Company to interest rate risk are cash and cash equivalents and short-term investments.

The Company mainly holds short-term investments such as guaranteed investment certificates at fixed interest rates. Significant interest rate changes may impact the Company's interest income.

Liquidity risk

Liquidity risk includes the risk that the Company cannot meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements and its exploration and development plans. The annual budget is approved by the Company's board of directors. As at December 31, 2020, the Company has a positive working capital of approximately $42 million and non-current liabilities of $110,000 that need to be fulfilled. Management concludes that the Company has sufficient funds to meet its current operating and exploration expenditures.

11. Risks Factor and Uncertainties

A comprehensive discussion of risk factors is included in the Company's AIF for the year ended December 31, 2020, which is available on SEDAR at www.sedar.com.

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

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

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

The CEO and the CFO, with the assistance of management, conducted an evaluation of the effectiveness of the Company's ICFR as at December 31, 2020. Based on the evaluation, the CEO and the CFO have concluded that as at December 31, 2020, the Company's internal control over financial reporting is effective.

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

12.1. Changes in Internal Controls over Financial Reporting

NI 52-109 also requires Canadian public companies to disclose any changes in ICFR during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, ICFR. No material changes were made to internal controls in the three months ended December 31, 2020.

13. Cautionary Statement of Forward Looking Information

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

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

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

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

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

- The continued availability of equity and debt financing to fund the completion of the Fuwan Silver Project and Changkeng mine and other exploration and development activities.

- The Company uses of proceeds from the Company's previous public offering as intended
- The continued ability of the Company to attract and retain key management personnel.
- The ability of the Company to evaluate precious metals project outside China for potential acquisition.
- The ability of the Company to renew the exploration permits, mining area permit before their expiry.
- The ability of the Company to pursue an alternative strategy in finding a large mining group as a business partner in China or outside China.
- The Company is able to withdraw sufficient money from China when needed (e.g. to finance acquisition of new mineral properties at areas other than China).

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

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