MINCO SILVER CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2022

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 May 13, 2022, and should be read in conjunction with the Company's condensed consolidated interim financial statements and related notes thereto prepared by management for the three months ended March 31, 2022. The Company's condensed consolidated interim financial statements have been prepared in accordance with IAS 34 - Interim Financial Reporting of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Certain information and notes usually provided in the annual financial statements have been omitted or condensed. Therefore, this MD&A should be read in conjunction with the audited consolidated financial statements and related notes thereto for the year ended December 31, 2021.

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.

Additional information regarding the Company, including our continuous disclosure materials, the audited consolidated financial statements, MD&A and Annual Information Form ("AIF"), 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.

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.

Refer to Note 3 of the audited consolidated financial statements for the year ended December 31, 2021 for details of the Company's significant accounting policies.

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 March 31, 2022, 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"), Guang Dong Changfu 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 3,879,000 stock options outstanding.

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1. Highlights for the Period

During the three months ended March 31, 2022:

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

During the three months ended March 31, 2022, the Company did not receive any payments from Longxin Mining Co. Ltd. ("Longxin"). In response to the court verdict received in November 2021, Longxin filed an appeal pursuant to which the Company virtually appeared in the court on April 12, 2022 though no final statement was passed by the Court during the hearing and since then, no further correspondence has been received by the Company in this regard.

(2) The Company invested in certain equity through the public market using the Company's surplus cash held. The investment does not alter the Company's business focus on exploration and development of mineral properties.

As at March 31, 2022, the fair market value of such investments was $3,041,475 (December 30, 2021 - $3,694,466). During the three months ended March 31, 2022, the Company purchased various companies' common shares and warrants with a total cost of $160,489, and realized a gain of $431,096 from disposal of certain investments with disposal proceeds of $1,015,408.

During the three months ended March 31, 2022, the Company also invested in floating return wealth management product ("WMPs") without principal protection issued by China Merchant Bank.

As at March 31, 2022, the fair market value of such investments was $11,488,135. During the three months ended March 31, 2022, the Company disposed $7,975,741 of the investment and realized a gain of $138,442.

2. Exploration and Project Development Activities

2.1 Mineral interests

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.

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. With both exploration permits were renewed, the Company continued its permitting to obtain a mining license on its Changkeng Gold Project and Fuwan Silver Projects.

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.

2.2 Disclosure of Technical Information

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. 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.

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.

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 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, has Luoke-Jilinggang Permit on the Fuwan area covering a total area of 21.75 mk^2 located in Gaoming County approximately 45 km southwest of Guangzhou, the fourth largest city in China and the capital city of Guangdong Province.

The Luoke- Jilinggang Permit was renewed in early March 2021 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 expires on November 21, 2022. The Company plans to renew the exploration permit before the expiration date.

2.5 Property investigation and permitting expenses

During 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.

Since then, the Company has expensed all permitting, exploration and evaluation costs until further review on the potential of the projects.

During the three months ended March 31, 2022, the Company expensed $202,140 (2021 - $270,556) of consulting, travel, salary, consulting, insurance, permitting and general administration related to the property investigation and permitting expenses. The Company also recorded $95,000 as permitting recovery from the Chinese government as compensation for using a certain areas (belongs to the Company for exploration) for road construction during the period of 2022.

3. Results of Operations

3.1 Operating Result Comparison for the Three Months Ended March 31, 2022 and 2021

	2022	2021	Change
	$	$	$
Operating expenses	(421,397)	(622,167)	200,770
Other income	786,087	266,330	519,757
Share of loss from equity investment	(108,349)	(133,937)	25,588
	256,341	(489,774)	746,115

Net income for the three months ended March 31, 2022 was $256,000 compared to a net loss of $490,000 in the prior year's same period. The change of $746,000 was mainly due to the operating expenses decreased by $201,000, other income increased by $520,000, and share of loss from equity investment decreased by $26,000.

Share of loss from equity investment

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 March 31, 2022, the Company's share of Hempnova loss was $108,000 using the equity method for this investment (2021 - $134,000).

The movement in connection with the operating expenses and other income (expenses) are discussed in the section 3.1.1 and 3.1.2 respectively, below.

3.1.1 Operating Expenses

The Company maintains an office in Gaoyao County, Zhaoqin City, 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 March 31, 2022 and 2021:

Three months ended March 31	ref	2021	2021	Change
		$	$	$
Audit, legal and regulatory		64,159	56,469	7,690
Amortization	a	80,296	46,550	33,746
Consulting		22,500	13,125	9,375
Directors' fees		17,250	24,000	(6,750)
Interest expenses		17,653	17,015	638
Office administration		44,011	41,058	2,953
Property investigation and permitting expenses	b	107,181	270,556	(163,375)
Rent	c	12,049	1,645	10,404
Salaries and benefits	d	46,694	70,429	(23,735)
Share-based compensation	e	-	63,252	(63,252)
Travel and others		9,604	18,068	(8,464)
Total operating expenses		421,397	622,167	(200,770)

During the three months ended March 31, 2022, the Company's operating expenses decreased by $201,000 compared to the prior year's same period.

Certain reclassifications have been made to the prior year to conform to the current year's presentation and the major changes in the operating expenses are listed as follows:

(a) The amortization increased by $34,000 for the three months ended March 31, 2022 compared to the prior year's same period mainly due to the increase in amortization on lease improvement for Beijing China office, which was started to amortize from April 2021.

(b) Expenses such as consulting, permitting, insurance and general administration related to the new project search and permit renewal were included under property investigation and permitting expenses. During the three months ended March 31, 2022, these expenses decreased by $68,000 mainly due to the COVID-19 restriction in China. During Q1 2022, the Company received $95,000 from the Chinese government as a compensation for using the Company's certain exploration area for road construction.

(c) Rent expenses increased by $10,000 due to property management fees paid by the Company in connection with the office lease in China.

(d) Salaries and benefit decreased by $24,000 mainly due to less management team in the Vancouver office since December 2021.

(e) Share-based compensation fluctuates from year to year depending on the timing and fair value of options vested in each period. During the three months ended March 31, 2022, there was no unamortized stock options outstanding.

3.1.2 Other Income (Expenses)

Three months ended March 31,	2021	2021	Change
	$	$	$
Foreign exchange loss	(67,951)	(44,078)	(23,873)
Gain on disposal of financial assets at fair value through profit or loss	569,539	11,510	558,029
Net fair value loss on financial assets at fair value through profit or loss	(184,886)	(74,538)	(110,348)
Interest and dividend income	469,385	373,436	95,949
Total	786,087	266,330	519,757

<u>Foreign exchange gain (loss)</u>

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 March 31, 2022, US dollar depreciated against Canadian dollars approximately 1.5% (2021 - 1.3%) and US dollar depreciated against RMB approximately 0.3% (2021 - 0.3%). As a result, the net foreign exchange loss was $68,000 for the three months ended March 31, 2022 compared to $44,000 for the prior year same period.

<u>Gain on disposal of and net fair value change on financial assets at fair value through profit or loss</u>

The Company, through open market, invested in certain common shares of public companies. Also, the Company invested in WMPs without principal protection issued by China Merchant Bank. The fair value is designated as 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 March 31, 2022, the Company realized $431,000 of capital gain from disposal of shares purchased through public stock market and $138,000 gain from redemption of WMPs.

In Q1 2022, there was $419,000 of unrealized gain recorded as at December 31, 2021 reversed and reclassified to the realized gain upon the disposal of such shares, which was offset by $234,000 of unrealized gain as a result of increased fair value of the investment portfolio as at March 31, 2022 compared to its value as at December 31, 2021.

Interest and dividend income

Included in $469,000 of the interest and dividend income, there was $425,000 (RMB 2.2 million) of interest from Longxin accrued during Q1 2022 (2021 - $291,000 (RMB 1.5 million).

4. Summary of Quarterly Results

	Income (loss) attributable to shareholders	Earnings (loss) per share Basic	Diluted
	$	$	$
03-31-2022	256,341	0.00	0.00
12-31-2021	(1,775,113)	(0.03)	(0.03)
09-30-2021	846,518	0.01	0.01
06-30-2021	(132,687)	(0.00)	(0.00)
03-31-2021	(483,357)	(0.01)	(0.01)
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)

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.

Net loss of $1,775,000 for the quarter ended December 31, 2021 was mainly due to $1,437,000 of the impairment on the equity investment in Hempnova during the quarter.

Net income of $847,000 for the quarter ended September 30, 2021 was mainly due to the realized gain from investment recorded during that quarter.

5. Liquidity and Capital Resources

5.1 Cash Flows

	Three months ended March 31, 2021	2021
	$	$
Operating activities, cash outflow	(590,717)	(764,183)
Financing activities, cash outflow	(69,596)	(54,738)
Investing activities, cash inflow (outflow)	14,033,338	(3,488,543)

Operating activities

During the three months ended March 31, 2022 and 2021, there were no revenue generated from operation. Cash used in the operating activities in 2022 was mainly accounted for cash used in operations of $323,000 (2020 - $495,000) and $267,000 of changes in working capital (2021 - $269,000).

Financing activities

During the three months ended March 31, 2022, the Company paid $70,000 in connection with the lease obligation (2021 - $55,000).

Investing activities

During the three months ended March 31, 2022, the Company disposed $8,991,000 (2021 - $87,000) and purchased $160,000 of financial assets (2021 - $4,132,000). The Company also redeemed $4,986,000 of short-term investment (2020 – net redemption of $484,000) and received $213,000 of the interest and dividend income (2021 - $96,000).

5.2 Capital Resources and Liquidity Risk

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

	March 31, 2022	December 31, 2021
	$	$
Working capital	44,081,867	44,189,583
Cash and cash equivalents	18,175,946	5,020,671
Short-term investment	-	4,987,531
Financial assets at fair value through profit or loss	14,529,610	23,132,528

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

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

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

(b) Rental agreement with the CEO

On April 1, 2019, the Company's wholly owned subsidiary, Minco China, entered into a lease agreement for the use of an office in Beijing, China with the Company's CEO, the owner of the property, with an effective date on April 1, 2019 and expiry date on August 31, 2021. In March 2021, the lease term had been extended to August 31, 2026. The monthly rent is $17,949 (RMB 90,000). Effective January 1, 2022, Hempnova stopped sharing this office.

(c) Shared office expenses

The Company, Minco Capital Corp. ("Minco Capital") and Hempnova have certain directors and management in common. These companies share certain offices and administrative expenses.

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

(d) Due to and due from related parties

	March 31, 2022	December 31, 2021
	$	$
Due to:		
CEO	(92,676)	(43,602)
Minco Capital - reimbursement of shared expenses	(7,834)	-
Total	(100,510)	(43,602)

	March 31, 2022	December 31, 2021
	$	$
Due from:		
Hempnova - reimbursement of shared expenses	141,188	132,220
Minco Capital - reimbursement of shared expenses	-	6,420
MBM – reimbursement of shared expenses	24,055	24,348
Total	165,243	162,988

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

(e) Trust arrangement with MBM

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

(f) Investment in Hempnova

The Company has significant influence in Hempnova 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 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

Refer to the note 3 of the audited annual consolidated financial statements for the year ended December 31, 2021.

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, 2021.

10. Financial Instruments

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.

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.

The Company's financial instruments are as follows:

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

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

Financial 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, Hong Kong and China,
- Obtain adequate collateral to secure the recoverability of the note receivable.

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 loss of the Company, based on the Company's net US$4 million monetary assets as at March 31, 2022. This sensitivity analysis shows that a change of +/-10% in US$ foreign exchange rate would have a -/+ US$0.4 million impact on net loss.

Interest rate risk

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

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

Liquidity risk

Liquidity risk includes the risk that the Company cannot meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements and its exploration and development plans. The annual budget is approved by the Company's board of directors. As at March 31, 2022, the Company has a positive working capital of approximately $44.1 million. Management concludes that the Company has sufficient funds to meet its current operating and exploration expenditures.

11. Risks Factor and Uncertainties

A comprehensive discussion of risk factors is included in the Company's AIF for the year ended December 31, 2021, 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 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 March 31, 2022.

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, clamation 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 Factor 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 collection of the note and accrued interest.
- The continued availability of equity and debt financing to fund the Fuwan Silver Project and Changkeng related exploration and development activities.
- The continued ability of the Company to attract and retain key management personnel.
- The ability of the Company to evaluate precious metals projects 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.