

Minco Silver Corporation

Condensed Consolidated Interim Financial Statements

For the three and nine months end September 30, 2019 and 2018

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

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of condensed consolidated interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of Minco Silver Corporation have been prepared by, and are the responsibility of, the Company's management. The accompanying unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

Minco Silver Corporation's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of condensed consolidated interim financial statements by an entity's auditor.

Dr. Ken Cai
President and CEO

Larry Tsang, CPA, CA
Chief Financial Officer

Vancouver, Canada

December 5, 2019

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Minco Silver Corporation

Condensed Consolidated Interim Statements of Financial Position

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

	September 30, 2019	December 31, 2018
	\$	\$
Assets		
Current assets		
Cash and cash equivalents (note 3)	5,219,620	6,555,249
Short-term investments (note 4)	23,506,417	25,161,492
Note receivable (note 5)	12,989,555	14,630,621
Receivables	946,613	985,978
Investment in marketable securities (note 6)	2,697,522	-
Due from related parties (note 9)	39,451	207,353
Prepaid expenses and deposits	199,076	292,677
	<u>45,598,254</u>	<u>47,833,370</u>
Long-term deposit	8,765	-
Mineral interests (note 7)	-	64,083,505
Right-of-use assets (note 2)	476,833	-
Property, plant and equipment	136,702	181,235
	<u>46,220,554</u>	<u>112,098,110</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	259,889	309,010
Due to minority shareholders of a subsidiary (note 7)	329,452	351,968
Lease obligation, current (note 2)	241,362	-
	<u>830,703</u>	<u>660,978</u>
Lease obligation, non-current (note 2)	252,063	-
	<u>1,082,766</u>	<u>660,978</u>
Equity		
Equity attributable to owners of the parent		
Share capital (note 8)	107,597,093	107,538,681
Contributed surplus	27,108,538	27,023,391
Accumulated other comprehensive income	1,837,211	7,345,105
Deficit	(90,166,786)	(41,817,684)
	<u>46,376,056</u>	<u>100,089,493</u>
Non-controlling interest (deficiency) (note 7)	(1,238,268)	11,347,639
Total equity	<u>45,137,788</u>	<u>111,437,132</u>
Total liabilities and equity	<u>46,220,554</u>	<u>112,098,110</u>

Approved by the Board of Directors:

(signed) Maria Tang Director

(signed) George Lian, Director

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

Minco Silver Corporation

Condensed Consolidated Interim Statements of Operations and Net Income (Loss) For the three and nine months ended September 30, 2019 and 2018

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Administrative expenses				
Audit, legal and regulatory	53,284	44,706	188,854	222,056
Amortization	63,581	11,795	152,685	39,707
Consulting	15,197	39,260	53,803	78,500
Directors' fees	20,250	22,250	56,250	75,750
Field office expenses	120,566	176,622	408,598	435,103
Interest accredited (note 2)	11,823	-	27,454	-
Investor relations	451	415	5,160	6,619
Office administration expenses	38,363	79,555	118,828	190,804
Property investigation expenses/ (recovery) (note 5)	20,806	102,310	(344,288)	452,002
Rent	6,809	55,567	30,796	197,305
Salaries and benefits	57,826	99,393	180,509	247,226
Share-based compensation (reversal)(note 8)	(29,258)	288,273	314,854	1,051,690
Travel and transportation	19,944	10,862	133,151	58,922
Loss before the following:	(399,642)	(931,008)	(1,326,654)	(3,055,684)
Finance and other income (expenses)				
Impairment on mineral interests	(60,246,297)	-	(60,246,297)	-
Foreign exchange gain (loss)	68,264	148,575	(226,530)	797,239
Gain on disposition of a subsidiary	-	-	-	31,499
Loss on investment in marketable securities	(89,478)	-	(89,478)	-
Loss on short-term investment	-	117,764	-	(769,138)
Interest income	557,981	333,170	1,724,576	752,601
Other income (expenses)	10,083	26,585	5,126	148,268
Net income (loss) for the period	(60,099,089)	(304,914)	(60,159,257)	(2,095,215)
Net income (loss) attributable to:				
Shareholders of the Company	(48,304,796)	(283,451)	(48,343,031)	(1,992,922)
Non-controlling interest	(11,794,293)	(21,463)	(11,816,226)	(102,293)
	(60,099,089)	(304,914)	(60,159,257)	(2,095,215)
Loss per share , basic and diluted	(0.99)	(0.01)	(0.99)	(0.03)
Weighted average number of outstanding common shares, basic and diluted	60,726,970	60,704,748	60,712,155	60,704,748

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

Minco Silver Corporation

Condensed Consolidated Interim Statements of Comprehensive Loss

For the three and nine months ended September 30, 2019 and 2018

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Net income (loss) for the period	(60,099,089)	(304,514)	(60,159,257)	(2,095,215)
Other comprehensive income (loss):				
Exchange differences on translation from functional to presentation currency	(2,535,517)	(5,131,708)	(6,277,575)	(2,431,643)
Comprehensive income (loss) for the period	<u>(62,634,606)</u>	<u>(5,436,622)</u>	<u>(66,436,832)</u>	<u>(4,526,858)</u>
Comprehensive income attributable to:				
Shareholders of the Company	(50,526,292)	(4,770,872)	(53,850,925)	(4,126,038)
Non-controlling interest	(12,108,314)	(665,750)	(12,585,907)	(400,820)
	<u>(62,634,606)</u>	<u>(5,436,622)</u>	<u>(66,436,832)</u>	<u>(4,526,858)</u>

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

Minco Silver Corporation

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

For the nine months ended September 30, 2019 and 2018

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

Changes in Shareholders' Equity

	Number of Shares	Share capital \$	Contributed surplus \$	Accumulated other comprehensiv e income \$	Deficit \$	Subtotal \$	Non-controlling interest \$	Total equity \$
Balance - January 1, 2018	60,704,748	107,538,681	25,498,500	6,530,421	(41,767,830)	97,799,772	11,144,005	108,943,777
Net loss for the period	-	-	-	-	(1,992,922)	(1,992,922)	(102,293)	(2,095,215)
Other comprehensive income	-	-	-	(2,133,116)	-	(2,133,116)	(298,527)	(2,431,643)
Share-based compensation	-	-	1,436,004	-	-	1,436,004	-	1,436,004
Balance – September 30, 2018	60,704,748	107,538,681	26,934,504	4,397,305	(43,760,752)	95,109,738	10,743,185	105,852,923
Balance - January 1, 2019	60,704,748	107,538,681	27,023,391	7,345,105	(41,817,684)	100,089,493	11,347,639	111,437,132
Adoption of IFRS 16 (note 2)	-	-	-	-	(6,071)	(6,071)	-	(6,071)
Loss for the period	-	-	-	-	(48,343,031)	(48,343,031)	(11,816,226)	(60,159,257)
Other comprehensive loss	-	-	-	(5,507,894)	-	(5,507,894)	(769,681)	(6,277,575)
Issuance of share	66,667	58,412	(22,912)	-	-	35,500	-	35,500
Share-based compensation (note 9)	-	-	108,059	-	-	108,059	-	108,059
Balance – September 30, 2019	60,771,415	107,597,093	27,108,538	1,837,211	(90,166,786)	46,376,056	(1,238,268)	45,137,788

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

Minco Silver Corporation
Condensed Consolidated Interim Statements of Cash Flows
For the nine months ended September 30, 2019 and 2018

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

Nine months ended September 30,	2019	2018
	\$	\$
Operating activities		
Net loss for the period	(60,159,257)	(2,095,215)
Adjustments for:		
Amortization	152,685	39,707
Foreign exchange loss (gain)	226,530	(797,239)
Gain from disposition of a subsidiary	-	(31,499)
Impairment on mineral interests	60,246,297	-
Interest accredited	27,454	-
Unrealized loss on investment in marketable securities	89,478	767,671
Share-based compensation	314,854	1,051,690
Unrealized gain from bond investment	(5,126)	-
Changes in items of working capital:		
Accounts payable and accrued liabilities	(43,514)	(69,590)
Due to related parties	160,763	(279,006)
Prepaid expenses and deposits	80,365	6,827
Receivables	(1,403,678)	(298,930)
Net cash generated from (used in) operating activities	<u>(313,149)</u>	<u>(1,705,584)</u>
Financing activities		
Increase of due to minority shareholders	-	182,964
Proceeds from exercise of options	35,500	-
Payment of lease obligation (note 2)	(134,237)	-
Net cash generated from (used in) financing activities	<u>(98,737)</u>	<u>182,964</u>
Investing activities		
Issuance of a promissory note	-	(13,874,272)
Receipt partial repayment of note receivable	705,147	-
Receipt of interest payment	1,383,564	-
Development costs	(505,257)	(654,983)
Property, plant and equipment	1,123	(29,967)
Acquisition of investment in marketable securities	(2,787,000)	-
Proceeds from disposal of a subsidiary	-	6,003,150
Cash kept by disposed subsidiaries	-	(5,971,651)
Purchase of short-term investments	(7,921,429)	(4,871,634)
Redemption of short-term investments	8,483,891	6,089,021
Net cash used in investing activities	<u>(639,961)</u>	<u>(13,310,336)</u>
Effect of exchange rates on cash and cash equivalents	(283,782)	564,000
Decrease (increase) in cash and cash equivalents	(1,335,629)	(14,268,956)
Cash and cash equivalents - Beginning of period	6,555,249	22,102,526
Cash and cash equivalents - End of period	<u>5,219,620</u>	<u>7,833,570</u>

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

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2019 and 2018

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

1. General information

Minco Silver Corporation (“Minco Silver” or the “Company”) is engaged in exploring, evaluating and developing precious metals mineral properties and projects. Minco Silver was incorporated on August 20, 2004 under the laws of British Columbia, Canada and its common shares are listed on the Toronto Stock Exchange (“TSX”) and trades under the symbol “MSV”. The Company’s registered office is 2060 – 1055 West Georgia Street, Vancouver, British Columbia, Canada.

2. Basis of preparation

These condensed consolidated interim financial statements include the accounts of Minco Silver Corporation and its subsidiaries, Minco Investment Holding HK Ltd (“Minco HK”), Changfu Minco Mining Co. Ltd., (“Changfu Minco”), Zhongjia Jingu Limited (“Zhongjia”), Minco Resource Limited (“Minco Resources”), Minco Mining (China) Corporation (“Minco China”), Tibet Miming Co. Ltd. (“Tibet Minco”), and its 51% interest in Mingzhong Mining Co. Ltd. (“Mingzhong”). Changfu Minco is subject to a 10% net profit interest held by Guangdong Geological Bureau (“GGB”), Yuanling Minco Mining Ltd. and Huaihua Tiancheng Mining Ltd. (collectively the “Yuanling”) up to May 10, 2018, Minco Yinyuan Co. (“Minco Yinyuan”) up to July 6, 2018, and Beijing Minco International Resources Investment Services Ltd. (“Minco International Resources”) up to July 31, 2018. The Company, indirectly through Changfu Minco, owns 90% of Zhongjia. Information about subsidiaries:

Information of the Company’s subsidiaries as at September 30, 2019 is as follows:

Name	Principal activities (ownership interest)	Country of Incorporation
Minco HK	Holding company (100%)	China
Changfu Minco	Exploring, evaluating and developing mineral properties (90%)	China
Zhongjia	Service company (90%)	China
Minco Resources	Holding company (100%)	China
Minco China	Exploring and evaluating mineral properties (100%)	China
Tibet Minco	Exploring and evaluating mineral properties (100%)	China
Mingzhong	Exploring and evaluating mineral properties (51%)	China

Subsidiaries are all entities (including structured entities) over which the Company has control directly or indirectly. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. These condensed consolidated interim financial statements should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2018, which were prepared in accordance with IFRS as issued by the IASB.

These condensed consolidated interim financial statements were approved by the board of directors for issue on December 5, 2019.

Minco Silver Corporation

Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and 2018

(Expressed in Canadian dollars, unless otherwise stated)

2. Basis of preparation (continued)

The accounting policies applied in these condensed consolidated interim financial statements are consistent with those applied in the preparation of the consolidated annual financial statements for the recent year ended December 31, 2018 except the adoption of IFRS 16-Leases. Details are as follows:

IFRS 16, "Leases" ("IFRS 16"), sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees, thereby removing the distinction between operating and finance leases. IFRS 16 requires a lessee to recognize an asset (right-to-use the leased item) and a financial liability to pay rentals on the consolidated balance sheets with terms of more than 12-months, unless the underlying asset is of low value.

The impact of the adoption of IFRS 16 on the Company's financial statements on January 1, 2019 are outlined below.

The Company adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparative information, as permitted under the specific transitional provisions in the standard in accordance with the modified retrospective approach for adoption. The reclassifications and the adjustments arising from the new leasing standard are therefore recognized in the opening consolidated balance sheet on January 1, 2019.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard: [i] the transition application practical expedient allowing the standard to only be applied to contracts that were previously identified as leases applying IAS 17, [ii] the transition application practical expedient to elect to not apply IFRS 16 to leases that expired within 12 months following the adoption date of January 1, 2019; [iii] the recognition exemption to not apply IFRS 16 to lease contracts for which the underlying asset is of low value, and [iv] the recognition exemption to not apply IFRS 16 to lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17, "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 8.00%.

	\$
Operating lease commitments included as at December 31, 2018	205,594
Lease liability recognized as at January 1, 2019 being the operating lease commitments discounted using the Company's incremental borrowing rate on January 1, 2019	172,270
Lease obligation, current	40,952
Lease obligation, non-current	131,318
Total	172,270

Minco Silver Corporation

Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and 2018

(Expressed in Canadian dollars, unless otherwise stated)

2. Basis of preparation (continued)

The associated right-of-use assets for all leases were measured on a retrospective basis as if the new rules had always been applied. As at September 30, 2019, the Company's recognized right-of-use assets was comprised of a shared office lease in Vancouver, Canada.

The change in accounting policy affected the following items in the consolidated balance sheet on January 1, 2019:

	Increase (\$)
Right-of-use-asset	166,199
Lease obligation (current and non-current)	172,270
Deficit	6,071

The continuity is as follow:

Right-of-use assets, January 1, 2019	166,199
Addition (note 10)	427,938
Amortization	(117,304)
Right-of-use assets, September 30, 2019	476,833

	Non-current	Current	Total
	\$	\$	\$
Lease obligation, January 1, 2019	131,318	40,952	172,270
Addition	227,528	200,410	427,938
Interest accredited	27,454	-	27,454
Lease payment made	(134,237)	-	(134,237)
Lease obligation, September 30, 2019	252,063	241,362	493,425

3. Cash and cash equivalents

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

	September 30, 2019	December 31, 2018
	\$	\$
Cash	4,537,207	3,493,468
Term deposits	682,413	3,061,781
	<u>5,219,620</u>	<u>6,555,249</u>

As at September 30, 2019, cash and cash equivalents of \$1,341,000 (December 31, 2018 - \$4,832,163) resided in China. Under Chinese law, cash advanced to the Company's Chinese subsidiaries as registered share capital is maintained in the subsidiaries' registered capital bank account. Remittance of these funds back to Canada requires approvals by the relevant government authorities or designated banks in China or both

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Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2019 and 2018

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

4. Short-term investments

As at September 30, 2019, short-term investments consisted of the following:

	Currency	Amount (\$)	Term	Interest rate
Corporate bond	USD	1,387,639	November, 2019 October 2019	4.85%
Term deposit	USD	4,766,390	to March, 2020 August 2019 to	2.7 % to 3.18%
Term deposit	RMB	13,655,754	January, 2020 October, 2019 to	1.65% to 2.10%
Term deposit	CAD	3,696,634	January, 2020	1.7% to 2.45%
		<u>23,506,417</u>		

Remittance of short-term investment from China to Canada requires approvals by the relevant government authorities or designated banks in China or both.

As at September 30, 2019, the Company invested in two corporate bonds each with face value of USD 800,000 (\$1,387,639). Among these two investments, the bond issued by China Energy Reserve & Chemicals Group Co. with the maturity date of January 15, 2019 was in default since September 30, 2018 and an impairment charge of \$734,234 was made since then.

5. Note receivable

During 2018, the Company entered into a preliminary agreement (the "Proposed Acquisition") to acquire 70% of the equity interests in Changing Longxin Mining Co., Ltd ("Longxin Mining"), a Chinese mining company which holds a 100% interest in the Longwangshan Gold Mine.

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

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

The Company decided not to proceed with the Proposed Acquisition on February 4, 2019. On February 4, 2019, Minco China received the full interest payments of \$718,564 (RMB 3.6 million) for this six-month period and also received a reimbursement of \$388,571 (RMB 2 million) for the due diligence cost in accordance with the preliminary agreement. The Note was extended to September 30, 2019 with an increased interest rate of 12% per annum, and continues to be secured by a 100% equity interest in Longxin Mining and all assets of the Longwangshan Gold Mine.

On June 30, 2019, the Company received 3.8 million RMB and approximately 3.5 million RMB as a partial payment of the Note and full payment of the interests came due respectively. The balance of the Note, being \$12,989,555 (70 million RMB), has been extended to December 31, 2019 with a 12% annual interest rate. The Note is continued to be fully secured by a 100% equity interest in Longxin Mining and all assets of the Longwangshan Gold Mine.

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Notes to the Condensed Consolidated Interim Financial Statements

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

6. Investment in marketable securities

During the three months ended September 30, 2019, the Company, through open market, acquired common shares of a public company that are listed on the Shenzhen Stock Exchange of China. The investment (cost - \$2,787,000; fair value on September 30, 2019 - \$2,697,522) 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. The Company considers the closing price of the marketable securities at the period end as the fair value and an unrealized loss of \$89,478 has been recorded as at September 30, 2019.

7. Mineral interests

	September 30, 2019	December 31, 2018
Fuwan Silver Deposit (a)	\$ -	\$ 38,506,444
Changkeng Project (b)	-	25,577,061
Total mineral interests	\$ -	\$ 64,083,505

The Company has experienced delay in renewal of exploration permits of Fuwan Silver Deposit which has been expired since July 2017. The exploration permit of the Changkeng Gold Project expired in September 2019. The Company is applying for a renewal but based on experience and current status of the renewal application for the Fuwan Silver Deposit, the company expects the permit renewal application for the Changkeng Gold Project may be subject to similar delays. The delays in receipt of the renewed exploration permits has been considered as an impairment indicator by the company leading to a test of recoverable amount of the Fuwan Silver and Changkeng Gold Project, which resulted in an impairment loss of \$60,246,297. 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) Fuwan Silver Deposit

Minco Silver has a 90% interest in Changfu Minco, the Company's operating subsidiary in China and permit holder for the Fuwan Silver Project, subject to a 10% net profit interest held by GGB. There will be no distributions to, or participation by, GGB, until such time as Minco Silver's investment in the project is recovered. GGB is not required to fund any expenditures related to the Fuwan Silver Project. This process is slow and is in the normal course for permit renewal. The Mining Area Permit which defines the mining limits of the Fuwan Silver Project and restricts the use of this land to mining activities has been renewed indefinitely until the Company receives the mining permit for this property. The Exploration Permit for the Fuwan Silver Project is the Luoke-Jilinggang exploration permit, which expired on July 20, 2017. Although the Company has fully impaired the Fuwan Silver Deposit, the renewal application for the Luoke-Jilinggang exploration permit is still on-going and the Company intends to maintain the title of this mineral interest in good standing.

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Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2019 and 2018

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

7. Mineral interests (Continued)

(a) Fuwan Silver Deposit (continued)

Following is a summary of the capitalized development expenditures of the Fuwan Silver Project from January 1, 2019 to September 30, 2019.

Opening Balance – January 1, 2019	\$	38,506,444
Consulting fees		120,010
Salaries and benefits		130,551
Share-based compensation (note 9)		(98,495)
Other		102,166
Effect of change in the exchange rate with RMB		(2,562,879)
Impairment		(36,197,797)
Ending Balance – September 30, 2019	\$	-

(b) Changkeng Gold Project

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

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

The following is a summary of project development costs capitalized to mineral interest from January 1, 2019 to September 30, 2019:

Opening Balance – January 1, 2019	\$	25,577,061
Consulting		120,010
Share-based compensation (note 9)		(110,703)
Salaries and benefits		38,527
Effect of change in the exchange rate with RMB		(1,576,395)
Impairment, including effect of change in exchange rate with RMB		(24,048,500)
Ending Balance – September 30, 2019	\$	-

Although the Company has taken steps to verify the title to all the Company's mineral properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered agreements or transfers.

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Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2019 and 2018

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

8. Non-controlling interest ("NCI")

Summarized statement for financial position of Mingzhong is as follow:

	September 30, 2019	December 31, 2018
NCI percentage	49%	49%
	\$	\$
Current assets	349,121	471,738
Current liabilities	(952,891)	(1,022,511)
Net current assets (liabilities)	(603,770)	(550,773)
Non-current asset	7,700	24,637,765
Net assets (deficiency)	(596,070)	24,086,992
Accumulated NCI	(1,238,268)	11,347,639

Summarized income statement

Nine months ended September 30,	2019	2018
	\$	\$
Net loss, after impairment	24,250,049	208,761
Loss allocated to NCI (49%)	11,882,524	102,293

Summarized cash flows

Nine months ended September 30,	2019	2018
	\$	\$
Cash inflow (outflow) from operating activities	(69,910)	96,527
Cash inflow from financing activities	-	182,964
Cash inflow (outflow) from investing activities	(26,586)	(27,369)

Mingzhong has initiated equity financing in late 2017 to raise capital to finance its operations. The Company has received \$Nil during nine months ended September 30, 2019. This amount has been recorded as a payable to minority shareholders of a subsidiary of \$329,452 as at September 30, 2019 (December 31, 2018 - \$351,968). This equity financing is being finalized as of the date of this report.

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2019 and 2018

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

9. Share capital

(a) Common Shares

Authorized: Unlimited number of common shares without par value.

(b) Long-term Incentive Plan

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

Stock Options

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

During the nine months ended September 30, 2018, the Company granted 1,968,000 stock options to purchase common shares to employees, consultants and directors at an exercise price of \$0.69 per common share. These options vest over an 18-month period from the grant date and expire on February 14, 2023.

During the nine months ended September 30, 2019, the Company granted 1,500,000 stock options to purchase common shares to employees, consultants and directors at an exercise price of \$0.57 per common share. These options vest over an 18 month period from the grant date and expire on February 1, 2024.

The Company recorded \$526,448 of the option component of share-based compensation for the nine months ended September 30, 2019 (2018 - \$914,210). Share-based compensation of \$459,199 (2018 - \$719,034) was recorded in the statement of operations and \$67,250 (2018 - \$195,176) was capitalized to the mineral interests.

The continuity of the options outstanding is as follows:

	Number outstanding	Weighted average exercise price
		\$
Balance, January 1, 2018	6,150,337	1.27
Granted	1,968,000	0.69
Expired	(812,000)	1.70
Forfeited	(910,000)	1.17
Balance, December 31, 2018	6,396,337	1.05
Granted	1,500,000	0.57
Exercised	(66,667)	0.53
Forfeited	(70,000)	0.96
Expired	(565,000)	0.80
Balance, September 30, 2019	7,194,670	0.97

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9. Share capital (continued)

For nine months ended September 30, 2019, the weighted average share price on the day options exercised was \$0.86 (2018 - \$Nil). As at September 30, 2019, there was \$249,000 (December 31, 2018 - \$120,774) of total unrecognized compensation cost relating to unvested options.

Options outstanding				Options exercisable		
Range of exercise prices	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price	
\$			\$			\$
0.42 – 0.50	656,670	0.97	0.42	656,670	0.42	
0.51 – 0.57	1,430,000	4.34	0.57	443,328	0.57	
0.58 – 0.69	1,733,000	3.38	0.69	1,733,000	0.69	
0.70 – 1.40	3,375,000	2.39	1.40	3,375,000	1.40	
	7,194,670	2.89	0.97	6,207,998	1.04	

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

	2019	2018
Risk-free interest rate	1.85%	1.16%-2.09%
Dividend yield	0%	0%
Volatility	82%	77% - 79%
Forfeiture rate	23%	23%
Estimated expected lives	5 years	5 years

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

Minco Silver Corporation

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9. Share capital (continued)

Performance share units (“PSU”)

A summary of the PSUs outstanding is as follows:

	Number outstanding	Fair value per unit \$
Balance, January 1, 2019	950,000	1.40
Forfeited	(950,000)	1.40
Balance, September 30, 2019	<u>-</u>	<u>1.40</u>

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

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

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

On September 30, 2019, as the Company has fully impaired the Fuwan Silver Project and Changkeng Gold Project, all of the 950,000 PSU outstanding as at the beginning of fiscal 2019 were forfeited. Consequently, the share-based compensation recorded to the Company’s statement of operation and to the share-based compensation capitalized to mineral interest from fiscal 2017 up to the third quarter of 2019 have been reversed.

Impacts of the reversal are as follows:

	\$
Reversal of share-based compensation previously charged to the statement of operations	144,345
Reversal of capitalized share-based compensation within the Company’s mineral interest (note 7)	274,044
<u>A decrease in the Company’s contributed surplus</u>	<u>418,389</u>

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2019 and 2018

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

10. Related party transactions

(a) Shared office expenses

Minco Silver, Minco Capital Corp. (“Minco Capital”), and Minco Base Metals Corporation (“MBM”) have common officers and a common director. These three companies share offices and certain administrative expenses.

(b) Due to and due from related parties

	September 30, 2019	December 31, 2018
	\$	\$
Due from MBM (i)	57,534	206,299
Due from (to) Minco Capital (ii)	(18,083)	1,054
	<u>39,451</u>	<u>207,353</u>

The amounts due from MBM and Minco Capital are administrative and shared expenses to be settled after the period end. The amounts due are unsecured, non-interest bearing and payable on demand.

During the three months ended September 30, 2019, the Company paid or accrued \$10,931 (September 30, 2018 – \$13,383) in respect of rent and \$51,213 (September 30, 2018 – \$78,804) in respect of shared head office expenses and administration costs to Minco Capital.

During the nine months ended September 30, 2019, the Company paid or accrued \$31,983 (September 30, 2018 – \$28,958) in respect of rent and \$175,077 (September 30, 2018 – \$223,848) in respect of shared head office expenses and administration costs to Minco Capital.

The above transactions are conducted in the normal course of business.

(c) Rental agreement with the CEO

On April 1, 2019, the Company’s wholly owned subsidiary, Minco China effectively entered into a lease agreement with the Company’s CEO for the use of an office in Beijing, China. The monthly rent is \$17,434 (RMB 90,000) and will expire on August 31, 2021.

(d) 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. The amount held by Minco Yinyuan in trust for Minco China was \$176,767 on September 30, 2019 (December 31, 2018 - \$130,452)

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2019 and 2018

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

10. Related party transactions (Continued)

(e) Key management compensation

During the nine months ended September 30, 2019 and 2018, the following compensation was paid and accrued to key management. Key management includes the Company's directors and senior management. This compensation has been included administrative expenses and the Company's mineral interests (note 7).

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Cash remuneration	191,932	159,730	506,403	502,847
Share-based compensation	52,199	287,222	319,418	1,101,741
	<u>244,130</u>	<u>446,952</u>	<u>825,821</u>	<u>1,604,588</u>

11. Geographical information

The Company's is considered operating in one segment for exploration and development of resource properties. The geographical division of the Company's assets is as follows:

	Canada	China	Total
September 30, 2019:	\$	\$	\$
Current assets	13,101,027	32,497,227	45,598,254
Non-current assets	29,218	593,082	622,300
December 31, 2018:			
Current assets	13,817,194	34,016,176	47,833,370
Non-current assets	36,536	64,228,204	64,264,740

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

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

12. Financial instruments and fair value measurements

The Company's financial instruments are as follows:

	September 30, 2019	December 31, 2018
FVTPL financial assets	\$	\$
Investment in marketable securities	2,697,522	-
Amortized cost financial assets		
Cash and cash equivalents	5,219,620	6,555,249
Short-term investments	23,506,417	25,161,492
Note receivable	12,989,555	14,630,621
Receivables	946,613	985,978
Due from related parties	39,451	207,353
Amortized cost financial liabilities		
Accounts payable and accrued liabilities	259,889	309,010
Due to minority shareholders of a subsidiary	329,452	351,968

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).

Fair value of the Company's investment in marketable securities is classified at Level 1.

The fair value of financial instruments that are not measured at fair value approximate their carrying value due to their short-term nature.