

Minco Silver Corporation

Condensed Consolidated Interim Financial Statements

For the three months end March 31, 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 Canadian Institute of Chartered Professional Accountants for a review of condensed consolidated interim financial statements by an entity's auditor.

Dr. Ken Cai
President and CEO

Larry Tsang, CPA, CA
Chief Financial Officer

Vancouver, Canada

May 13, 2019

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Minco Silver Corporation

Condensed Consolidated Interim Statements of Financial Position

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

	March 31, 2019	December 31, 2018
	\$	\$
Assets		
Current assets		
Cash and cash equivalents (note 3)	5,790,120	6,555,249
Short-term investments (note 4)	26,834,025	25,161,492
Note receivable (note 5)	14,684,551	14,630,621
Receivables	720,095	985,978
Due from related parties (note 9)	5,251	207,353
Prepaid expenses and deposits	160,082	292,677
	48,194,124	47,833,370
Mineral interests (note 6)	64,505,384	64,083,505
Right-of-use assets (note 2)	165,376	-
Property, plant and equipment	167,574	181,235
	113,032,458	112,098,110
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	349,805	309,010
Due to minority shareholders of a subsidiary (note 7)	353,265	351,968
Lease obligation, current (note 2)	40,952	-
	744,022	660,978
Lease obligation, non-current (note 2)	124,568	-
	868,590	660,978
Equity		
Equity attributable to owners of the parent		
Share capital (note 8)	107,538,681	107,538,681
Contributed surplus	27,203,363	27,023,391
Accumulated other comprehensive income	7,668,361	7,345,105
Deficit	(41,626,939)	(41,817,684)
	100,783,466	100,089,493
Non-controlling interest (note 7)	11,380,402	11,347,639
Total equity	112,163,868	111,437,132
Total liabilities and equity	113,032,458	112,098,110

Approved by the Board of Directors:

(signed) Maria Tang Director

(signed) George Lian Director

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

Minco Silver Corporation

Condensed Consolidated Interim Statements of Operations and Net Income (Loss) For the three months ended March 31, 2019 and 2018

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

Three months ended March 31,	2019	2018
	\$	\$
Administrative expenses		
Audit, legal and regulatory	32,894	49,722
Amortization	22,533	15,632
Consulting	19,840	19,825
Directors' fees	19,500	25,250
Field office expenses	159,820	124,864
Interest accredited (note 2)	4,594	-
Investor relations	3,770	5,866
Office administration expenses	40,442	41,503
Property investigation expenses recovery (note 5)	(388,571)	-
Rent	10,537	77,597
Salaries and benefits	66,766	97,981
Share-based compensation (note 8)	154,420	366,801
Travel and transportation	100,828	24,850
Loss before finance and other income (expenses)	(247,373)	(849,891)
Finance and other income (expenses)		
Foreign exchange gain (loss)	(155,599)	86,003
Gain (loss) on short-term investment	23,686	(14,911)
Interest income	564,584	228,475
Other income (expenses)	-	102,025
Net income (loss) for the period	185,298	(448,299)
Net income (loss) attributable to:		
Shareholders of the Company	196,816	(410,544)
Non-controlling interest	(11,518)	(37,755)
	185,298	(448,299)
Earnings (loss) per share , basic and diluted	0.00	(0.01)
Weighted average number of common shares outstanding, basic and diluted	60,704,748	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 Income

For the three months ended March 31, 2019 and 2018

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

Three months ended March, 31	2019	2018
	\$	\$
Net income (loss) for the period	185,298	(448,299)
Other comprehensive income (loss)		
Exchange differences on translation from functional to presentation currency	367,537	6,038,925
Comprehensive income for the period	552,835	5,590,626
Comprehensive income attributable to:		
Shareholders of the Company	520,072	4,858,784
Non-controlling interest	32,763	731,842
	552,835	5,590,626

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 three months ended March 31, 2019 and 2018

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

	Changes in Shareholders' Equity							Total equity
	Number of Shares	Share capital \$	Contributed surplus \$	Accumulated other comprehensive income \$	Deficit \$	Subtotal \$	Non-controlling interest \$	
Balance - January 1, 2018	60,246,413	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	-	-	-	-	(410,544)	(410,544)	(37,755)	(448,299)
Other comprehensive income	-	-	-	5,269,328	-	5,269,328	769,597	6,038,925
Share-based compensation	-	-	512,173	-	-	512,173	-	512,173
Balance – March 31, 2018	60,246,413	107,538,681	26,010,673	11,799,749	(42,178,374)	103,170,729	11,875,847	115,046,576
Balance - January 1, 2019	60,704,748	107,538,681	27,023,391	7,345,105	(41,817,684)	100,089,493	11,347,639	111,437,132
Net income (loss) for the period	-	-	-	-	196,816	196,816	(11,518)	185,298
Adoption of IFRS 16 (note 2)	-	-	-	-	(6,071)	(6,071)	-	(6,071)
Other comprehensive income	-	-	-	323,256	-	323,256	44,281	367,537
Share-based compensation	-	-	179,972	-	-	179,972	-	179,972
Balance – March 31, 2019	60,704,748	107,538,681	27,203,363	7,668,361	(41,626,939)	100,783,466	11,380,402	112,163,868

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

Minco Silver Corporation

Condensed Consolidated Interim Statements of Cash Flows

For the three months ended March 31, 2019 and 2018

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

Three months ended March 31,	2019	2018
	\$	\$
Operating activities		
Net income (loss) for the period	185,298	(448,299)
Adjustments for:		
Amortization	22,533	15,632
Foreign exchange loss (gain)	155,599	(86,003)
Gain (loss) on short-term investments	(23,686)	9,453
Interest accredited	4,594	-
Share-based compensation	154,420	366,801
Changes in items of working capital:		
Accounts payable and accrued liabilities	40,552	(292,578)
Due to related parties	193,150	(193,536)
Prepaid expenses and deposits	132,340	7,856
Receivables	266,658	(16,227)
Net cash used in operating activities	1,131,458	(636,901)
Financing activities		
Increase of due to minority shareholders	-	200,632
Payment of lease obligation (note 2)	(11,344)	
Net cash generated from financing activities	(11,344)	200,632
Investing activities		
Development costs	(131,856)	(227,015)
Property, plant and equipment	-	(1,517)
Purchase of short-term investments	(6,347,892)	(1,949,995)
Redemption of short-term investments	4,623,805	250,000
Net cash used in investing activities	(1,855,943)	(1,928,527)
Effect of exchange rates on cash and cash equivalents	(29,300)	892,923
Decrease in cash and cash equivalents	(765,129)	(1,471,873)
Cash and cash equivalents - Beginning of period	6,555,249	22,102,526
Cash and cash equivalents - End of period	5,790,120	20,630,653

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

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 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 Jinggu Limited (“Zhongjia”), Minco Resource Limited (“Minco Resources”), Minco Mining (China) Corporation (“Minco China”), Tibet Miming Co. Ltd. (“Tibet Minco”), and its 51% interest in Mingzhong Mining Co. Ltd. (“Mingzhong”). Changfu Minco is subject to a 10% net profit interest held by Guangdong Geological Bureau (“GGB”), 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 March 31, 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 May 13, 2019.

Minco Silver Corporation

Notes to the Consolidated Financial Statements

For the three months ended March 31, 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 months ended March 31, 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 March 31, 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
Continuity is as follow:	
Right-of-use assets, January 1, 2019	166,199
Addition	8,765
Amortization	(9,588)
Right-of-use assets, March 31, 2019	165,376

	Non-current	Current	Total
	\$	\$	\$
Lease obligation, January 1, 2019	131,318	40,952	172,270
Interest accredited	4,594	-	4,594
Lease payment made	(11,344)	-	(11,344)
Lease obligation, March 31, 2019	124,568	40,952	165,520

3. Cash and cash equivalents

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

	March 31, 2019	December 31, 2018
	\$	\$
Cash	2,707,350	3,493,468
Term deposits	3,082,770	3,061,781
	<u>5,790,120</u>	<u>6,555,249</u>

As at March 31, 2019, cash and cash equivalents of \$4,574,080 (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

Minco Silver Corporation

Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars, unless otherwise stated)

4. Short-term investments

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

	Currency	Amount (\$)	Term	Interest rate
Corporate bonds	USD	1,417,919	November, 2019 October 2019	4.85-6.2%
Term deposit	USD	6,257,515	to March, 2020	2.7 % to 3.18%
Term deposit	RMB	14,630,578	April 2019 to December 2019	1.6% to 2.10%
Term deposit	CAD	4,528,013	March ,2019 to November, 2019	1.7% to 2.45%
		26,834,025		

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

As at March 31, 2019, the Company invested in two corporate bonds each with face value of USD 800,000 (\$1,417,917). 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 June 30, 2018.

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 \$14,684,551 (73.8 million RMB) (the "Note") on August 6, 2018.

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

The Company decided not to proceed with the Proposed Acquisition on February 4, 2019, therefore the Note became due and payable. The Note was extended to June 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 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.

Minco Silver Corporation

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2019 and 2018

(Expressed in Canadian dollars, unless otherwise stated)

6. Mineral interests

Fuwan Silver Deposit (a)	\$ 38,788,855
Changkeng Project (b)	25,716,529
Total mineral interests	<u>\$ 64,505,384</u>

(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. The Exploration Permit for the Fuwan Silver Project is the Luoke-Jilinggang exploration permit, which expired on July 20, 2017, and is currently being renewed. 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.

Following is a summary of the capitalized development expenditures of the Fuwan Silver Project from January 1, 2019 to March 31, 2019.

Opening Balance – January 1, 2019	\$ 38,506,444
Consulting fees	26,802
Salaries and benefits	37,128
Share-based compensation (note 8)	12,776
Other	32,021
Effect of change in the exchange rate with RMB	173,684
Ending Balance – March 31, 2019	<u>\$ 38,788,855</u>

(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 expires on September 10, 2019.

The following is a summary of project development costs capitalized to mineral interest from January 1, 2019 to March 31, 2019:

Opening Balance – January 1, 2019	\$ 25,577,061
Consulting	26,802
Share-based compensation (note 8)	12,776
Salaries and benefits	9,103
Effect of change in the exchange rate with RMB	90,787
Ending Balance – March 31, 2019	<u>\$ 25,716,529</u>

The Company intends to renew all the permits when they are expired in the future.

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.

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

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

7. Non-controlling interest ("NCI")

Summarized statement for financial position of Mingzhong is as follow:

	March 31, 2019	December 31, 2018
NCI percentage	49%	49%
	\$	\$
Current assets	437,972	471,738
Current liabilities	(1,023,047)	(1,022,511)
Net current assets (liabilities)	(585,075)	(550,773)
Non-current asset	24,737,122	24,637,765
Net assets	24,152,047	24,637,765
Accumulated NCI	11,380,402	11,347,639

Summarized income statement

Three months ended March 31,	2019	2018
	\$	\$
Net loss	23,506	77,051
Loss allocated to NCI (49%)	11,518	37,755

Summarized cash flows

Three months ended March 31,	2019	2018
	\$	\$
Cash outflows from operating activities	(26,152)	(46,876)
Cash inflow (outflows) from investing activities	(9,017)	(82,087)

Mingzhong has initiated equity financing in late 2017 to raise capital to finance its operations. The Company has received \$Nil during three months ended March 31, 2019 and \$353,265 accumulative in 2017 and 2018 from the minority shareholders. This amount has been recorded as a payable to minority shareholders of a subsidiary. This equity financing is being finalized as of the date of this report.

8. 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.

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2019 and 2018

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

8. Share capital (continued)

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 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 three months ended March 31, 2019, the Company granted 1,500,000 stock options to purchase common shares to employees, consultants and directors at an exercise price of \$0.57 per common share. These options vest over an 18 month period from the grant date and expire on February 1, 2024.

The Company recorded \$179,972 of the option component of share-based compensation for the three months ended March 31, 2019 (2018 - \$447,852). Share-based compensation of \$154,420 (2018 - \$344,609) was recorded in the statement of operations and \$25,552 (2018 - \$103,243) was capitalized to the mineral interests.

A 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
Expired	(565,000)	0.80
Balance, March 31, 2019	7,331,337	0.97

For three months ended March 31, 2019, the weighted average share price on the day options were exercised was \$Nil (2018 - \$Nil). As at March 31, 2019, there was \$418,094 (December 31, 2018 - \$120,774) of total unrecognized compensation cost relating to unvested options.

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Notes to the Condensed Consolidated Interim Financial Statements

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

8. Share capital (continued)

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	673,337	1.47	0.42	673,337	0.42
0.51 – 0.57	1,500,000	4.84	0.57	-	-
0.58 – 0.69	1,753,000	3.88	0.69	1,168,661	0.69
0.70 – 1.40	3,405,000	2.89	1.40	3,405,000	1.40
	7,331,337	3.40	0.97	5,246,998	1.12

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	79% - 82%	77% - 79%
Forfeiture rate	23%	24%
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.

Performance share units ("PSU")

A summary of the PSUs outstanding is as follows:

	Number outstanding	Fair value per unit
		\$
Balance, January 1, 2018	1,000,000	1.40
Forfeited	(50,000)	1.40
Balance, December 31, 2018 & March 31, 2019	950,000	1.40

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

8. Share capital (continued)

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-Schole option pricing model taking into consideration forfeiture estimates made based on the Company’s history.

During the three months ended March 31, 2019 the Company recorded \$Nil (2018 - \$64,323) of share-based compensation to account for the vesting of PSUs. Share-based compensation of \$Nil was recorded in the statement of operations (2018 - \$22,192) and \$Nil was capitalized to the Fuwan Silver Deposit and the Changkeng Project (2018 - \$42,131).

9. Related party transactions

(a) Shared office expenses

Minco Silver, Minco Gold Corp. (“Minco Gold”), 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

	March 31, 2019	December 31, 2018
	\$	\$
Due from MBM (i)	9,014	206,299
Due from (to) Minco Capital (ii)	(3,763)	1,054
	<u>5,251</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 March 31, 2019, the Company paid or accrued \$10,798 (March 31, 2018 – \$17,871) in respect of rent and \$66,917 (March 31, 2018 – \$78,147) in respect of shared head office expenses and administration costs to Minco Capital.

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

Minco Silver Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2019 and 2018

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

9. Related party transactions (continued)

(c) 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 \$123,522 on March 31, 2019 (December 31, 2018 - \$130,452)

(d) Key management compensation

During the three months ended March 31, 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 5).

	Three months ended March 31,	
	2019	2018
	\$	\$
Cash remuneration	168,269	165,754
Share-based compensation	122,412	341,956
	<u>290,681</u>	<u>507,710</u>

10. 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
	\$	\$	\$
March 31, 2019:			
Current assets	13,587,724	34,606,400	48,194,124
Non-current assets	199,030	64,639,304	64,838,334
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

For the three months ended March 31, 2019 and 2018

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

11. Financial instruments and fair value measurements

The Company's financial instruments are as follows:

	March 31, 2019	December 31, 2018
Amortized cost financial assets	\$	\$
Cash and cash equivalents	5,790,120	6,555,249
Short-term investments	26,834,025	25,161,492
Note receivable	14,684,551	14,630,621
Receivables	720,095	985,978
Due from related parties	5,251	207,353
Amortized cost financial liabilities		
Accounts payable and accrued liabilities	349,805	309,010
Due to minority shareholders of a subsidiary	353,265	351,968

The Company does not have instruments measured at fair value. Fair values of financial instruments not measured at fair value approximate their carrying value due to their short-term nature.