

GobiMin Inc.

(Incorporated in Canada under the Canada Business Corporations Act)

Interim Management's Discussion and Analysis of Financial Results - Quarterly Highlights

June 30, 2019

(Expressed in United States Dollars except where otherwise noted)

GobiMin Inc.
Interim MD&A – Quarterly Highlights
For the quarter ended June 30, 2019
(Expressed in United States Dollars)
August 23, 2019

The Quarterly Highlights of GobiMin Inc. (the “Company” or “GobiMin”) provide material updates to the business operations, liquidity and capital resources of the Company since its last annual management discussion & analysis, being the Management Discussion & Analysis (the “Annual MD&A”) for the fiscal year ended December 31, 2018. The Quarterly Highlights do not provide a general update to the Annual MD&A, or reflect any non-material events since the date of the Annual MD&A.

The Quarterly Highlights have been prepared by management as of August 23, 2019 and in compliance with the requirements of section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with its condensed interim financial statements for the quarter ended June 30, 2019 prepared in accordance with International Financial Reporting Standards (“IFRS”), its audited consolidated financial statements for the year ended December 31, 2018 prepared in accordance with IFRS and the Annual MD&A.

Additional information is accessible at the Company’s website www.gobimin.com or through the Company’s public filing at www.sedar.com.

Certain statements included in this discussion constitute forward-looking statements. Such forward-looking statements can often, but not always, be identified by the use of words such as “can”, “could”, “believe”, “propose”, “anticipate”, “intend”, “consider”, “estimate”, “expect”, or other variations of such expressions, or forward-looking statements may declare that certain measures, events or results “can”, “could” or “will” be taken or occur or be attained. Such forward-looking statements involve known and unknown risks and uncertainties as well as other factors that could cause actual results, performances or achievements of the Company to differ materially from the future results, performances or achievements implied or suggested in such forward-looking statements. Such risks, uncertainties and other factors include but are not limited to the risk factors discussed under the heading “Risk Factors” below. Accordingly, shareholders are cautioned not to put undue reliance on forward-looking statements. These forward-looking statements are made as of the date of this discussion and the Company disclaims any obligations to update any forward-looking statements in order to account for any events or circumstances that might occur after the date that such forward-looking statements were established.

1. Corporate Overview

GobiMin, the shares of which are traded on the TSX Venture Exchange under the symbol GMN, is an investment issuer under the rules of the TSX Venture Exchange. The Company, together with its subsidiaries (collectively the “Group”), is principally engaged in the investment in equity, debt or other securities as well as direct ownership stakes in projects, including the development of mineral properties, mainly in the Xinjiang Uygur Autonomous Region (“Xinjiang”) of the People’s Republic of China (“China”).

Currently, GobiMin holds an equity interest of 70% in a company incorporated in China to explore, develop and operate the Sawayaerdun Gold Project (the “Gold Project”) located in Xinjiang and equity investments and debentures for reasonable interest return and potential capital gains.

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2. Financial Highlights

	3 months ended June 30		12 months ended
	2019	2018	December 31, 2018
	\$	\$	\$
Revenue	0.3 million	0.4 million	1.5 million
Fair value gain/(loss) on financial assets	0.1 million	(0.8 million)	(1.1 million)
Net loss for the period/year	(0.4 million)	(1.3 million)	(2.9 million)
Loss attributable to shareholders of the Company	(0.4 million)	(1.3 million)	(2.8 million)
LBITDA ⁽¹⁾	(0.5 million)	(1.4 million)	(3.2 million)
Basic and diluted loss per share	(0.007)	(0.026)	(0.056)
LBITDA per share ⁽¹⁾	(0.009)	(0.029)	(0.064)
Cash and cash equivalents	16.9 million	16.2 million	17.1 million
Cash and cash equivalents per share ⁽¹⁾	0.34	0.32	0.34
Working capital	22.4 million	19.4 million	19.3 million
Total liabilities	2.1 million	2.2 million	3.5 million
Total assets	76.8 million	78.6 million	78.1 million
Annual dividend per share	0.01	0.01	0.01

Note:

(1) As non-IFRS measurements, **LBITDA** (loss before interest income and expense, income taxes, depreciation and amortisation), **LBITDA per share** and **Cash and cash equivalents per share** do not comply with IFRS and, therefore, the amounts presented in the above table may not be comparable to similar data presented by other companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

3. Business Summary and Development

3.1 Financial Assets

The investment objective of the Company is to seek superior returns by making investments in equity, debt or other securities of publicly traded or private companies or other entities as well as direct ownership stakes in projects. New investments will be directed by an Investment Committee and guided by the Company's Investment Policy which governs its investment activities and investment strategy.

(a) Equity Investments

Equity investments represent equity interests of publicly-traded or privately-held companies that the Company has acquired. It is summarized as follows:

(i) Gold Project in Xinjiang

The Company owns a 70% equity interest in Xinjiang Tongyuan Minerals Limited which is developing the Gold Project in Xinjiang. Its mining licence has been renewed with expiry date on December 31, 2019 and the original of the mining licence will be collectable after the reassessment of reserve by the Department of Land and Resources as well as payment for mining royalties based on the assessed reserve. For the exploration licence expired by the end of 2018, we submitted the application materials to Department of Land and Resources for the retention of the exploration licence

on December 18, 2017. Following normal procedures, subsequent to the review and approval by the relevant authorities and passing of the public notice period, the new licence shall be issued. At the reporting date, the application documents have been reviewed by the relevant authorities and pending for approval at the departmental meeting. Due to backlog of applications of licences and the proposed ecological criteria in Xinjiang, it is anticipated that the licences will be issued after the backlog is cleared.

The on-site industrial test on the gold processing methodology by applying bio-tech methodology on extraction of metals from large scale samples of gold ores has been started in 2019. Subject to satisfactory on-site industrial test results, GobiMin will formulate the corresponding development scheme which would substantially reduce the production costs of the Gold Project.

As at June 30, 2019, there was addition of \$92,000 in the exploration and evaluation assets and the Group had a contractual commitment of \$1.7 million for the development of the Gold Project.

(ii) Others

As at June 30, 2019, the fair value of listed securities held by the Group amounted to \$2.6 million, of which \$2.4 million represented the shareholding in Loco Hong Kong Holdings Limited (“LocoHK”). Its shares are listed on GEM of The Stock Exchange of Hong Kong Limited under the stock code 8162. For the six months ended June 30, 2019, the fair value gain on investment in LocoHK was \$0.9 million (2018: loss of \$0.6 million). As at June 30, 2019, there was an amount due from a related company of \$1.4 million, being the loan due from China Precision Material Limited (“CPM”), a subsidiary of LocoHK. Compared to \$3.5 million as at December 31, 2018, the decrease represented the repayment of \$2.1 million from CPM during the quarter. As at June 30, 2019, Mr. Felipe Tan, Chief Executive Officer of GobiMin, was a director of LocoHK and CPM. Subsequently in July 2019, CPM ceased to be a related company when Mr. Felipe Tan resigned as director of LocoHK and CPM. For the six months ended June 30, 2019, the Group received from CPM interest income of \$0.1 million (2018: \$0.1 million).

For the six months ended June 30, 2019, the fair value gain on other listed securities was \$33,000 (2018: nil) and certain unlisted securities was disposed at carrying value.

The Group invested about \$4.1 million in Dragon Silver Holdings Limited (“Dragon Silver”) by way of (1) an equity investment of \$1.1 million in 670,000 shares, representing 9.90% of its total issued capital; and (2) a loan of \$3 million, bearing interest at 8.5% per annum and repayable on demand at a notice of 7 days. Dragon Silver is a Hong Kong based company mainly engaged in trading, production, processing and investment in precious metals and non-ferrous metals and related products. For the six months ended June 30, 2019, the Group received from Dragon Silver interest income of \$0.1 million (2018: \$0.1 million).

(b) Debentures and Certificate of Deposit

The Group would hold debentures and certificate of deposit bearing low risks and reasonable interest return from various industries through the open market. Debentures are held to receive coupon interest payments as well as to realize potential gains. The Group may dispose of debentures through the open market when the Group requires funds for operational or other investment needs.

As at June 30, 2019, the Group held \$5.8 million (December 31, 2018: \$6.6 million) debentures with coupon rates ranged from 4.250% to 7.750% (December 31, 2018: 4.250% to 9.000%) per annum

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and maturities ranged between September 17, 2019 and perpetual (December 31, 2018: November 3, 2019 and perpetual).

As at June 30, 2019, the Group held \$1.0 million (December 31, 2018: nil) certificate of deposit with coupon rates ranged from 2.500% to 2.760% per annum and maturities on September 12, 2019.

For the six months ended June 30, 2019, the interest income and fair value gain on debentures and certificate of deposit were \$0.1 million (2018: \$0.2 million) and \$0.1 million (2018: loss of \$0.4 million) respectively.

3.2 Normal Course Issuer Bid (“NCIB”)

On July 23, 2018, GobiMin was granted approval by the TSX Venture Exchange to renew its NCIB to repurchase up to an additional 2,500,274 common shares, representing approximately 5% of the then common shares outstanding. Purchases are made in accordance with applicable regulations over a maximum period of 12 months commenced on July 25, 2018 and ended on July 24, 2019 or on such earlier date as GobiMin may complete its purchases pursuant to the NCIB or as it may otherwise determine. For the six months ended June 30, 2019, a total of 90,500 common shares were repurchased at an aggregate cost of \$23,188 (CAD31,384). For the period from July 1, 2019 to August 23, 2019, a total of 6,500 common shares were repurchased at an aggregate cost of \$1,357 (CAD1,836) under the NCIB. All shares repurchased will be/have been returned to treasury for cancellation.

Management believes that the repurchase by the Company of its own shares can maximize shareholder value and is in the best interest of the Company and its shareholders. A copy of the related Notice of Intention to Make a NCIB will be provided to shareholders upon receipt of written request to the Company at its registered office.

3.3 Liquidity and Capital Resources

As at June 30, 2019, the working capital of the Group amounted to approximately \$22.4 million (December 31, 2018: \$19.3 million), by netting off its current assets of \$24.5 million (December 31, 2018: \$22.8 million) with current liabilities of \$2.1 million (December 31, 2018: \$3.5 million).

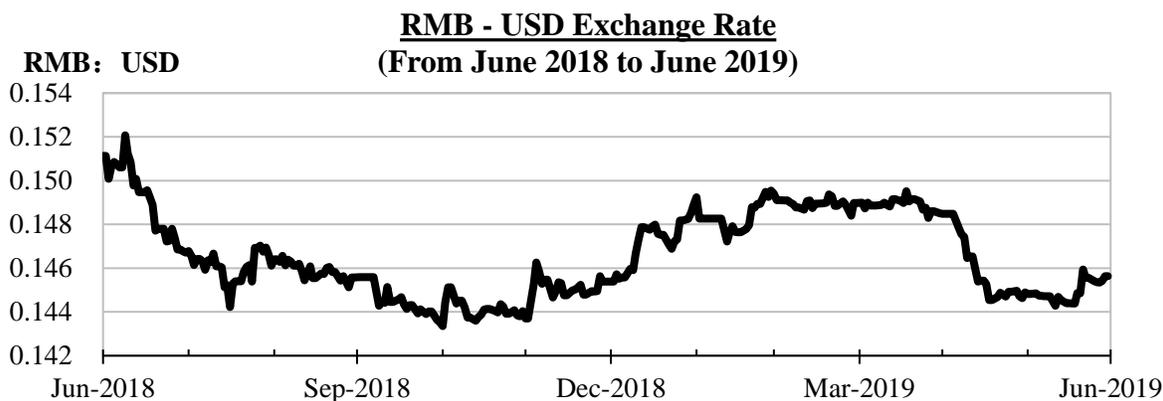
Among the cash and cash equivalents of \$16.9 million, approximately \$1.5 million were held in China. The subsidiaries in China are allowed to transfer funds to other Group companies outside China upon presentation of the relevant documentation required by applicable regulations, subject to the risks set out under the section named “Risk Factors” in the Company’s Annual MD&A for the fiscal year ended December 31, 2018, available on SEDAR at www.sedar.com. The Group will take precautions to ensure that the available capitals match with its various payment obligations in China and elsewhere.

Taking into account of its financial position, the management of the Group considered that its cash and cash equivalents will be more than sufficient to finance its operation, including the contractual commitments of the Gold Project of approximately \$1.7 million.

4. Key Economic Trends

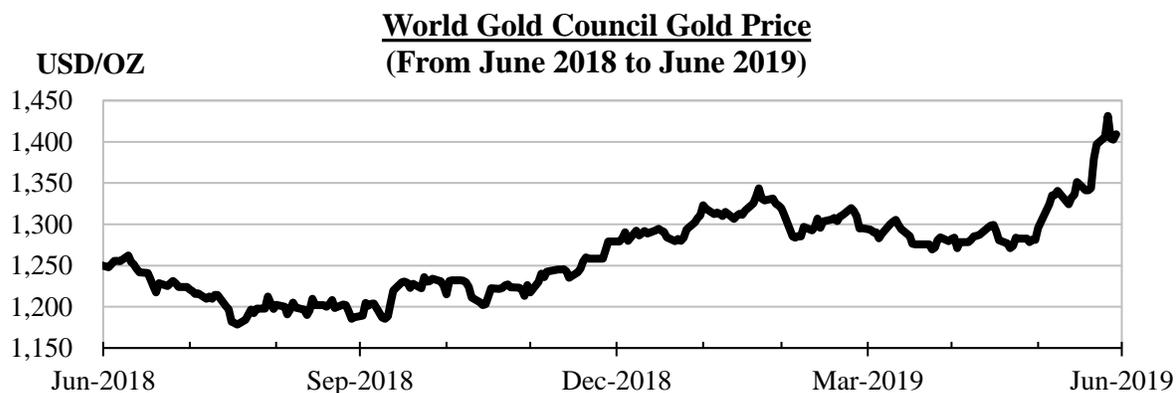
4.1 China Economy

As GobiMin’s activity are mostly conducted in China, the conditions of the Chinese economy plays a paramount role in the Group’s exploration business. Since the Group reports in U.S. dollars, the Group’s cost structure may potentially be impacted by currency fluctuations. As at June 30, 2019, the exchange rate of the Chinese Renminbi against the U.S. dollar decreased by 3.64%, as compared with that as at June 30, 2018.



4.2 Gold Market

The changes in price of gold have a strong influence on the Gold Project’s value. As at June 30, 2019, the gold price increased by 12.68% from that as at June 30, 2018.



5. Selected Quarterly Information

For the three months ended June 30, 2019, the Group reported a net loss of \$0.4 million (Q2 2018: \$1.3 million) which mainly comprised of fair value gain on financial assets of \$0.1 million (Q2 2018: loss of \$0.8 million) and interest income of \$0.2 million (Q2 2018: \$0.3 million), netting of the administrative expenses of \$0.8 million (Q2 2018: \$0.7 million).

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In this quarter, the Group recorded a net cash inflow of \$1.2 million (Q2 2018: cash outflow of \$1.5 million). It was mainly the combined effect of cash inflow from repayment of \$2.1 million from a related company (Q2 2018: nil) and net maturity of certificate of deposit of \$1.1 million (Q2 2018: nil), netting off cash outflow for addition of debentures of \$0.5 million (Q2 2018: cash inflow from disposal of debentures of \$0.5 million), settlement of payable of \$0.8 million (Q2 2018: \$0.1 million) and payment of office expenses of \$0.5 million (Q2 2018: \$0.5 million).

The total assets decreased by \$1.3 million from \$78.1 million as at December 31, 2018 to \$76.8 million at this quarter end which mainly represented the payment for office expenses of \$1.0 million and payment of dividend of \$0.4 million.

6. Results of Operations

6.1 Revenue

Interest income and rental income in the second quarter of 2019 were \$0.2 million (3 months Q2 2018: \$0.3 million) and \$0.1 million (3 months Q2 2018: \$0.1 million) respectively.

Interest income and rental income for the six months ended June 30, 2019 were \$0.5 million (6 months Q2 2018: \$0.5 million) and \$0.2 million (6 months Q2 2018: \$0.1 million) respectively.

6.2 Fair Value Gain/(Loss) on Financial Assets

For the three months ended June 30, 2019, fair value gain on financial assets at fair value through profit or loss was \$0.1 million (3 months Q2 2018: fair value loss of \$0.8 million). It mainly represented the fair value gain on debentures of \$0.1 million (3 months Q2 2018: loss of \$0.2 million) with reference to quoted market prices at the end of the reporting period.

For the six months ended June 30, 2019, fair value gain on financial assets at fair value through profit or loss was \$1.1 million (6 months Q2 2018: fair value loss of \$1.0 million). It mainly represented the fair value gain on listed securities on the investment in 40,260,000 shares of LocoHK of \$0.9 million (6 months Q2 2018: fair value loss of \$0.6 million) and the fair value gain on debentures of \$0.1 million (6 months Q2 2018: fair value loss of \$0.4 million) with reference to quoted market prices at the end of the reporting period.

6.3 General and Administrative Expenses

General and administrative expenses were \$0.8 million for this quarter (3 months Q2 2018: \$0.7 million) and \$1.5 million for the six months ended June 30, 2019 (6 months Q2 2018: \$1.5 million). It mainly included pre-operating expenses incurred for the Gold Project, office rental, staff costs and legal and professional fees.

6.4 Earnings/(Loss) Per Share

The basic and diluted loss per share were \$0.007 for this quarter (3 months Q2 2018: \$0.026) and earnings per share of \$0.005 for the six months ended June 30, 2019 (6 months Q2 2018: loss of \$0.038).

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6.5 LBITDA

The loss before interest income and expense, income taxes, depreciation and amortisation (“LBITDA”), a non-IFRS performance measure, for this quarter were \$0.5 million as compared to loss of \$1.5 million incurred in the corresponding period last year. The calculation of LBITDA was set out in the table below:

For the three months ended	June 30, 2019	June 30, 2018
	\$	\$
Loss for the period	(398,561)	(1,341,462)
Interest income	(240,751)	(297,969)
Interest expense	-	2,428
Income tax	-	-
Depreciation	187,245	198,583
LBITDA ⁽¹⁾	(452,067)	(1,438,420)
LBITDA per share ⁽²⁾	(0.009)	(0.029)

Note:

(1) As non-IFRS measurements, **LBITDA** and **LBITDA per share** do not comply with IFRS and, therefore, the amounts presented in the above table may not be comparable to similar data presented by other companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

(2) Based on weighted average number of shares outstanding, a non-IFRS measure.

6.6 Annual Dividend

On April 16, 2019, the Company declared an annual dividend of \$0.01 (CAD0.01) per share in accordance with its dividend policy and 2018 performance. The dividend was paid on June 21, 2019 to shareholders of record on May 22, 2019.

7. Cash Flows

The following table summarises the Group’s cash flows and cash on hand:

As at	June 30, 2019	December 31, 2018
	\$	\$
Cash and cash equivalents	16,908,530	17,077,240
Working capital ⁽¹⁾	22,387,831	19,347,364

For the three months ended	June 30, 2019	June 30, 2018
	\$	\$
Net cash flow used in operating activities	(1,297,764)	(617,365)
Net cash flow used in financing activities	(389,984)	(1,355,035)
Net cash flow from investing activities	2,871,250	465,555
Increase/(decrease) in cash and cash equivalents	1,183,502	(1,506,845)

For the six months ended	June 30, 2019	June 30, 2018
	\$	\$
Net cash flow used in operating activities	(2,436,296)	(1,384,596)
Net cash flow used in financing activities	(391,290)	(1,407,628)
Net cash flow from investing activities	2,658,876	214,785
Decrease in cash and cash equivalents	(168,710)	(2,577,439)

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Note:

(1) *Working capital is a non-IFRS measurement, which is the difference between current assets and current liabilities.*

7.1 Operating Activities

For the three months ended June 30, 2019

In this quarter, the Company recorded a net cash outflow from operating activities of \$1.3 million (3 months Q2 2018: cash outflow of \$0.6 million) which comprised of net cash payment of office expenses of \$0.5 million (3 months Q2 2018: \$0.5 million) and settlement of payables of \$0.8 million (3 months Q2 2018: \$0.1 million).

For the six months ended June 30, 2019

For the six months ended June 30, 2019, net cash outflow from operating activities was \$2.4 million (6 months Q2 2018: \$1.4 million), which comprised of net cash payment of the office expenses of \$1.0 million (6 months Q2 2018: \$0.9 million) and settlement of payables of \$1.4 million (6 months Q2 2018: \$0.4 million).

7.2 Financing Activities

For the three months ended June 30, 2019

In this quarter, the Company recorded a cash outflow from financing activities of \$0.4 million (3 months Q2 2018: \$1.4 million) which mainly represented payment of dividend of \$0.4 million (3 months Q2 2018: 0.4 million) while there was repayment of bank loan of \$1.0 million in 2018.

For the six months ended June 30, 2019

The cash outflow from financing activities was \$0.4 million for the six months ended June 30, 2019 (6 months Q2 2018: \$1.4 million) which mainly represented payment of dividend of \$0.4 million (6 months Q2 2018: \$0.4 million) while there was repayment of bank loan of \$1.0 million in 2018.

7.3 Investing Activities

For the three months ended June 30, 2019

In this quarter, the Company recorded a cash inflow from investing activities of \$2.8 million (3 months Q2 2018: \$0.5 million), mainly representing the cash inflow from repayment from a related company of \$2.1 million (3 months Q2 2018: nil), net maturity of certificate of deposit of \$1.1 million (3 months Q2 2018: nil) and interest income of \$0.2 million (3 months Q2 2018: \$0.3 million), netting off the net addition of debentures of \$0.5 million (3 months Q2 2018: net disposal of debentures of \$0.6 million).

For the six months ended June 30, 2019

For the six months ended June 30, 2019, net cash inflow from investing activities was \$2.7 million (6 months Q2 2018: \$0.2 million) which mainly represented the cash inflow from repayment from a related company of \$2.1 million (6 months Q2 2018: nil), disposal of unlisted securities of \$0.2 million (6 months Q2 2018: acquisition of unlisted securities of \$0.3 million) and interest income of \$0.5 million (6 months Q2 2018: \$0.5 million). The increase in net cash inflow was mainly due to repayment from a related company in 2019.

8. Statements of Financial Position

8.1 Cash and Cash Equivalents

The Group had approximately \$16.9 million in cash and cash equivalents as at June 30, 2019, compared to \$17.1 million as at December 31, 2018. The decrease of \$0.2 million was mainly the cash inflow from repayment from a related company of \$2.1 million and interest income of \$0.5 million netting off against the net payment of the office expenses of \$1.0 million, settlement of payables of \$1.4 million and payment of dividend of \$0.4 million.

8.2 Exploration and Evaluation Assets

The exploration and evaluation assets are mainly related to the Gold Project, including mining rights, geological and geophysical costs, mine site and facilities construction, drilling and exploration expenses. For the six months ended June 30, 2019, there were addition of \$0.1 million in exploration and evaluation assets.

8.3 Financial Assets

As at June 30, 2019, financial assets comprised:

Current Portion

- (a) \$2.4 million investment in 40,260,000 shares of LocoHK, the shares of which are listed on the GEM of The Stock Exchange of Hong Kong Limited under the stock code 8162.
- (b) \$0.7 million debentures with coupon rates ranged from 4.850% to 5.500% per annum and maturities ranged between September 17, 2019 and November 4, 2019.
- (c) \$1.0 million certificate of deposit with coupon rates ranged from 2.500% to 2.760% per annum and maturities on September 12, 2019.

Non-current Portion

- (d) \$0.2 million investment for listed securities.
- (e) \$5.1 million debentures with coupon rates ranged from 4.250% to 7.750% per annum and maturities ranged between November 4, 2020 and perpetual.
- (f) \$1.6 million investment in Dragon Silver, a Hong Kong based metal trading and processing company.

8.4 Share Capital

As at June 30, 2019, GobiMin had 49,821,482 common shares issued and outstanding. For the six months ended June 30, 2019, 90,500 shares were repurchased and cancelled.

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9. Related Party Transactions

The Group had the following transactions with related parties:

9.1 During the six months ended June 30, 2019

- (a) Fees and other remunerations to directors and key management amounted to \$0.2 million (Q2 2018: \$0.2 million).
- (b) Rental income of \$24,076 (Q2 2018: \$24,212) and share of office common expenses of \$2,335 (Q2 2018: \$1,898) from companies in which a director of the Company has equity interest.
- (c) Rental income of \$41,828 (Q2 2018: \$60,232) from a company with common director.
- (d) Interest income of \$59,252 (Q2 2018: \$60,747) from a company with common director.
- (e) Share of office common expenses and staff cost of \$8,335 (Q2 2018: \$50,810) from a company with common director.

9.2 As at June 30, 2019

The principal amount of a loan of \$1.4 million (December 31, 2018: \$3.5 million) due from a company with common director who has controlling interest in the Company.

10. Capital Commitment

As at June 30, 2019, the Group had capital commitments of \$1.7 million in relation to office building renovation, mine design and related facilities and research on gold processing method.

11. Off-Balance Sheet Arrangements

The Group does not have any off-balance sheet arrangements.

12. Future plans for material investments

The Group intends to use its available funds to invest in each of equity, debt instruments and other investments as part of its focus as an investment issuer. As at the report date, the Company does not have any plan for material investment in the near future.

13. Outstanding Share Data

The following table provides information concerning the Company's share capital and convertible securities:

As at	December 31, 2018	June 30, 2019	August 23, 2019
Number of Common Shares Outstanding	49,911,982	49,821,482	49,814,982
Number of Options Outstanding	280,000	260,000	260,000
Number of Common Shares Fully Diluted	50,191,982	50,081,482	50,074,982

14. Risk Factors

The mining business conducted by the Group is subject to a number of risks. These risk factors could materially affect the Group's future operating results and could cause actual events to differ materially from those described in the forward-looking statements relating to the Group. Prospective investors should carefully consider the risks factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risk Factors" in the Company's Annual MD&A for the fiscal year ended December 31, 2018, available on SEDAR at www.sedar.com.