

GobiMin Inc.

(Incorporated in Canada under the Canada Business Corporations Act)

Condensed Interim Financial Statements (unaudited)

March 31, 2019

(Expressed in United States Dollars except where otherwise noted)

Notice to readers:

The financial statements and the accompanying notes thereto contained in this report have been prepared by the management and have not been reviewed or audited by the Company's external auditor.

GobiMin Inc.
Condensed Interim Statements of Financial Position (Unaudited)
As at March 31, 2019 and December 31, 2018
(Expressed in United States Dollars)

	<i>Note</i>	March 31, 2019	December 31, 2018
ASSETS		\$	\$
Current			
Cash and cash equivalents	5	15,725,028	17,077,240
Prepayments, deposits and other receivables	6	3,501,744	3,405,596
Financial assets	7	5,154,771	2,353,948
Total current assets		24,381,543	22,836,784
Non-current			
Property, plant and equipment	8	12,547,132	12,689,210
Investment properties		1,480,819	1,511,114
Exploration and evaluation assets	9	29,924,304	29,877,546
Financial assets	7	6,259,259	7,675,922
Amount due from a related company	10	3,500,000	3,500,000
Total non-current assets		53,711,514	55,253,792
Total assets		78,093,057	78,090,576
LIABILITIES			
Current			
Other payables, receipts in advance and accrued liabilities	11	1,784,307	2,362,313
Income taxes payable		1,127,107	1,127,107
Total current liabilities		2,911,414	3,489,420
Total liabilities		2,911,414	3,489,420
SHAREHOLDERS' EQUITY			
Share capital	12	22,051,802	22,054,895
Reserves and retained earnings		53,027,478	52,406,671
Equity attributable to shareholders of the Company		75,079,280	74,461,566
Non-controlling interests		102,363	139,590
Total shareholders' equity		75,181,643	74,601,156
Total liabilities and shareholders' equity		78,093,057	78,090,576

The accompanying notes form an integral part of these Financial Statements.

APPROVED BY THE BOARD ON May 23, 2019 AND SIGNED ON ITS BEHALF BY:

(Signed)
Felipe Tan
Director

(Signed)
Hubert Marleau
Director

GobiMin Inc.
Condensed Interim Statements of Comprehensive Income (Unaudited)
For the three months ended March 31, 2019 and 2018
(Expressed in United States Dollars)

		Three Months Ended	
	<i>Note</i>	March 31, 2019	March 31, 2018
		\$	\$
Interest income		247,838	235,533
Rental income		80,460	74,057
Gain on disposal of financial assets		24,696	-
Fair value gain/(loss) on financial assets at fair value through profit or loss		961,832	(197,616)
Gross profit		1,314,826	111,974
General and administrative expenses		(730,858)	(714,908)
Share of results of associates		-	121
Operating profit/(loss)		583,968	(602,813)
Exchange loss		(43)	-
Finance costs		(2,123)	(8,828)
Profit/(loss) before income tax		581,802	(611,641)
Income tax		-	-
Net profit/(loss) for the period		581,802	(611,641)
Other comprehensive income/(loss), net of tax			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent period:			
Exchange differences on translation of foreign operations		(9)	-
Total comprehensive income/(loss) for the period		581,793	(611,641)
Profit/(loss) for the period attributable to:			
Shareholders of the Company		619,029	(572,908)
Non-controlling interests		(37,227)	(38,733)
		581,802	(611,641)
Total comprehensive income/(loss) for the period attributable to:			
Shareholders of the Company		619,020	(572,908)
Non-controlling interests		(37,227)	(38,733)
		581,793	(611,641)
Net earnings/(losses) per share			
Basic and diluted	12.7	0.012	(0.011)
Weighted average number of shares outstanding		Share	Share
Basic and diluted	12.7	49,911,068	50,005,482

The accompanying notes form an integral part of these Financial Statements.

GobiMin Inc.
Condensed Interim Statements of Changes in Equity (Unaudited)
For the three months ended March 31, 2019 and 2018
(Expressed in United States Dollars)

	Attributable to shareholders of the Company						Non-controlling interests	Total equity
	Share capital Note 12.1	Contributed surplus	Share option reserve	General reserve Note 12.3	Translation reserve Note 12.4	Retained earnings		
At January 1, 2018	\$ 22,096,211	\$ 2,399,939	\$ 35,274	\$ 501,965	\$ 1,606,110	\$ 53,262,413	\$ 360,873	\$ 80,262,785
Loss for the period	-	-	-	-	-	(572,908)	(38,733)	(611,641)
Total comprehensive loss	-	-	-	-	-	(572,908)	(38,733)	(611,641)
Share-based payment	-	-	495	-	-	-	-	495
At March 31, 2018	22,096,211	2,399,939	35,769	501,965	1,606,110	52,689,505	322,140	79,651,639
At January 1, 2019	22,054,895	2,399,939	37,060	501,965	(640,365)	50,108,072	139,590	74,601,156
Profit/(loss) for the period	-	-	-	-	-	619,029	(37,227)	581,802
Other comprehensive loss	-	-	-	-	(9)	-	-	(9)
Total comprehensive income/(loss)	-	-	-	-	(9)	619,029	(37,227)	581,793
Share repurchased	(3,093)	-	-	-	-	1,787	-	(1,306)
At March 31, 2019	22,051,802	2,399,939	37,060	501,965	(640,374)	50,728,888	102,363	75,181,643

The accompanying notes form an integral part of these Financial Statements.

GobiMin Inc.
Condensed Interim Statements of Cash Flows (Unaudited)
For the three months ended March 31, 2019 and 2018
(Expressed in United States Dollars)

	Three Months Ended	
	March 31, 2019	March 31, 2018
	\$	\$
Operating activities		
Profit/(loss) before income tax	581,802	(611,641)
Adjustments for items not involving cash:		
- Depreciation	188,196	208,141
- Share-based payment	-	495
- Share of results of associates	-	(121)
- Gain on disposal of financial assets	(24,696)	-
- Fair value (gain)/loss on financial assets at fair value through profit or loss	(961,832)	197,616
- Exchange difference	43	-
- Interest income	(247,838)	(235,533)
- Interest expense	-	6,647
	(464,325)	(434,396)
Working capital adjustments:		
- Prepayments, deposits and other receivables	(96,201)	(19,754)
- Other payables, receipts in advance and accrued liabilities	(578,006)	(313,081)
Net cash flow used in operating activities	(1,138,532)	(767,231)
Financing activities		
Interest paid	-	(6,647)
Shares repurchased	(1,306)	-
Repayment of bank loan	-	(45,946)
Net cash flow used in financing activities	(1,306)	(52,593)
Investing activities		
Interest received	247,838	235,533
Additions of property, plant and equipment	(15,823)	(2,968)
Additions of exploration and evaluation assets	(46,758)	-
Net disposal/(addition) of debentures	1,503,290	(983,160)
(Addition)/maturity of certificate of deposit	(2,097,968)	499,825
Disposal of equity investment	197,047	-
Net cash flow used in investing activities	(212,374)	(250,770)
Decrease in cash and cash equivalents	(1,352,212)	(1,070,594)
Cash and cash equivalents at beginning of the period	17,077,240	19,067,473
Cash and cash equivalents at end of the period	15,725,028	17,996,879

The accompanying notes form an integral part of these Financial Statements.

GobiMin Inc.
Notes to Condensed Interim Financial Statements
For the quarter ended March 31, 2019
(Express in United States Dollars)

1. CORPORATE INFORMATION

GobiMin Inc. (the “Company” or “GobiMin”), together with its subsidiaries (collectively the “Group”), is a limited liability company incorporated in Canada under the Canada Business Corporations Act. It is listed on the TSX Venture Exchange, having the symbol GMN, as a Tier 2 investment issuer. Its registered office is situated at 1000 Sherbrooke Street West, Suite 2700, Montreal, Quebec H3A 3G4, Canada.

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”).

2. BASIS OF PREPARATION

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

These condensed interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2018. Operating results for this interim period is not necessarily indicative of the results that may be expected for the full financial year ending December 31, 2019.

In preparing these condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed interim financial statements are consistent with the policies disclosed in notes 2 and 3 to the consolidated financial statements for the year ended December 31, 2018, except for those that relate to new or revised International Financial Reporting Standards (“IFRS”) effective from January 1, 2019. The adoption of these new or revised IFRS has no material effect on the Group’s condensed interim financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued by the International Accounting Standards Board but is not yet effective.

4. SEGMENT INFORMATION

The Group is engaged in two operating segments, namely (i) the investment in investment properties, equity, debt or other securities as well as direct ownership stakes in projects (“Investment Business”); and (ii) the development, exploration and exploitation of mineral properties, mainly in Xinjiang, China (“Mining Business”).

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(a) Segment information for assets and liabilities are as follows:

As at	March 31, 2019	December 31, 2018
	\$	\$
Segment assets		
Investment Business	19,520,340	18,166,475
Mining Business	36,733,591	35,933,210
Total segment assets	56,253,931	54,099,685
Unallocated	21,839,126	23,990,891
Consolidated assets	78,093,057	78,090,576
Segment liabilities		
Investment Business	86,244	135,430
Mining Business	1,342,551	1,848,023
Total segment liabilities	1,428,795	1,983,453
Unallocated	1,482,619	1,505,967
Consolidated liabilities	2,911,414	3,489,420

(b) Segment information for operating results are as follows:

For the three months ended	March 31, 2019	March 31, 2018
	\$	\$
Segment revenue and results		
Investment Business	1,186,892	75,405
Mining Business	(162,571)	(175,679)
Total segment revenue and results	1,024,321	(100,274)
Other income and gains	37,025	36,570
Unallocated corporate expenses	(477,378)	(539,109)
Exchange loss	(43)	-
Finance costs	(2,123)	(8,828)
Loss before income tax	581,802	(611,641)

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5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents were held in following locations:

Location	March 31, 2019	December 31, 2018
	\$	\$
Canada	166,699	233,120
Hong Kong	12,553,156	13,717,374
China	3,005,173	3,126,746
Total	15,725,028	17,077,240

The RMB located in China is not freely convertible into other currencies. However, under China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

The fair market values of cash and cash equivalents approximated their carrying values at the respective year end.

6. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

As at March 31, 2019, the prepayments, deposits and other receivables balance mainly represented a loan of \$3,000,000 (2018: \$3,000,000) to an investment company of the Group, Dragon Silver Holdings Limited ("Dragon Silver"), and interest receivables from debentures and certificate of deposits of \$68,829 (2018: \$123,035). The loan to Dragon Silver is secured by the personal guarantee of a director of Dragon Silver, bears interest rate at 8.5% per annum and is repayable on demand with 7 days' notice. For the three months ended March 31, 2019, the Group received interest income from loan to Dragon Silver of \$63,750 (2018: \$65,875).

7. FINANCIAL ASSETS

As at		March 31, 2019	December 31, 2018
		\$	\$
Current			
Listed securities	<i>(a)</i>	2,357,568	1,476,718
Debentures	<i>(b)</i>	702,291	680,183
Equity investment	<i>(c)</i>	-	197,047
Certificate of deposit	<i>(d)</i>	2,094,912	-
		5,154,771	2,353,948
Non-current			
Listed securities	<i>(a)</i>	164,023	151,721
Debentures	<i>(b)</i>	4,499,483	5,928,448
Equity investment	<i>(c)</i>	1,595,753	1,595,753
		6,259,259	7,675,922
Total		11,414,030	10,029,870

GobiMin Inc.**Notes to Condensed Interim Financial Statements****For the quarter ended March 31, 2019**

(Express in United States Dollars)

- (a) As at March 31, 2019 and December 31, 2018, the listed securities represented the investment in 40,260,000 shares of Loco Hong Kong Holdings Limited (“LocoHK”) and other listed securities that are designated at fair value through profit or loss. The fair value of the investment is determined with reference to quoted market price.
- (b) Debentures are classified as financial assets at fair value through profit or loss, with coupon rates ranged from 4.250% to 7.750% (December 31, 2018: 4.250% to 9.000%) per annum and maturities ending between September 17, 2019 and perpetual (December 31, 2018: November 3, 2019 and perpetual).
- (c) Equity investment represented a 9.90% interest in Dragon Silver which is a company incorporated in Hong Kong engaged in metal trading and processing. There is no change in the fair value of the unlisted equity investment for the three months ended March 31, 2019.

As at December 31, 2018, the current portion of equity investment represented an investment in equity of a fund managed by an experienced fund manager and was disposed in January 2019.

- (d) Certificate of deposit represented deposit placed with a bank with coupon rate ranged from 2.38% to 2.76% per annum and maturities ranged from May 21, 2019 to September 12, 2019 (December 31, 2018: nil).

8. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land & buildings	Leasehold improvements	Furniture, fixture & equipment	Computer hardware & equipment	Motor vehicles	Total
Cost:	\$	\$	\$	\$	\$	\$
At January 1, 2018	15,712,195	237,107	415,726	602	890,458	17,256,088
Exchange difference	(325,248)	-	(18,268)	(31)	(36,521)	(380,068)
Additions	-	1,918	23,648	-	2,806	28,372
Disposals	-	-	-	-	(85,914)	(85,914)
At December 31, 2018	15,386,947	239,025	421,106	571	770,829	16,818,478
Additions	15,823	-	-	-	-	15,823
At March 31, 2019	15,402,770	239,025	421,106	571	770,829	16,834,301

Depreciation and impairment:

At January 1, 2018	2,230,449	222,719	350,434	602	825,422	3,629,626
Exchange difference	(39,524)	-	(15,097)	(31)	(34,695)	(89,347)
Depreciation for the year	613,495	13,596	19,973	-	22,469	669,533
Eliminated on disposals	-	-	-	-	(80,544)	(80,544)
At December 31, 2018	2,804,420	236,315	355,310	571	732,652	4,129,268
Depreciation for the period	153,624	1,166	2,936	-	175	157,901
At March 31, 2019	2,958,044	237,481	358,246	571	732,827	4,287,169

Net book value:

At December 31, 2018	12,582,527	2,710	65,796	-	38,177	12,689,210
At March 31, 2019	12,444,726	1,544	62,860	-	38,002	12,547,132

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As at March 31, 2019, the carrying amount of property, plant and equipment which were located in Hong Kong amounted to \$7,164,013 (December 31, 2018: \$7,255,509). The remaining property, plant and equipment were located in China.

9. EXPLORATION AND EVALUATION ASSETS

	Total
Cost:	\$
At January 1, 2018	31,533,596
Exchange difference	94,613
Disposals	(1,750,663)
At December 31, 2018	29,877,546
Addition	46,758
At March 31, 2019	29,924,304

The exploration and evaluation assets represented the mining and exploration rights and geological and geophysical costs, mine site and facilities construction, drilling and exploration costs of the Sawayaerdun Gold Project (“Gold Project”) located at 200 km northwest of the city of Kashi, western Xinjiang, China. The exploration licence and the mining licence expired by the end of 2018. The renewal of the mining licence was officially announced on the website of the Department of Land and Resources on January 23, 2019. The renewed licence will be issued upon the passing of the 60-day public notice period. At the reporting date, the public notice period has passed and the Company awaits for the licence collection notice from the relevant authorities. The application materials for the retention of the exploration licence was submitted to relevant authorities on December 18, 2017. Following normal procedures, subsequent to the review and approval by relevant authorities and passing of the public notice period, the new licence shall be issued. At the reporting date, the application documents are under government review. 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 Company has engaged General Research Institute for Nonferrous Metals for an on-site industrial test on the gold processing methodology by applying large scale samples started in 2019. Subject to satisfactory on-site test results, the production costs of the Gold Project are expected to be reduced. Furthermore, we have ongoing negotiation with a potential investor to develop the Gold Project and formal documents are expected to be signed pending the industrial test results.

10. AMOUNT DUE FROM A RELATED COMPANY

Amount due from a related company represented a loan of \$3,500,000 to China Precision Material Limited (“CPM”), a subsidiary of LocoHK. The Group owns 40,260,000 shares of LocoHK which is classified as financial assets as disclosed in note 7 to the financial statements. As at March 31, 2019, Mr. Felipe Tan, Chief Executive Officer of GobiMin, is a director of LocoHK and CPM.

The loan to CPM is unsecured, bears interest at the rate of 3.5% per annum and is repayable on demand with 3 days’ notice. The Group had assessed the credit risk of the loan and considered the default possibility is minimal and no significant increase in credit risk is noted since initial recognition.

11. OTHER PAYABLES, RECEIPTS IN ADVANCE AND ACCRUED LIABILITIES

As at March 31, 2019 and December 31, 2018, the balances of other payables, receipts in advance and accrued liabilities comprised mainly the payable related to the construction work of the office building, exploration work, mine design and related facilities of the Gold Project and accrual of office expenses.

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(Express in United States Dollars)

<u>As at</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>
	\$	\$
Other payables	1,344,413	1,830,644
Accrued liabilities	347,265	391,550
Receipts in advance	86,244	135,430
Deposit received	6,385	4,689
Total	1,784,307	2,362,313

12. SHARE CAPITAL AND STOCK OPTIONS

12.1 Common Shares

	Number	Amount
<u>Authorized:</u>		\$
Unlimited number of common shares		
<u>Issued and outstanding:</u>		
At January 1, 2018	50,005,482	22,096,211
Shares repurchased and cancelled	(93,500)	(41,316)
At December 31, 2018	49,911,982	22,054,895
Shares repurchased and cancelled	(7,000)	(3,093)
At March 31, 2019	49,904,982	22,051,802

12.2 Preferred Shares

The Company did not authorize or issue any preferred shares.

12.3 General Reserve

The general reserve represents statutory reserves of the Group's Chinese operating subsidiaries. During the three months ended March 31, 2019, there was no movement in the general reserve.

12.4 Translation Reserve

Translation reserve represents net unrealized exchange gain on translation of foreign operations.

12.5 Normal Course Issuer Bid

On July 23, 2018, GobiMin was granted approval by TSX Venture Exchange to renew its normal course issuer bid to repurchase up to an additional 2,500,274 common shares, representing approximately 5% of the then common shares outstanding. Purchases are expected to be made in accordance with applicable regulations over a maximum period of 12 months commencing on July 25, 2018 and will end on July 24, 2019 or on such earlier date as GobiMin may complete its purchases pursuant to the normal course issuer bid or as it may otherwise determine. For the three months ended March 31, 2019, a total of 7,000 common shares were repurchased at an aggregate cost of \$1,306 (CAD1,768). All shares repurchased have been returned to treasury for cancellation.

12.6 Stock Options

On May 26, 2005, the Company adopted a resolution cancelling all of its outstanding stock option plans and creating a new stock option plan to grant options to its employees, directors and officers to purchase common

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shares. A total number of 6,700,000 (December 31, 2018: 6,700,000) common shares were reserved for issuance pursuant to the exercise of options to be granted under the plan.

a) **Status of the outstanding employee stock options:**

For the three months ended	March 31, 2019		March 31, 2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
		\$		\$
Outstanding, beginning of the period	280,000	0.37	280,000	0.37
Forfeited during the period	(10,000)	0.37	-	-
Outstanding, end of the period	270,000	0.37	280,000	0.37

b) **Summary of the employee stock options outstanding and exercisable:**

Exercise Price	Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
CAD	\$		(Years)	\$		(Years)	\$
<u>At March 31, 2019</u>							
0.50	0.37	270,000	0.75	0.37	270,000	0.75	0.37
<u>At December 31, 2018</u>							
0.50	0.37	280,000	1.00	0.37	280,000	1.00	0.37

c) **Share-Based Payments**

There were no options granted during the period. The Company determines fair value of the employee stock options using the Black-Scholes option pricing model.

12.7 **Basic and Diluted Earnings/(Losses) Per Share**

For the three months ended	March 31, 2019	March 31, 2018
Net earnings/(losses) attributable to shareholders		
Basic and diluted	619,029	(\$572,908)
Weighted average number of shares outstanding		
Basic and diluted	49,911,068	50,005,482
Basic and diluted earnings/(losses) per share	\$0.012	(\$0.011)

The stock options outstanding during the period had an anti-dilutive effect on the basic earnings per share and as such, the conversion of the above potential dilutive shares is not assumed in the computation of diluted losses per share.

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13. RELATED PARTY TRANSACTIONS

13.1 Key management compensation

The remuneration of key management and directors was as follows:

For the three months ended	March 31, 2019	March 31, 2018
	\$	\$
Wages, fees and other benefits	72,069	93,548
Payment to defined contribution plans	579	579
Share-based payment	-	212
	72,648	94,339

13.2 Related party transactions

In addition to amount due from a related company as disclosed in note 10 and the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties:

For the three months ended		March 31, 2019	March 31, 2018
Relationship	Type of transactions		
		\$	\$
Companies in which a director of the Company has equity interest	Rental income	12,038	12,337
	Share of office common expenses	903	957
A company with a common director who has controlling interest in the Company	Rental income	25,097	30,116
	Interest income	30,205	30,205
	Share of office common expenses and staff cost	4,515	26,499

14. COMMITMENTS

14.1 Capital commitments

The Group has the following capital commitment:

As at March 31, 2019	Contract Date	Contracted Sum	Capital Commitments
		\$	\$
Mine design and related facilities	October 31, 2011	1,172,098	644,654
Office building renovation	March 2, 2013	1,923,689	858,252
Research on gold processing method	June 20, 2018	249,071	175,815
Total capital commitments for the Gold Project		3,344,858	1,678,721

14.2 Operating lease commitments

The Group as Lessor

The Group has entered into operating leases on its investment properties, with lease terms ranging from one to five years.

Future minimum lease receivables under non-cancellable operating leases are as follows:

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As at	March 31, 2019	December 31, 2018
	\$	\$
Within one year	157,799	47,584
In the second to fifth years inclusive	256,885	277,396
Total future minimum lease receivables	414,684	324,980

15. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of listed securities, unlisted equity securities, debentures and certificate of deposit.

15.1 Fair value of financial instruments

The fair value of financial instruments represents the amounts that would have been received from or paid to counterparties to settle these instruments. The carrying amount of all financial instruments classified as current approximates their fair value because of the short maturities and normal trade terms of these instruments. The fair value of other financial instruments disclosed in the financial statements are based on the Company's best estimates using present value, quoted market prices and other valuation techniques that are significantly affected by the assumptions used concerning the amounts and timing of estimated cash flows and discount rates which reflect varying degrees of risk.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1 – Quoted (unadjusted) prices for identical assets or liabilities in active markets.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including:

- ◆ Quoted prices for similar assets/liabilities in active markets;
- ◆ Quoted prices for identical or similar assets in non-active markets (few transactions, limited information, non-current prices, high variability over time);
- ◆ Inputs other than quoted prices that are observable for the asset/liability (e.g. interest rates, yield curves, volatilities, default rates, etc.); and
- ◆ Inputs that are derived principally from or corroborated by other observable market data.

Level 3 – Unobservable inputs that cannot be corroborated by observable market data.

	Fair Value Measurements at Reporting Date Using			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<u>As at March 31, 2019</u>				
Listed securities	2,521,591	-	-	2,521,591
Unlisted equity investment	-	-	1,595,753	1,595,753
Debentures	5,201,774	-	-	5,201,774
Certificate of deposit	-	2,094,912	-	2,094,912
	7,723,365	2,094,912	1,595,753	11,414,030
<u>As at December 31, 2018</u>				
Listed securities	1,628,439	-	-	1,628,439
Unlisted equity investment	-	197,047	1,595,753	1,792,800
Debentures	6,608,631	-	-	6,608,631
	8,327,070	197,047	1,595,753	10,029,870

15.2 Risks arising from financial instruments and risk management

The Group is exposed to various types of market risks, including changes in foreign exchange rates, and interest rates in the normal course of business. The Group's overall risk management program focuses on mitigating these risks on a cost-effective basis. The Group's policy is to use derivatives only for managing existing financial exposures but not for trading or speculative purpose.

15.3 Exchange Rate Risk

The Group generates revenues and incurs expenditures primarily in Canada, Hong Kong and China and is exposed to risk from changes in foreign currency rates. In addition, the Group holds financial assets and liabilities in foreign currencies that expose the Group to foreign exchange risks. A significant change in the currency exchange rates between the United States dollars relative to the Hong Kong dollars, RMB or Canadian dollars could have an effect on the Group's financial position and cash flows. The Group has not hedged its exposure to currency fluctuations.

Many foreign currency exchange transactions involving RMB, including foreign exchange transactions under the Group's capital account located in China, are subject to foreign exchange controls and require the approval of the China State Administration of Foreign Exchange. Developments relating to the Chinese's economy and actions taken by the Chinese government could cause future foreign exchange rates to vary significantly from current or historical rates. The Group cannot predict nor give any assurance of its future stability. Future fluctuations in exchange rates may adversely affect the value, translated or converted into United States dollars of the Group's net assets, net profits and any declared dividends. The Group cannot give any assurance that any future movements in the exchange rates of RMB against the United States dollars and other foreign currencies will not adversely affect its results of operations, financial condition and cash flows.

15.4 Credit Risk

The Group is exposed to credit risk with respect to cash and cash equivalents, other receivables, amount due from a related company, deposit paid to a related party and financial assets. The maximum exposure is equal to the carrying amount of these assets included on the consolidated statements of financial position. The cash equivalents are call deposits at banks or time deposit of terms less than 90 days. None of the cash equivalents are in asset backed commercial paper products. The Group has deposited the cash and cash equivalents in banks that meet minimum requirements for quality and liquidity as stipulated by the Company's Board of Directors. Other receivables mainly composed of a loan to Dragon Silver of \$3,000,000. The management reviews the financial statements provided by Dragon Silver and the related company on a monthly basis. Management believes the risk of loss to be remote.

15.5 Liquidity Risk

Liquidity risk is the risk that the Group may encounter difficulties in meeting obligations associated with financial liabilities. As at March 31, 2019, the Group held cash and cash equivalents of \$15,725,028 and net current assets of \$21,470,129. The Group considered that its cash and cash equivalents is more than sufficient in meeting its obligations associated with financial liabilities and fulfilling its capital commitments.

15.6 Interest Risk

As the Group has no significant variable interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rate.

16. CAPITAL MANAGEMENT

The Group's objectives of capital management are intended to safeguard the entity's ability to support the Group's normal operating requirement on an ongoing basis, continue the development, exploration and exploitation of its mineral properties, and support any expansionary plans. The capital of the Group amounted to \$75,181,643 consists of the items included in equity. The Board of Directors does not establish a quantitative return on capital criteria for management but promotes year-over-year sustainable earnings growth targets. The Group manages the capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

The Group is not subject to externally imposed capital requirements.

17. EVENTS AFTER THE REPORTING DATE

- 17.1 For the period from April 1, 2019 to May 23, 2019, a total of 83,500 common shares were repurchased at an aggregate cost of \$21,882 (CAD29,616) under the NCIB. All shares repurchased will be/have been returned to treasury for cancellation.
- 17.2 On April 16, 2019, GobiMin declared an annual dividend of \$0.01 (CAD0.01) per share in accordance with its dividend policy and the 2018 performance. The dividend will be payable on June 21, 2019 to shareholders of record on May 22, 2019.

GobiMin Inc.

(Incorporated in Canada under the Canada Business Corporations Act)

Interim Management's Discussion and Analysis of Financial Results

- Quarterly Highlights

March 31, 2019

(Expressed in United States Dollars except where otherwise noted)

GobiMin Inc.
Interim MD&A – Quarterly Highlights
For the quarter ended March 31, 2019
(Expressed in United States Dollars)
May 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 May 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 March 31, 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 March 31		12 months ended
	2019	2018	December 31, 2018
	\$	\$	\$
Revenue	0.3 million	0.3 million	1.5 million
Gain on disposal of financial assets	25,000	-	3,500
Fair value gain/(loss) on financial assets	1.0 million	(0.2 million)	(1.1 million)
Net profit/(loss) for the period/year	0.6 million	(0.6 million)	(2.9 million)
Profit/(loss) attributable to shareholders of the Company	0.6 million	(0.6 million)	(2.8 million)
EBITDA/(LBITDA) ⁽¹⁾	0.5 million	(0.6 million)	(3.2 million)
Basic and diluted earnings/(loss) per share	0.012	(0.011)	(0.056)
EBITDA/(LBITDA) per share ⁽¹⁾	0.010	(0.013)	(0.064)
Cash and cash equivalents	15.7 million	18.0 million	17.1 million
Cash and cash equivalents per share ⁽¹⁾	0.32	0.36	0.34
Working capital	21.5 million	20.7 million	19.3 million
Total liabilities	2.9 million	3.3 million	3.5 million
Total assets	78.1 million	83.0 million	78.1 million
Annual dividend per share	-	-	0.01

Note:

(1) As non-IFRS measurements, **EBITDA/(LBITDA)** (earnings/(loss) before interest income and expense, income taxes, depreciation and amortization), **EBITDA/(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 Equity Investments and Debentures

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. The exploration licence and the mining licence expired by the end of 2018. The renewal of the mining licence was officially announced on the website of the Department of Land and Resources on January 23, 2019. At the reporting date, the Company awaited for the collection notice of the renewed mining licence from the relevant authorities. The application

documents for retention of the exploration licence are under government review. 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. After the industrial results, formal documents on negotiation with a potential investor to develop the Gold Project are expected to be signed.

As at March 31, 2019, there was addition of \$47,000 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

The Group owns 40,260,000 shares of Loco Hong Kong Holdings Limited (“LocoHK”). LocoHK is a company incorporated in Hong Kong which is principally engaged in metal trading and processing. Its shares are listed on GEM of The Stock Exchange of Hong Kong Limited under the stock code 8162. For the three months ended March 31, 2019, the fair value gain on investment in LocoHK was \$0.9 million (Q1 2018: loss of \$26,000).

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 three months ended March 31, 2019, the Group received from Dragon Silver interest income of \$0.1 million (Q1 2018: \$0.1 million).

For the three months ended March 31, 2019, the fair value gain on other listed securities was \$12,000 (Q1 2018: nil) and certain unlisted equity investment was disposed at carrying value.

(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 March 31, 2019, the Group held \$5.2 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 and maturities ranged between September 17, 2019 and perpetual (December 31, 2018: November 3, 2019 and perpetual).

As at March 31, 2019, the Group held \$2.1 million (December 31, 2018: nil) certificate of deposit with coupon rates ranged from 2.380% to 2.760% per annum and maturities ranged between May 21, 2019 to September 12, 2019.

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 expected to be made in accordance with applicable regulations over a maximum period of 12 months commencing on July 25, 2018 and will end 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 three months ended March 31, 2019, a total of 7,000 common shares were repurchased at an aggregate cost of \$1,306 (CAD1,768). For the period from April 1, 2019 to May 23, 2019, a total of 83,500 common shares were repurchased at an aggregate cost of \$21,882 (CAD29,616) 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 March 31, 2019, the working capital of the Group amounted to approximately \$21.5 million (December 31, 2018: \$19.3 million), by netting off its current assets of \$24.4 million (December 31, 2018: \$22.8 million) with current liabilities of \$2.9 million (December 31, 2018: \$3.5 million).

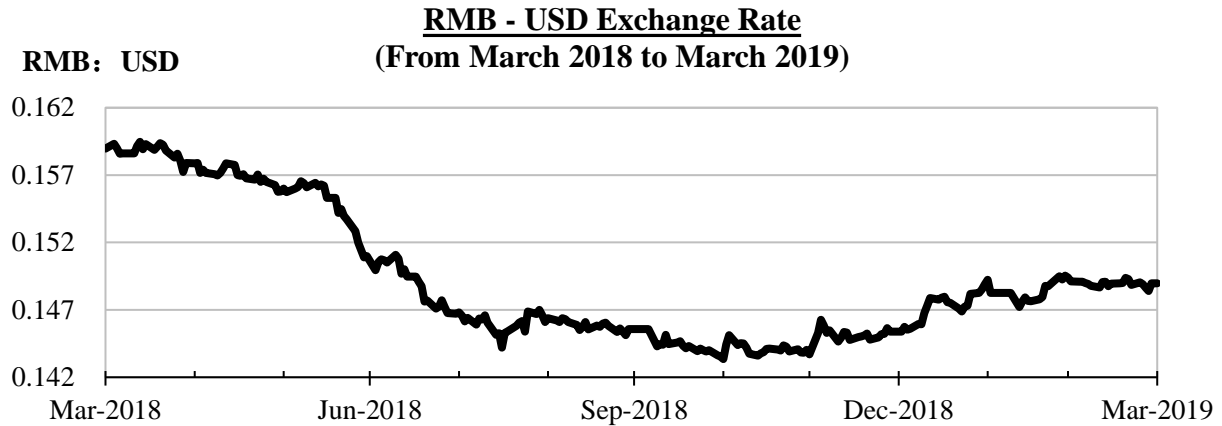
Among the cash and cash equivalents of \$15.7 million, approximately \$3.0 million were held in China. The subsidiaries in China are allowed to transfer funds to other Group companies outside China upon presentation of the relevant documentation required by applicable regulations, subject to the risks 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

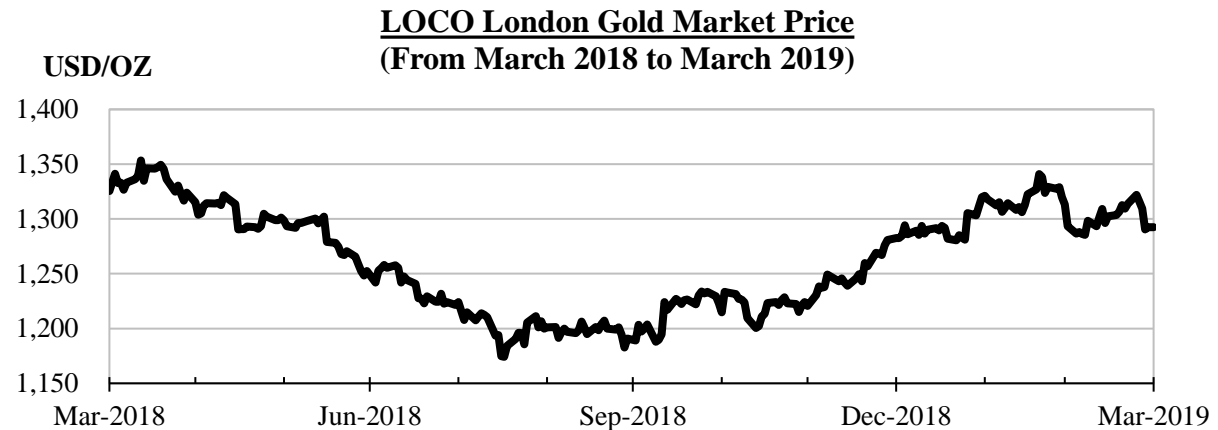
4.1 China Economy

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 March 31, 2019, the exchange rate of the Chinese Renminbi against the U.S. dollar decreased by 6.28%, as compared with that as at March 31, 2018.



4.2 **Gold Market**

The changes in price of gold have a strong influence on the Gold Project's value. As at March 31, 2019, the gold price decreased by 2.50% from that as at March 31, 2018.



5. **Selected Quarterly Information**

For the three months ended March 31, 2019, the Group reported a net profit of \$0.6 million (Q1 2018: loss of \$0.6 million) which mainly comprised the fair value gain on financial assets of \$1.0 million (Q1 2018: fair value loss of \$0.2 million) and interest income of \$0.2 million (Q1 2018: \$0.2 million), netting of the administrative expenses of \$0.7 million (Q1 2018: \$0.7 million).

In this quarter, the Group recorded a net cash outflow of \$1.4 million from December 31, 2018 (Q1 2018: \$1.1 million). It was mainly the combined effect of cash inflow from net disposal of debentures of \$1.5 million (Q1 2018: cash outflow of \$1.0 million for net addition of debentures) and disposal of equity investment of \$0.2 million (Q1 2018: nil), netting off cash outflow for addition of certificate of deposit of \$2.1 million (Q1 2018: cash inflow from maturity of certificate of deposit of \$0.5 million), settlement of payable of \$0.6 million (Q1 2018: \$0.3 million) and payment of office expenses of \$0.5 million (Q1 2018: \$0.4 million).

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The total assets of the Group remain at \$78.1 million as at March 31, 2019.

6. Results of Operations

6.1. Revenue

Interest income and rental income in the first quarter of 2019 were \$0.2 million (Q1 2018: \$0.2 million) and \$0.1 million (Q1 2018: \$0.1 million) respectively.

6.2. Fair Value Gain/(Loss) on Financial Assets

Fair value gain on financial assets at fair value through profit or loss for this quarter was \$1.0 million (Q1 2018: fair value loss of \$0.2 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 (Q1 2018: loss of \$26,000) and the fair value gain on debentures of \$0.1 million (Q1 2018: loss of \$0.2 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 \$0.7 million for this quarter (Q1 2018: \$0.7 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 earnings per share were \$0.012 for this quarter (Q1 2018: loss of \$0.011).

6.5. EBITDA/(LBITDA)

The earnings/(loss) before interest income and expense, income taxes, depreciation and amortisation (“EBITDA/(LBITDA)”), a non-IFRS performance measure, for this quarter were earnings of \$0.5 million (Q1 2018: loss of \$0.6 million). The calculation of EBITDA/(LBITDA) was set out in the table below:

For the three months ended	March 31, 2019	March 31, 2018
	\$	\$
Profit/(loss) for the period	581,802	(611,641)
Interest income	(247,838)	(235,533)
Interest expense	-	6,647
Income tax credit	-	-
Depreciation	188,196	208,141
EBITDA/(LBITDA) ⁽¹⁾	522,160	(632,386)
EBITDA/(LBITDA) per share ⁽²⁾	0.010	(0.013)

Note:

(1) *As non-IFRS measurements, EBITDA/(LBITDA) and EBITDA/(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.*

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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 will be payable on June 21, 2019 to shareholders of record on May 22, 2019.

7. Cash Flows

The following table summarised the Group's cash flows and cash on hand:

As at	March 31, 2019	March 31, 2018
	\$	\$
Cash and cash equivalents	15,725,028	17,966,879
Working capital ⁽¹⁾	21,470,129	20,679,226
For the three months ended	March 31, 2019	March 31, 2018
	\$	\$
Net cash flow used in operating activities	(1,138,532)	(767,231)
Net cash flow used in financing activities	(1,306)	(52,593)
Net cash flow used in investing activities	(212,374)	(250,770)
Decrease in cash and cash equivalents	(1,352,212)	(1,070,594)

Note:

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

7.1. Operating Activities

In this quarter, the Company recorded a net cash outflow from operating activities of \$1.1 million (Q1 2018: \$0.8 million), mainly representing net cash payment of the office expenses of \$0.4 million (Q1 2018: \$0.4 million) and settlement of payables of \$0.6 million (Q1 2018: \$0.3 million).

7.2. Financing Activities

In this quarter, the Company recorded a cash outflow from financing activities of \$1,300 (Q1 2018: \$53,000), mainly representing the share repurchased of \$1,300 (Q1 2018: nil). The decrease in cash outflow is due to the repayment of bank loan and corresponding interest of \$53,000 incurred only in the corresponding period last year.

7.3. Investing Activities

In this quarter, the Company recorded a cash outflow from investing activities of \$0.2 million (Q1 2018: \$0.3 million), mainly representing the cash inflow from disposal of equity investment of \$0.2 million (Q1 2018: nil) and interest income of \$0.2 million (Q1 2018: \$0.2 million), netting of the net addition of debentures and certificate of deposit of \$0.6 million (Q1 2018: \$0.5 million).

8. Statements of Financial Position

8.1. Cash and Cash Equivalents

The Group had approximately \$15.7 million in cash and cash equivalents as at March 31, 2019, compared to \$17.1 million as at December 31, 2018. The decrease of \$1.4 million was mainly due to net addition of debentures and certificate of deposit of \$0.6 million, settlement of payable of \$0.6 million and net payment of the office expenses 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 three months ended March 31, 2019, there were addition of \$47,000 in exploration and evaluation assets.

8.3. Financial Assets

As at March 31, 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 5.550% per annum and maturities ranged between September 17, 2019 and November 4, 2019.
- (c) \$2.1 million certificate of deposit with coupon rates ranged from 2.380% to 2.760% per annum and maturities ranged between May 21, 2019 and September 12, 2019.

Non-current Portion

- (d) \$0.2 million investment for listed securities.
- (e) \$4.5 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 unlisted equity investment in Dragon Silver, a Hong Kong based metal trading and processing company.

8.4. Share Capital

As at March 31 2019, GobiMin had 49,904,982 common shares issued and outstanding. For the three months ended March 31 2019, 7,000 common shares were repurchased and cancelled.

9. Related Party Transactions

The Group had the following transactions with related parties:

9.1. During the three months ended March 31, 2019

- (a) Fees and other remunerations to directors and key management amounted to \$0.1 million (Q1 2018: \$0.1 million).
- (b) Rental income of \$12,038 (Q1 2018: \$12,337) and share of office common expenses of \$903 (Q1 2018: \$957) from companies in which a director of the Company has equity interest.
- (c) Rental income of \$25,097 (Q1 2018: \$30,116) from a company with common director.

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- (d) Interest income of \$30,205 (Q1 2018: \$30,205) from a company with common director.
(e) Share of office common expenses and staff cost of \$4,515 (Q1 2018: \$26,499) from a company with common director.

9.2. As at March 31, 2019

The principal amount of a loan of \$3.5 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 March 31, 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	March 31, 2019	May 23, 2019
Number of Common Shares Outstanding	49,911,982	49,904,982	49,821,482
Number of Options Outstanding	280,000	270,000	270,000
Number of Common Shares Fully Diluted	50,191,982	50,174,982	50,091,482

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.