

GobiMin Inc.

(Incorporated in Canada under the Canada Business Corporations Act)

Condensed Interim Financial Statements (unaudited)

September 30, 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 September 30, 2019 and December 31, 2018**

(Expressed in United States Dollars)

		(Unaudited)	(Audited)
	<i>Note</i>	September 30, 2019	December 31, 2018
		\$	\$
ASSETS			
Current			
Cash and cash equivalents	5	21,413,310	17,077,240
Prepayments, deposits and other receivables	6	4,333,035	3,405,596
Financial assets	7	311,606	2,353,948
Total current assets		26,057,951	22,836,784
Non-current			
Property, plant and equipment	8	12,082,508	12,689,210
Investment properties		1,365,200	1,511,114
Exploration and evaluation assets	9	29,544,471	29,877,546
Right-of-use assets		414,032	-
Financial assets	7	6,567,489	7,675,922
Amount due from a related company	10	-	3,500,000
Total non-current assets		49,973,700	55,253,792
Total assets		76,031,651	78,090,576
LIABILITIES			
Current			
Other payables, receipts in advance and accrued liabilities	11	1,072,610	2,362,313
Income taxes payable		1,127,107	1,127,107
Lease liabilities		63,254	-
Total current liabilities		2,262,971	3,489,420
Non-current			
Lease liabilities		357,570	-
Total non-current liabilities		357,570	3,489,420
Total liabilities		2,620,541	3,489,420
SHAREHOLDERS' EQUITY			
Share capital	12	22,010,928	22,054,895
Reserves and retained earnings		51,302,106	52,406,671
Equity attributable to shareholders of the Company		73,313,034	74,461,566
Non-controlling interests		98,076	139,590
Total shareholders' equity		73,411,110	74,601,156
Total liabilities and shareholders' equity		76,031,651	78,090,576

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

APPROVED BY THE BOARD ON NOVEMBER 21, 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 and nine months ended September 30, 2019 and 2018 (Expressed in United States Dollars)

	Note	Three Months Ended		Nine Months Ended	
		September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
		\$	\$	\$	\$
Interest income		224,312	243,689	712,901	777,191
Rental income		54,703	70,720	218,295	216,002
Dividend Income		107,786	107,786	107,786	107,786
Gain on disposal of financial assets		501,609	-	527,051	1,518
Fair value gain/(loss) on financial assets at fair value through profit or loss		24,873	(70,266)	1,103,669	(1,078,846)
Gross profit		913,283	351,929	2,669,702	23,651
General and administrative expenses		(742,775)	(646,079)	(2,247,183)	(2,098,200)
Share of results of associates		-	(26)	-	(4,311)
Operating profit/(loss)		170,508	(294,176)	422,519	(2,078,860)
Gain on disposal of property, plant and equipment		-	-	-	35,881
Loss on dissolution of a subsidiary	13	-	-	(74,775)	-
Exchange loss		(120,057)	(35,214)	(110,930)	(227,227)
Finance costs		(4,328)	(1,254)	(7,450)	(13,541)
Profit/(loss) before income tax		46,123	(330,644)	229,364	(2,283,747)
Income tax		-	-	-	-
Net profit/(loss) for the period		46,123	(330,644)	229,364	(2,283,747)
Other comprehensive income/(loss), net of tax					
Other comprehensive income/(loss) to be reclassified to profit or loss in the subsequent period:					
Exchange difference released upon disposal of a subsidiary		-	-	74,775	-
Exchange differences on translation of foreign operations		(1,322,938)	(466,266)	(1,101,035)	(2,051,462)
Total comprehensive loss for the period		(1,276,815)	(796,910)	(796,896)	(4,335,209)
Profit/(loss) for the period attributable to:					
Shareholders of the Company		71,869	(297,233)	329,566	(2,188,069)
Non-controlling interests		(25,746)	(33,411)	(100,202)	(95,678)
		46,123	(330,644)	229,364	(2,283,747)
Total comprehensive loss for the period attributable to:					
Shareholders of the Company		(1,243,924)	(759,601)	(755,382)	(4,222,098)
Non-controlling interests		(32,891)	(37,309)	(41,514)	(113,111)
		(1,276,815)	(796,910)	(796,896)	(4,335,209)
Net earnings/(loss) per share					
Basic and diluted	12.7	0.001	(0.006)	0.007	(0.044)
Weighted average number of shares outstanding		Share	Share	Share	Share
Basic and diluted	12.7	49,817,689	49,996,656	49,860,931	50,002,508

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

GobiMin Inc.**Condensed Interim Statements of Changes in Equity (Unaudited)****For the nine months ended September 30, 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	-	-	-	-	-	(2,188,069)	(95,678)	(2,283,747)
Other comprehensive loss	-	-	-	-	(2,034,029)	-	(17,433)	(2,051,462)
Total comprehensive loss	-	-	-	-	(2,034,029)	(2,188,069)	(113,111)	(4,335,209)
Payment of dividend	-	-	-	-	-	(387,227)	-	(387,227)
Shares repurchased	(5,745)	-	-	-	-	1,995	-	(3,750)
Share-based payment	-	-	1,452	-	-	-	-	1,452
At September 30, 2018	22,090,466	2,399,939	36,726	501,965	(427,919)	50,689,112	247,762	75,538,051
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	-	-	-	-	-	329,566	(100,202)	229,364
Other comprehensive income/(loss)	-	-	-	-	(1,084,948)	-	58,688	(1,026,260)
Total comprehensive income/(loss)	-	-	-	-	(1,084,948)	329,566	(41,514)	(796,896)
Payment of dividend	-	-	-	-	-	(368,102)	-	(368,102)
Shares repurchased	(43,967)	-	-	-	-	18,919	-	(25,048)
Options forfeited	-	-	(2,647)	-	-	2,647	-	-
At September 30, 2019	22,010,928	2,399,939	34,413	501,965	(1,725,313)	50,091,102	98,076	73,411,110

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

GobiMin Inc.**Condensed Interim Statements of Cash Flows (Unaudited)****For the three months and nine months ended September 30, 2019 and 2018**

(Expressed in United States Dollars)

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2019	2018	2019	2018
	\$	\$	\$	\$
Operating activities				
Profit/(loss) before income tax	46,123	(330,644)	229,364	(2,283,747)
Adjustments for items not involving cash:				
- Depreciation	185,621	190,697	561,062	597,421
- Share-based payment	-	489	-	1,452
- Share of results of associates	-	26	-	4,311
- Gain on disposal of property, plant and equipment	-	-	-	(35,881)
- Gain on disposal of financial assets	(501,609)	-	(527,051)	(1,518)
- Fair value (gain)/loss on financial assets at fair value through profit or loss	(24,873)	70,266	(1,103,669)	1,078,846
- Loss on dissolution of a subsidiary	-	-	74,775	-
- Exchange loss	120,057	35,214	110,930	227,227
- Dividend income	(107,786)	(107,786)	(107,786)	(107,786)
- Interest income	(224,312)	(243,689)	(712,901)	(777,191)
- Interest expense	3,434	-	3,434	9,075
	(503,345)	(385,427)	(1,471,842)	(1,287,791)
Working capital adjustments:				
- Prepayments, deposits and other receivables	311,725	79,521	196,921	1,583
- Other payables, receipts in advance and accrued liabilities	63,292	150,852	(1,289,703)	(253,442)
Net cash flow used in operating activities	(128,328)	(155,054)	(2,564,624)	(1,539,650)
Financing activities				
Interest paid	(3,434)	-	(3,434)	(9,075)
Shares repurchased	(1,860)	(3,750)	(25,048)	(3,750)
Repayment of lease liabilities	(1,021)	-	(1,021)	-
Dividend paid	-	-	(368,102)	(387,227)
Repayment of bank loan	-	-	-	(1,011,326)
Net cash flow used in financing activities	(6,315)	(3,750)	(397,605)	(1,411,378)
Investing activities				
Interest received	224,312	243,689	712,901	776,035
Dividend received	107,786	107,786	107,786	107,786
Additions of property, plant and equipment	(19,319)	(3,113)	(48,226)	(11,347)
Additions of exploration and evaluation assets	(402,346)	(32,022)	(494,424)	(32,022)
Proceeds from disposal of property, plant and equipment	-	-	-	41,251
Net acquisition of unlisted investments	(221,653)	-	(24,606)	(257,400)
Net disposal/(acquisition) of listed securities	2,801,330	-	2,801,330	(193,399)
Net disposal/(addition) of debentures	1,000,000	-	2,006,540	(399,604)
Net maturity/(addition) of certificate of deposit	1,000,000	-	(1,770)	499,825
Net proceeds from disposal of equity interest in an associate	-	58,803	-	58,803
Repayment from a related company	350,578	-	2,440,033	-
Net cash flow from investing activities	4,840,688	375,143	7,499,564	589,928
Increase/(decrease) in cash and cash equivalents	4,706,045	216,339	4,537,335	(2,361,100)
Effect of foreign exchange rate changes	(201,265)	(83,846)	(201,265)	(415,675)
Cash and cash equivalents at beginning of the period	16,908,530	16,158,205	17,077,240	19,067,473
Cash and cash equivalents at end of the period	21,413,310	16,290,698	21,413,310	16,290,698

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

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Notes to Condensed Interim Financial Statements

For the quarter ended September 30, 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, Montréal, Québec G3A 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 these interim periods are 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 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 related to new or revised International Financial Reporting Standards (“IFRS”) effective from January 1, 2019. Save for IFRS 16, 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.

Change in Accounting Policies

IFRS 16 – Leases

The Company adopted IFRS 16 – Leases (“IFRS 16”) which replaced IAS 17 – Leases and IFRIC 4 – Determining Whether an Arrangement Contains a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applied in IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less), leases with certain variable lease payments and leases of low-value assets. As the Group has no operating lease contract as lessee with remaining lease term of more than 1 year at January 1, 2019,

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the adoption of the IFRS 16 has no impact on the Group's consolidated financial statements at December 31, 2018 and June 30, 2019.

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended December 31, 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from January 1, 2019.

Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the fixed lease payments or a change in assessment to purchase the underlying asset.

Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

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Notes to Condensed Interim Financial Statements

For the quarter ended September 30, 2019

(Express in United States Dollars)

Amounts recognized in the interim consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities in relation an office premises and the movement during the period are as follow:

	Right-of-use assets	Lease liabilities
	\$	\$
At January 1, 2019	-	-
Additions	421,844	421,844
Depreciation charge	(7,812)	-
Interest expense	-	3,434
Payments	-	(4,454)
At September 30, 2019	414,032	420,824

The lease liabilities were discounted at a discount rate of 4.9%.

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").

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

As at	September 30, 2019	December 31, 2018
	\$	\$
Segment assets		
Investment business	12,425,106	18,166,475
Mining business	34,953,674	35,933,210
Total segment assets	47,378,780	54,099,685
Unallocated	28,652,871	23,990,891
Consolidated assets	76,031,651	78,090,576
Segment liabilities		
Investment business	63,715	135,430
Mining business	845,564	1,848,023
Total segment liabilities	909,279	1,983,453
Unallocated	1,711,262	1,505,967
Consolidated liabilities	2,620,541	3,489,420

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Notes to Condensed Interim Financial Statements

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(Express in United States Dollars)

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

For the nine months ended	September 30, 2019	September 30, 2018
	\$	\$
Segment revenue and results		
Investment business	2,494,746	(227,252)
Mining business	(451,188)	(511,198)
	2,043,558	(738,450)
Other income and gains	87,232	159,994
Unallocated corporate expenses	(1,708,271)	(1,500,404)
Gain on disposal of property, plant and equipment	-	35,881
Loss on dissolution of a subsidiary	(74,775)	-
Exchange loss	(110,930)	(227,227)
Finance costs	(7,450)	(13,541)
Profit/(loss) before income tax	229,364	(2,283,747)

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents were held in following locations:

Location	September 30, 2019	December 31, 2018
	\$	\$
Canada	865,562	233,120
Hong Kong	19,785,227	13,717,374
China	762,521	3,126,746
Total	21,413,310	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 approximate their carrying values at the respective reporting date.

6. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

As at September 30, 2019, the prepayments, deposits and other receivables mainly represented a loan of \$3,000,000 (December 31, 2018: \$3,000,000) to an investment company of the Group, Dragon Silver Holdings Limited ("Dragon Silver"), loan and interest receivable of \$1,066,574 due from China Precision Material Limited ("CPM"), a subsidiary of Loco Hong Kong Holdings Limited ("LocoHK") and interest receivables from debentures of \$76,867 (December 31, 2018: \$123,035).

The Group owned 1,500,000 shares of LocoHK which is classified as financial assets as disclosed in note 7 to the financial statements. In July 2019, CPM ceased to be a related company when Mr. Felipe Tan resigned as director of LocoHK and CPM and the amount due from CPM is reclassified from amount due from a related company to other receivables in this quarter. Please refer to note 10 to the financial statements for details of the loan terms.

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Notes to Condensed Interim Financial Statements

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The loan to Dragon Silver is secured by the personal guarantee of a director of Dragon Silver, bears interest at the rate of 8.5% per annum and is repayable on demand with 7 days' notice. For the nine months ended September 30, 2019, the Group received interest income of \$193,957 (2018: \$195,500) from loan to Dragon Silver.

7. FINANCIAL ASSETS

As at	September 30, 2019	December 31, 2018
	\$	\$
Current		
Listed securities	113,900	1,476,718
Unlisted investments	-	197,047
Debentures	197,706	680,183
	311,606	2,353,948
Non-current		
Listed securities	151,721	151,721
Unlisted investments	1,818,673	1,595,753
Debentures	4,597,095	5,928,448
	6,567,489	7,675,922
Total	6,879,095	10,029,870

As at September 30, 2019, the listed securities represented the investment in listed shares in Hong Kong and Canada. The fair value of the investment is determined with reference to quoted market price.

Unlisted investments mainly represented a 9.90% interest in Dragon Silver which is a company incorporated in Hong Kong engaged in metal trading and processing of \$1,595,753. For the nine months ended September 30, 2019, there was no change in fair value for the investment in Dragon Silver but there was fair value gain from the other unlisted investments of \$1,267 (September 30, 2018: nil).

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

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 November 4, 2019 and perpetual (December 31, 2018: November 3, 2019 and perpetual).

GobiMin Inc.**Notes to Condensed Interim Financial Statements****For the quarter ended September 30, 2019**

(Express in United States Dollars)

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
Exchange difference	(221,683)	-	(13,198)	(21)	(24,892)	(259,794)
Additions	15,273	7,240	25,713	-	-	48,226
At September 30, 2019	15,180,537	246,265	433,621	550	745,937	16,606,910
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
Exchange difference	(35,755)	-	(10,969)	(21)	(23,647)	(70,392)
Depreciation for the period	454,477	1,562	8,961	-	526	465,526
At September 30, 2019	3,223,142	237,877	353,302	550	709,531	4,524,402
Net book value:						
At December 31, 2018	12,582,527	2,710	65,796	-	38,177	12,689,210
At September 30, 2019	11,957,395	8,388	80,319	-	36,406	12,082,508

As at September 30, 2019, the carrying amount of property, plant and equipment which were located in Hong Kong amounted to \$6,983,033 (December 31, 2018: \$7,255,509). The remaining property, plant and equipment were located in China.

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Notes to Condensed Interim Financial Statements

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(Express in United States Dollars)

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
Cost:	\$
At January 1, 2019	29,877,546
Exchange difference	(827,499)
Additions	494,424
At September 30, 2019	29,544,471

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. 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, it has been renewed to August 22, 2021 with original received in September 2019.

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.

10. AMOUNT DUE FROM A RELATED COMPANY

As at December 31, 2018, the amount due from a related company represented a loan of \$3,500,000 to CPM, a subsidiary of LocoHK whereas 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. The outstanding balance of \$1,066,574 as at September 30, 2019 has been reclassified as other receivables as disclosed in note 6 to the financial statements.

The loan to CPM is unsecured, bears interest at the rate of 3.5% per annum and has been repaid on October 4, 2019.

11. OTHER PAYABLES, RECEIPTS IN ADVANCE AND ACCRUED LIABILITIES

As at September 30, 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.

As at	September 30, 2019	December 31, 2018
	\$	\$
Other payables	855,335	1,830,644
Accrued liabilities	143,378	391,550
Receipts in advance	63,715	135,430
Deposit received	10,182	4,689
Total	1,072,610	2,362,313

GobiMin Inc.

Notes to Condensed Interim Financial Statements

For the quarter ended September 30, 2019

(Express in United States Dollars)

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	(99,500)	(43,967)
At September 30, 2019	49,812,482	22,010,928

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 nine months ended September 30, 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 ("NCIB")

On August 1, 2019, GobiMin was granted approval by TSX Venture Exchange to renew its normal course issuer bid to repurchase up to an additional 2,491,074 common shares, representing approximately 5% of the then common shares outstanding ("2019 NCIB"). Purchases are expected to be made in accordance with applicable regulations over a maximum period of 12 months commencing on August 8, 2019 and ended on August 7, 2020 or on such earlier date as GobiMin may complete its purchases pursuant to the 2019 NCIB or as it may otherwise determine. For the nine months ended September 30, 2019, a total of 99,500 common shares were repurchased at an aggregate cost of \$25,048 (CAD33,901), of which 90,500 common shares were repurchased under the NCIB for 2018 and the remaining 9,000 common shares were repurchased under the 2019 NCIB.

GobiMin Inc.

Notes to Condensed Interim Financial Statements

For the quarter ended September 30, 2019

(Express in United States Dollars)

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 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 nine months ended	September 30, 2019		September 30, 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	(20,000)	0.37	-	-
Outstanding, end of the period	260,000	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)	\$
At September 30, 2019							
0.50	0.37	260,000	0.25	0.37	260,000	0.25	0.37
At December 31, 2018							
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.

GobiMin Inc.

Notes to Condensed Interim Financial Statements

For the quarter ended September 30, 2019

(Express in United States Dollars)

12.7 Basic and Diluted Earnings/(Loss) Per Share

<u>For the three months ended</u>	<u>September 30, 2019</u>	<u>September 30, 2018</u>
Net earnings/(loss) attributable to shareholders		
Basic and diluted	\$71,869	(\$297,233)
Weighted average number of shares outstanding		
Basic and diluted	49,817,689	49,996,656
Basic and diluted earnings/(loss) per share	\$0.001	(\$0.006)
<hr/>		
<u>For the nine months ended</u>	<u>September 30, 2019</u>	<u>September 30, 2018</u>
Net earnings/(loss) attributable to shareholders		
Basic and diluted	\$329,566	(\$2,188,069)
Weighted average number of shares outstanding		
Basic and diluted	49,860,931	50,002,508
Basic and diluted earnings/(loss) per share	\$0.007	(\$0.044)

For the three months ended and nine months ended September 30, 2018, the stock options outstanding during the period had an anti-dilutive effect on the basic loss per share and as such, the conversion of the above potential dilutive shares is not assumed in the computation of diluted loss per share.

For the three months ended and nine months ended September 30, 2019, the computation of diluted earnings per share did not assume the exercise of the Company's outstanding share options as the exercise price of those share options is higher than the average market price of the shares for the period.

13. **LOSS ON DISSOLUTION OF A SUBSIDIARY**

In April 2018, the Group invested about \$1.5 million (equivalent to RMB10 million) to an indirect wholly-owned subsidiary in China, targeting for development, planting and sales of primary agricultural products and plants cultivation in Hami City, Xinjiang, China. As the agriculture project has not achieved any virtual progress since its incorporation due to the difficulties in obtaining suitable land use rights, the subsidiary was deregistered in April 2019. The net assets upon deregistration solely represented cash of \$1,460,480 (equivalent to RMB9,968,315) which has been received as return of capital in April 2019.

<u>For the nine months ended</u>	<u>September 30, 2019</u>
	\$
Return of capital	1,460,480
Less: net assets disposed of	(1,460,480)
Less: Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss	(74,775)
Loss on dissolution of a subsidiary	(74,775)

GobiMin Inc.

Notes to Condensed Interim Financial Statements

For the quarter ended September 30, 2019

(Express in United States Dollars)

14. RELATED PARTY TRANSACTIONS

14.1 Key management compensation

The remuneration of key management and directors was as follows:

For the three months ended	September 30, 2019	September 30, 2018
	\$	\$
Wages, fees and other benefits	102,840	92,436
Payment to defined contribution plans	753	756
Share-based payment	-	314
	103,593	93,506

For the nine months ended	September 30, 2019	September 30, 2018
	\$	\$
Wages, fees and other benefits	274,684	308,459
Payment to defined contribution plans	2,260	2,269
Share-based payment	-	622
	276,944	311,350

14.2 Related party transactions

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties:

Relationship	Type of transactions	For the three months ended	
		September 30, 2019	September 30, 2018
		\$	\$
Companies in which a director of the Company has equity interest	Rental income	11,427	11,907
	Share of office common expenses	1,435	1,244
A company with a common director who has controlling interest in the Company	Rental income	8,365	30,116
	Interest income	2,234	30,876
	Share of office common expenses and staff cost	-	25,420

GobiMin Inc.

Notes to Condensed Interim Financial Statements

For the quarter ended September 30, 2019

(Express in United States Dollars)

Relationship	Type of transactions	For the nine months ended	
		September 30, 2019	September 30, 2018
		\$	\$
Companies in which a director of the Company has equity interest	Rental income	35,503	36,119
	Share of office common expenses	3,770	3,142
A company with common director who has controlling interest in the Company	Rental income	50,193	90,348
	Interest income	61,486	91,623
	Share of office common expenses and staff cost	8,335	76,230
A company controlled by a director	Disposal of property, plant and equipment (Note)	-	41,251
Director of the Company	Purchase of property, plant and equipment	-	2,806

Note: For the nine months ended September 30, 2018, the Group disposed of a motor vehicle to a company controlled by a director and recognised a gain on disposal of property, plant and equipment of \$35,881.

15. COMMITMENTS

15.1 Capital commitments

The Group has the following capital commitment:

As at September 30, 2019	Contract Date	Contracted Sum	Capital Commitments
		\$	\$
Mine design and related facilities	October 31, 2011	1,131,326	622,229
Office building renovation	March 2, 2013	1,856,772	828,398
Research on gold processing method	June 20, 2018	240,407	169,699
Total capital commitments for the Gold Project		3,228,505	1,620,326

15.2 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:

As at	September 30, 2019	December 31, 2018
	\$	\$
Within one year	71,620	47,584
In the second to fifth years inclusive	215,861	277,396
Total future minimum lease receivables	287,481	324,980

GobiMin Inc.

Notes to Condensed Interim Financial Statements

For the quarter ended September 30, 2019

(Express in United States Dollars)

16. FINANCIAL INSTRUMENTS

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

16.1 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.

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	\$	\$	\$	\$
<u>As at September 30, 2019</u>				
Listed securities	265,621	-	-	265,621
Unlisted investments	-	222,920	1,595,753	1,818,673
Debentures	4,794,801	-	-	4,794,801
	5,060,422	222,920	1,595,753	6,879,095
<u>As at December 31, 2018</u>				
Listed securities	1,628,439	-	-	1,628,439
Unlisted investments	-	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

GobiMin Inc.

Notes to Condensed Interim Financial Statements

For the quarter ended September 30, 2019

(Express in United States Dollars)

16.2 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.

16.3 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.

16.4 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.

16.5 Liquidity Risk

Liquidity risk is the risk that the Group may encounter difficulties in meeting obligations associated with financial liabilities. As at September 30, 2019, the Group held cash and cash equivalents of \$21,413,310 and net current assets of \$23,794,980. 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.

GobiMin Inc.

Notes to Condensed Interim Financial Statements

For the quarter ended September 30, 2019

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16.6 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.

17. 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 \$73,411,110 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 adjustments 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.

18. EVENTS AFTER THE REPORTING DATE

For the period from October 1, 2019 to November 21, 2019, a total of 27,000 common shares were repurchased at an aggregate cost of \$5,935 (CAD8,033) under the NCIB. All shares repurchased will be/have been returned to treasury for cancellation.

GobiMin Inc.

(Incorporated in Canada under the Canada Business Corporations Act)

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

September 30, 2019

(Expressed in United States Dollars except where otherwise noted)

GobiMin Inc.

Interim MD&A – Quarterly Highlights

For the quarter ended September 30, 2019

(Expressed in United States Dollars)

November 21, 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 financial 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 November 21, 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 September 30, 2019 prepared in accordance with International Financial Reporting Standard (“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.

GobiMin Inc.

Interim MD&A – Quarterly Highlights

For the quarter ended September 30, 2019

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2. Financial Highlights

	3 months ended September 30		12 months ended
	2019	2018	December 31, 2018
	\$	\$	\$
Revenue	0.4 million	0.4 million	1.5 million
Gain on disposal of financial assets	0.5 million	-	3,500
Fair value gain/(loss) on financial assets	25,000	(0.1 million)	(1.1 million)
Net profit/(loss) for the period/year	46,000	(0.3 million)	(2.9 million)
Profit/(loss) attributable to shareholders of the Company	0.1 million	(0.3 million)	(2.8 million)
EBITDA/(LBITDA) ⁽¹⁾	11,000	(0.4 million)	(3.2 million)
Basic and diluted earnings/(loss) per share	0.0014	(0.0059)	(0.0561)
EBITDA/(LBITDA) per share ⁽¹⁾	0.0002	(0.0077)	(0.0639)
Cash and cash equivalents	21.4 million	16.3 million	17.1 million
Cash and cash equivalents per share ⁽¹⁾	0.43	0.33	0.34
Working capital	23.8 million	19.2 million	19.3 million
Total liabilities	2.6 million	2.4 million	3.5 million
Total assets	76.0 million	77.9 million	78.1 million
Annual dividend per share	0.01	0.01	0.01

Note:

(1) As non-IFRS measurements, **EBITDA/(LBITDA)** (earnings/(loss) before interest income and expense, income taxes, depreciation and amortisation), **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 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 was 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

GobiMin Inc.

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on the assessed reserve. The exploration licence was also renewed to August 22, 2021 with original licence collected in September 2019.

The on-site industrial test on applying bio tech methodology on extraction of metals from large scale samples of gold ores were in pre-oxidation stage with the ore heap constructed and supporting facilities, including reagent spray equipment and acid storage tanks, assembled during the reporting period. Subject to satisfactory on-site industrial test results, GobiMin may consider the feasibility on large scale production of the Gold Project with the biological pre oxidation immersion gold technique, and formulate the corresponding development scheme which would substantially reduce the production costs of the Gold Project.

As at September 30, 2019, there were addition of \$0.5 million in the exploration and evaluation assets and the Group had a contractual commitment of \$1.6 million for the future development of the Gold Project.

(ii) Others

As at September 30, 2019, the fair value of listed securities held by the Group amounted to \$0.3 million, of which \$0.1 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 nine months ended September 30, 2019, the fair value gain and gain on disposal of investment in LocoHK was \$0.9 million (2018: loss of \$0.7 million) and \$0.5 million (2018: nil) respectively. As at September 30, 2019, the amount due from China Precision Material Limited (“CPM”), a subsidiary of LocoHK, was \$1.1 million which was subsequently repaid in October 2019. Compared to \$3.5 million as at December 31, 2018, the decrease represented the repayment of \$2.4 million from CPM during the period. In July 2019, CPM ceased to be a related company when Mr. Felipe Tan resigned as director of LocoHK and CPM. For the nine months ended September 30, 2019, the Group received from CPM interest income of \$0.1 million (2018: \$0.1 million).

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 nine months ended September 30, 2019, the Group received from Dragon Silver interest income of \$0.2 million (2018: \$0.2 million) and dividend income of \$0.1 million (2018: \$0.1 million).

For the nine months ended September 30, 2019, unlisted investment of \$0.2 million were acquired and other unlisted investment of \$0.2 million were disposed of at carrying value without gain or loss. During the reporting period, there was no change in fair value on other listed securities (2018: fair value loss of \$4,000). As at September 30, 2019, other listed securities held by the Group amounted to \$0.2 million and unlisted investments comprised of \$1.1 million investment in Dragon Silver and other unlisted investment of \$0.2 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

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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 September 30, 2019, the Group held \$4.8 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 and maturities ranged between November 4, 2019 and perpetual (December 31, 2018: November 3, 2019 and perpetual).

For the nine months ended September 30, 2019, interest income from debentures and certificate of deposit was \$0.3 million (Q3 2018: \$0.4 million), fair value gains from debentures and certificate of deposit amounted to \$0.2 million (Q3 2018: fair value loss of \$0.4 million) and gain from disposal of debentures and maturity of certificate of deposit was \$20,000 (Q3 2018: \$2,000).

3.2 Normal Course Issuer Bid (“NCIB”)

On August 1, 2019, GobiMin was granted approval by the TSX Venture Exchange to renew its NCIB to repurchase up to an additional 2,491,074 common shares, representing approximately 5% of the then common shares outstanding (“2019 NCIB”). Purchases are made in accordance with applicable regulations over a maximum period of 12 months commenced on August 8, 2019 and ended on August 7, 2020 or on such earlier date as GobiMin may complete its purchases pursuant to the 2019 NCIB or as it may otherwise determine. For the nine months ended September 30, 2019, a total of 99,500 common shares were repurchased at an aggregate cost of \$25,048 (CAD33,901), of which 90,500 common shares were repurchased under the NCIB for 2018 and the remaining 9,000 common shares were repurchased under the 2019 NCIB. For the period from October 1, 2019 to November 21, 2019, a total of 27,000 common shares were repurchased at an aggregate cost of \$5,935 (CAD8,033) under the NCIB. All shares repurchased will/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 September 30, 2019, the working capital of the Group amounted to approximately \$23.8 million (December 31, 2018: \$19.3 million), by netting off its current assets of \$26.1 million (December 31, 2018: \$22.8 million) with current liabilities of \$2.3 million (December 31, 2018: \$3.5 million).

Among the cash and cash equivalents of \$21.4 million, approximately \$0.8 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 financial 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.

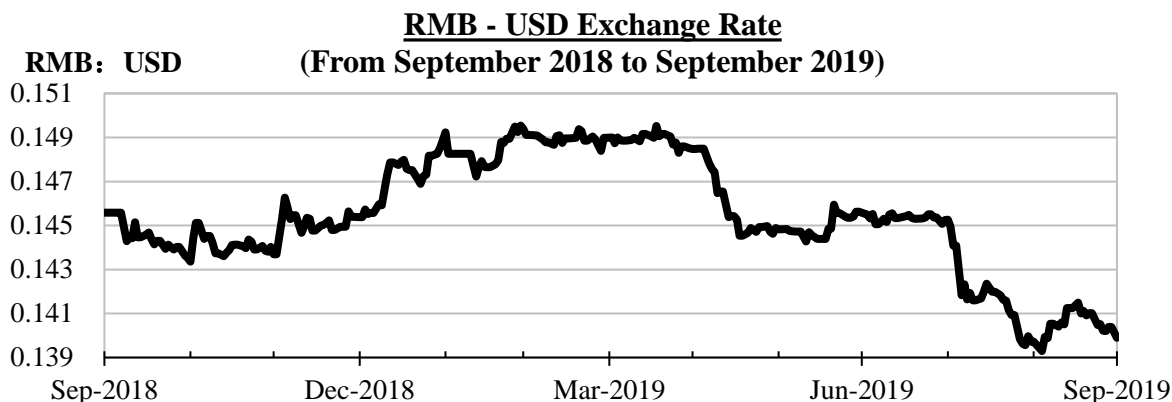
Taking into account of its financial position, the management of the Group considered that its cash and cash equivalents will be more than sufficient to finance its operation, including the contractual commitments of the Gold Project of approximately \$1.6 million.

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4. Key Economic Trends

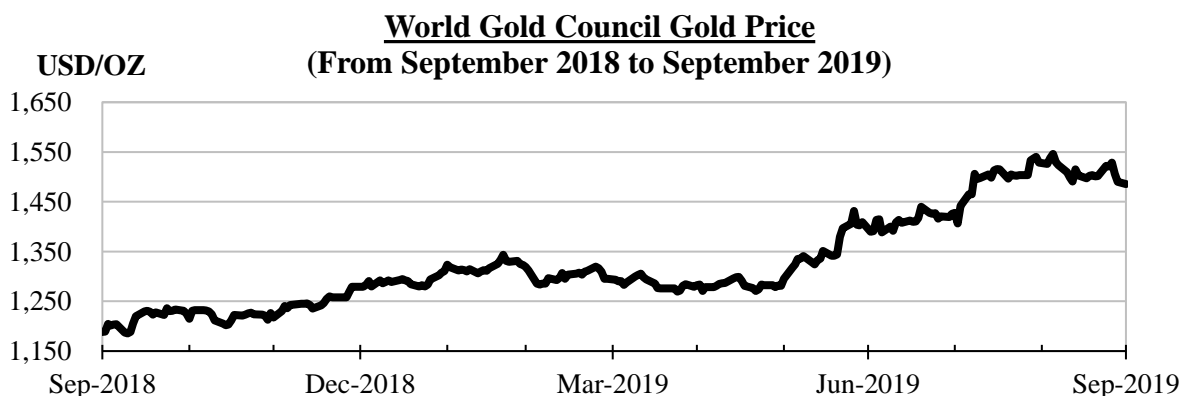
4.1 China Economy

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 September 30, 2019, the exchange rate of the Chinese Renminbi against the U.S. dollar decreased by 3.91%, as compared with that as at September 30, 2018.



4.2 Gold Market

The changes in price of gold have a strong influence on the Gold Project’s value. As at September 30, 2019, the gold price increased by 25.10% from that as at September 30, 2018.



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5. Selected Quarterly Information

For the three months ended September 30, 2019, the Group reported a net profit of \$46,000 (Q3 2018: net loss of \$0.3 million) which mainly comprised of gain on disposal of financial assets of \$0.5 million (Q3 2018: nil), dividend income of \$0.1 million (Q3 2018: \$0.1 million) and interest income of \$0.2 million (Q3 2018: \$0.2 million), netting of the administrative expenses of \$0.7 million (Q3 2018: \$0.7 million).

In this quarter, the Group recorded a net cash inflow of \$4.7 million (Q3 2018: \$0.2 million). It was mainly the combined effect of cash inflow from disposal of shares of Loco HK of \$2.8 million (Q3 2018: nil), proceed from the disposal of debentures of \$1.0 million (Q3 2018: nil) and maturity of certificate of deposit of \$1.0 million (Q3 2018: nil).

The total assets decreased by \$0.8 million from \$76.8 million as at June 30, 2019 to \$76.0 million at this quarter end which mainly represented the recognition of right-of-use assets of \$0.4 million netting off the net payment of office expenses of \$0.4 million, and \$0.9 million exchange difference on translation of exploration and evaluation assets.

6. Results of Operations

6.1 Revenue

Interest income, rental income and dividend income in the third quarter of 2019 were \$0.2 million (3 months Q3 2018: \$0.3 million), \$0.1 million (3 months Q3 2018: \$0.1 million) and \$0.1 million (3 months Q3 2018: \$0.1 million) respectively.

Interest income, rental income and dividend income for the nine months ended September 30, 2019 were \$0.7 million (9 months Q3 2018: \$0.8 million), \$0.2 million (9 months Q3 2018: \$0.2 million) and \$0.1 million (9 months Q3 2018: \$0.1 million) respectively.

6.2 Gain on Disposal of Financial Assets

For the three months and nine months ended September 30, 2019, gain on disposal of financial assets of \$0.5 million (3 months Q3 2018: nil; 9 months Q3 2018: 2,000) was recorded.

6.3 Fair Value Gain/(Loss) on Financial Assets

For the three months ended September 30, 2019, fair value gain on financial assets at fair value through profit or loss was \$25,000 (3 months Q3 2018: fair value loss of \$0.1 million). It mainly represented the fair value change of debentures with reference to quoted market prices at the end of the reporting period.

For the nine months ended September 30, 2019, fair value gain on financial assets at fair value through profit or loss was \$1.1 million (9 months Q3 2018: fair value loss of \$1.1 million). It mainly represented the fair value gain on listed securities on the investment in LocoHK of \$0.9 million (9 months Q3 2018: fair value loss of \$0.7 million) and the fair value gain on debentures of \$0.2 million (9 months Q3 2018: fair value loss of \$0.4 million) with reference to quoted market prices at the end of the reporting period.

6.4 General and Administrative Expenses

General and administrative expenses were \$0.7 million for this quarter (3 months Q3 2018: \$0.6 million) and \$2.2 million for the nine months ended September 30, 2019 (9 months Q3 2018: \$2.1 million). It

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mainly included pre-operating expenses incurred for the Gold Project, office rental, staff costs and legal and professional fees.

6.5 Earnings/(Loss) Per Share

The basic and diluted earnings per share were \$0.0014 for this quarter (3 months Q3 2018: loss per share of \$0.0059) and \$0.0066 for the nine months ended September 30, 2019 (9 months Q3 2018: loss per share of \$0.0438).

6.6 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 \$11,000 as compared to loss of \$0.4 million incurred in the corresponding period last year. The calculation of EBITDA/(LBITDA) was set out in the table below:

For the three months ended	September 30, 2019	September 30, 2018
	\$	\$
Profit/(loss) for the period	46,123	(330,644)
Interest income	(224,312)	(243,689)
Interest expense	3,434	-
Depreciation	185,621	190,697
EBITDA/(LBITDA) ⁽¹⁾	10,866	(383,636)
EBITDA/(LBITDA) per share ⁽²⁾	0.0002	(0.0077)

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.*

6.7 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.

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7. Cash Flows

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

As at	September 30, 2019	December 31, 2018
	\$	\$
Cash and cash equivalents	21,413,310	17,077,240
Working capital ⁽¹⁾	23,794,980	19,347,364
For the three months ended	September 30, 2019	September 30, 2018
	\$	\$
Net cash flow used in operating activities	(128,328)	(155,054)
Net cash flow used in financing activities	(6,315)	(3,750)
Net cash flow from investing activities	4,840,688	375,143
Increase in cash and cash equivalents	4,706,045	216,339
For the nine months ended	September 30, 2019	September 30, 2018
	\$	\$
Net cash flow used in operating activities	(2,564,624)	(1,539,650)
Net cash flow used in financing activities	(397,605)	(1,411,378)
Net cash flow from investing activities	7,499,564	589,928
Increase/(decrease) in cash and cash equivalents	4,537,335	(2,361,100)

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 September 30, 2019

In this quarter, the Company recorded a net cash outflow from operating activities of \$0.1 million (3 months Q3 2018: cash outflow of \$0.2 million) which comprised of net cash payment of office expenses of \$0.4 million (3 months Q3 2018: \$0.3 million) netting of the rental income received from tenant of \$0.2 million (3 months Q3 2018: \$0.1 million).

For the nine months ended September 30, 2019

For the nine months ended September 30, 2019, net cash outflow from operating activities was \$2.6 million (9 months Q3 2018: \$1.5 million) which comprised of net cash payment of the office expenses of \$1.5 million (9 months Q3 2018: \$1.2 million) and settlement of payables of \$1.3 million (9 months Q3 2018: \$0.3 million).

7.2 Financing Activities

For the three months ended September 30, 2019

In this quarter, the Company recorded a cash outflow from financing activities of \$6,000 (3 months Q3 2018: \$4,000) which mainly represented interest payment of \$3,000 (3 months Q3 2018: nil) and share repurchase of \$2,000 (3 months Q3 2018: 4,000).

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For the nine months ended September 30, 2019

The cash outflow from financing activities was \$0.4 million for the nine months ended September 30, 2019 (9 months Q3 2018: \$1.4 million) which mainly represented payment of dividend of \$0.4 million (9 months Q3 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 September 30, 2019

In this quarter, the Company recorded a cash inflow from investing activities of \$4.8 million (3 months Q3 2018: \$0.4 million), mainly representing cash inflow from disposal of shares of Loco HK of \$2.8 million (3 months Q3 2018: nil), proceed from the disposal of debentures of \$1.0 million (3 months Q3 2018: nil) and maturity of certificate of deposit of \$1.0 million (3 months Q3 2018: nil).

For the nine months ended September 30, 2019

For the nine months ended September 30, 2019, net cash inflow from investing activities was \$7.5 million (9 months Q3 2018: \$0.6 million) which mainly represented cash inflow from disposal of shares of Loco HK of \$2.8 million (9 months Q3 2018: nil), repayment of loan from CPM of \$2.4 million (9 months Q3 2018: nil) and proceed from net disposal of debentures of \$2.0 million (9 months Q3 2018: net addition of \$0.4 million).

8. Statements of Financial Position

8.1 Cash and Cash Equivalents

The Group had approximately \$21.4 million in cash and cash equivalents as at September 30, 2019, compared to \$17.1 million as at December 31, 2018. The increase of \$4.3 million was mainly the cash inflow from disposal of shares of Loco HK of \$2.8 million, repayment of loan from CPM of \$2.4 million (9 months Q3 2018: nil) and proceed from net disposal of debentures of \$2.0 million netting off against payment of the office expenses of \$1.5 million and settlement of payables of \$1.3 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 nine months ended September 30, 2019, there were addition of \$0.5 million in exploration and evaluation assets.

8.3 Financial Assets

As at September 30, 2019, financial assets comprised:

Current Portion

- (a) \$0.1 million investment in 1,500,000 shares of Loco HK, the shares of which are listed on GEM of The Stock Exchange of Hong Kong Limited under the stock code 8162.
- (b) \$0.2 million debentures with coupon rate of 4.85% with maturity date at November 4, 2019.

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Non-current Portion

- (c) \$4.6 million debentures with coupon rates ranged from 4.250% to 7.750% per annum and maturities ranged between November 4, 2019 and perpetual.
- (d) \$1.6 million unlisted equity investment in Dragon Silver, a Hong Kong based metal trading and processing company.
- (e) \$0.2 million investment in an investment fund.
- (f) \$0.2 million investment for listed securities.

8.4 Share Capital

As at September 30, 2019, GobiMin had 49,812,482 common shares issued and outstanding. For the nine months ended September 30, 2019, a total of 99,500 common shares were repurchased and cancelled.

9. Related Party Transactions

The Group had the following transactions with related parties:

For the nine months ended September 30, 2019

- (a) Fees and other remunerations to directors and key management amounted to \$0.3 million (Q3 2018: \$0.3 million).
- (b) Rental income of \$35,503 (Q3 2018: \$36,119) and share of office common expenses of \$3,770 (Q3 2018: \$3,142) from companies in which a director of the Company has equity interest.
- (c) Rental income of \$50,193 (Q3 2018: \$90,348) from a company with common director.
- (d) Interest income of \$61,486 (Q3 2018: \$91,623) from a company with common director.
- (e) Share of office common expenses and staff cost of \$8,335 (Q3 2018: \$76,230) from a company with common director.

10. Change of Accounting Policies

The Company adopted the new International Financial Reporting Standards 16- Lease (“IFRS 16”) which replaced IAS 17 – Leases and IFRIC 4 – Determining Whether an Arrangement Contains a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for annual periods beginning on or after January 1, 2019. At the commencement date of the lease, right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. Lease liabilities are recognized at the present value of lease payments to be made over the lease term.

As the Group has no operating lease contract as lessee with remaining lease term of more than 1 year at January 1, 2019, the adoption of the IFRS 16 has no impact on the Group’s consolidated financial statements at December 31, 2018 and June 30, 2019. During the three months ended September 30, 2019, the Group entered into operating lease contract as lessee with lease term of more than 1 year, right-of-use assets and lease liabilities for \$421,000 was recognized.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. The lease liabilities are reduced by the lease payments made over the lease term. As at September 30, 2019, right-of-use assets was \$414,000 and lease liabilities was \$421,000.

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11. Capital Commitment

As at September 30, 2019, the Group had capital commitments of \$1.6 million in relation to office building renovation, mine design and related facilities and research on gold processing method.

12. Off-Balance Sheet Arrangements

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

13. 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.

14. Outstanding Share Data

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

As at	December 31, 2018	September 30, 2019	November 21, 2019
Number of Common Shares Outstanding	49,911,982	49,812,482	49,785,482
Number of Options Outstanding	280,000	260,000	260,000
Number of Common Shares Fully Diluted	50,191,982	50,072,482	50,045,482

15. 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 financial year ended December 31, 2018, available on SEDAR at www.sedar.com.