

GobiMin Inc.

(Incorporated in Canada under the Canada Business Corporations Act)

Management's Discussion and Analysis of Financial Results

For the year ended December 31, 2019

(Expressed in United States Dollars except where otherwise noted)

GobiMin Inc.
Management’s Discussion and Analysis of Financial Results
For the year ended December 31, 2019
 (Expressed in United States Dollars)
 April 28, 2020

The following discussion and analysis of the consolidated operating results and financial condition of GobiMin Inc. (the “Company” or “GobiMin”) for the year ended December 31, 2019 was prepared on April 28, 2020 and should be read in conjunction with its audited consolidated financial statements for the year ended December 31, 2019 which was prepared in accordance with International Financial Reporting Standards (“IFRS”). Additional information relating to the Company is available on SEDAR at www.sedar.com and the Company’s website at www.gobimin.com.

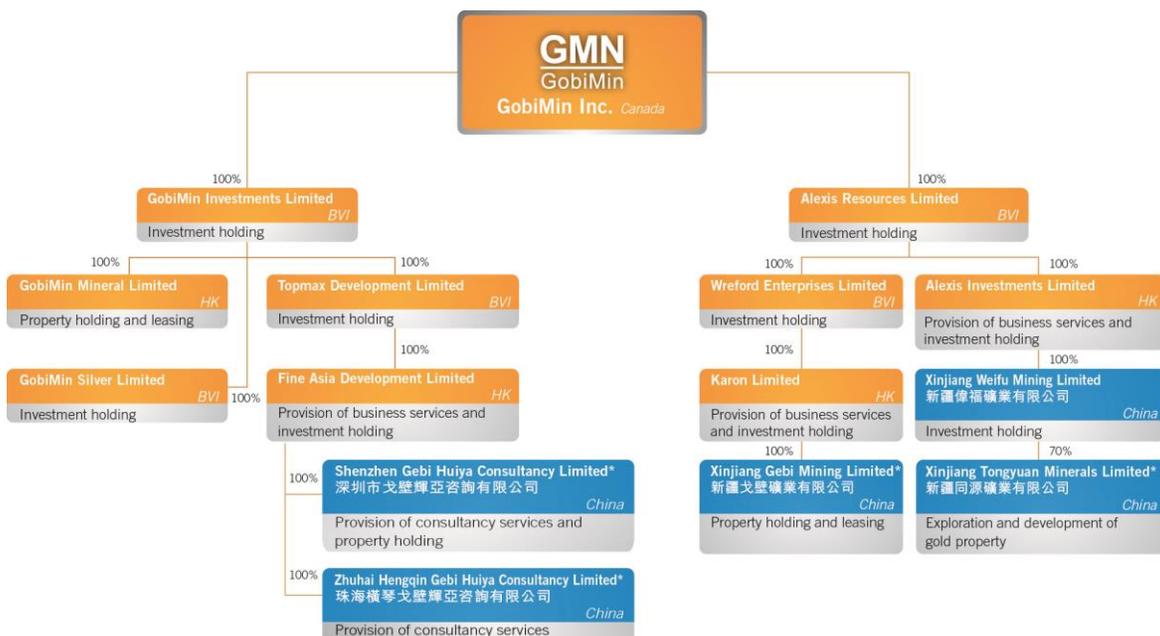
Certain statements included in this discussion constitute forward-looking statements. Such forward-looking statements can often, but not always, be identified by the use of words such as “can”, “could”, “believe”, “propose”, “anticipate”, “intend”, “consider”, “estimate”, “expect”, or other variations 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 properties, 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 Sawyaerdun Gold Project (the “Gold Project”) located in Xinjiang and equity investments and debentures for reasonable return and potential capital gains.

Group Chart with major subsidiaries as at April 28, 2020 is as follows:



GobiMin Inc.

Management's Discussion and Analysis of Financial Results

For the year ended December 31, 2019

(Expressed in United States Dollars)

April 28, 2020

2. Financial Highlights

As at / For the year ended December 31,	2019	2018	2017
	\$	\$	\$
Revenue	1.3 million	1.5 million	0.9 million
Gain on disposal of financial assets	0.6 million	3,500	9,000
Fair value gain/(loss) on financial assets	0.9 million	(1.1 million)	(1.4 million)
Net loss for the year	(0.5 million)	(2.9 million)	(3.1 million)
Loss attributable to shareholders of the Company	(0.3 million)	(2.8 million)	(3.0 million)
LBITDA ⁽¹⁾	(0.6 million)	(3.2 million)	(2.9 million)
Basic and diluted loss per share	(0.007)	(0.056)	(0.059)
LBITDA per share ⁽¹⁾	(0.013)	(0.064)	(0.057)
Cash and cash equivalents	17.8 million	17.1 million	19.1 million
Cash and cash equivalents per share ⁽¹⁾	0.36	0.34	0.38
Working capital	21.3 million	19.3 million	21.7 million
Total current liabilities	2.5 million	3.5 million	3.7 million
Total non-current financial liabilities	0.4 million	-	-
Total assets	76.0 million	78.1 million	84.0 million
Annual dividend per share	-	0.01	0.01

Note:

(1) As non-IFRS measurements, **LBITDA** (loss before interest income and expense, income taxes, depreciation and amortization), **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

The objective of the Company is to seek superior returns by making investments in properties, 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.

3.1 Gold Project in Xinjiang

The Company owns a 70% equity interest in Xinjiang Tongyuan Minerals Limited which holds the Gold Project in Xinjiang. The exploration licence has been renewed with expiry date on August 22, 2021. The mining licence was expired on December 23, 2019 and renewal application has been accepted by the Department of Land and Resources of Wuqia County on March 28, 2020. Relevant documents of renewal application have been submitted to the Department of Land and Resources of Kezilesu Prefecture on March 31, 2020 for further approval. The renewal process was affected by the new requirements on mining royalties enacted in April 2019 and it is expected that the renewal application of the mining licence will be processed pending the reassessment of reserve by the Department of Land and Resources as well as payment for mining royalties based on the assessed reserve. The on-site reserve evaluation work carried out by independent valuer appointed by the Department of Land and Resources has been completed by the end of November 2019. As at the reporting date, the calculation work on the mining royalties based on the reserve reassessed by the Department of Land and Resources was delayed

GobiMin Inc.
Management's Discussion and Analysis of Financial Results
For the year ended December 31, 2019
(Expressed in United States Dollars)
April 28, 2020

by the outbreak of COVID-19. It is anticipated that renewal process of the mining licence will be continued after restarting of the economy.

The on-site industrial test on applying bio-tech methodology on extraction of metals from large-scale samples of gold ores was in pre-oxidation stage with the supporting facilities, including reagent spray equipment and acid storage tanks, assembled and ore heap constructed by the end of September 2019. The transplantation of cultured bacteria to the ore heap has been started since November 2019. Impacted by the rough weather and severe freezing of ore heap and pipes, the spray and pre-oxidation activities were suspended by the end of November 2019. Samples of gold ores have been sent to the General Research Institute for Nonferrous Metals for testing at the end of December 2019, and the result was positive, indicating that the biological bacteria has been found active on the surface of the gold ore samples. Due to the delay by the outbreak of COVID-19, the on-site test resumed in late March 2020 with expanded scale on indoor transplantation of cultured bacteria to improve the result of pre-oxidation. The pre-oxidation stage will take about 6 months until the end of 2020. Afterwards, more sulphuric acid will be added to change the alkaline environment of the ore heap. Then the test will enter the final stage of immersion gold process. Together with the effect of rough weather and stringent safety measures of the mine site, it is anticipated the whole process will be completed in 2021.

For the year ended December 31, 2019, there were addition of \$0.7 million in the exploration and evaluation assets. As at December 31, 2019, the Group had a contractual commitment of \$1.6 million for the future development of the Gold Project.

3.2 Financial Assets

(i) Listed Securities

As at December 31, 2019, the fair value of listed securities held by the Group amounted to \$0.1 million (2018: \$1.6 million) including investment in Loco Hong Kong Holdings Limited ("LocoHK") of \$11,000 (2018: \$1.5 million). For the year ended December 31, 2019, the gain on disposal of investment in LocoHK was \$0.5 million (2018: nil) and fair value gain was \$0.9 million (2018: loss of \$1.1 million). The amount due from China Precision Material Limited ("CPM"), a subsidiary of LocoHK, of \$3.5 million as at December 31, 2018 was fully repaid during the year ended December 31, 2019. LocoHK and CPM ceased to be related companies of GobiMin when Mr. Felipe Tan resigned as their director in July 2019. For the year ended December 31, 2019, the Group received from CPM interest income of \$0.1 million (2018: \$0.1 million).

As at December 31, 2019, other listed securities held by the Group amounted to \$0.1 million (2018: \$0.2 million) and the changes represent the fair value loss of \$64,000 (2018: \$33,000) recognized during the year.

(ii) Unlisted Investments

The Group holds 670,000 shares of Dragon Silver Holdings Limited ("Dragon Silver") representing 9.90% of its total issued capital at an investment cost of \$1.1 million (HK\$8,710,000). 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. The loan of \$3 million bearing interest at 8.5% per annum advanced by the Group was repaid in full by Dragon Silver in December 2019.

In addition, the major shareholder (the "Guarantor") of Dragon Silver entered into a put option deed on December 29, 2017 with the Group, pursuant to which the Group has the right to sell all the 670,000 shares to the Guarantor at the consideration of \$1.1 million (HK\$8,710,000) within the period

GobiMin Inc.
Management's Discussion and Analysis of Financial Results
For the year ended December 31, 2019
(Expressed in United States Dollars)
April 28, 2020

commencing from the fourth anniversary of the date of the put option deed to the date falling five years from the date of the put option deed.

Moreover, the Guarantor irrevocably guaranteed to the Group that (i) the audited net profit after tax of Dragon Silver shall not be less than \$1.93 million (HK\$15 million) (the "Guaranteed Profit") for each of the financial years ending from June 30, 2018 to 2022 (the "Relevant Years"); and (ii) the amount of dividends declared and paid by Dragon Silver during each of the Relevant Years shall not be less than \$0.16 (HK\$1.25) per share.

Impacted by the unstable and volatile economic and market conditions such as slowing economic growth in China, US-China trade tensions and weakening global manufacturing and supply chain, the net profit of Dragon Silver for the year ended June 30, 2019 was \$0.8 million (HK\$6.4 million) (2018: \$2.2 million). As it was less than the Guaranteed Profit, the Guarantor is required to pay a Profit Guarantee Compensation of \$0.11 million (HK\$856,000) to the Group. In consideration of the difficult market conditions, the Group agreed with Dragon Silver to waive the Profit Guarantee Compensation for the years ended June 30, 2019 and June 30, 2020.

For the year ended December 31, 2019, the Group received from Dragon Silver interest income of \$0.3 million (2018: \$0.3 million) and dividend income of \$0.1 million (2018: \$0.1 million); and recognized a fair value loss on financial asset of \$0.2 million (2018: gain of \$0.5 million).

In addition, for the year ended December 31, 2019, other 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 year under review, the fair value gain on other unlisted investment was \$3,000 (2018: fair value loss of \$60,000). As at December 31, 2019, other unlisted investment held by the Group amounted to \$0.2 million.

(iii) 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 December 31, 2019, the Group held debentures of \$4.6 million (2018: \$6.6 million) with coupon rates ranged from 4.250% to 7.750% (2018: 4.250% to 9.000%) per annum and maturities ranged between January 17, 2020 and perpetual (2018: November 3, 2019 and perpetual).

For the year ended December 31, 2019, interest income from debentures and certificate of deposit was \$0.3 million (2018: \$0.5 million), fair value gains on debentures and certificate of deposit amounted to \$0.2 million (2018: fair value loss of \$0.4 million) and gain from disposal of debentures and maturity of certificate of deposit was \$23,000 (2018: \$4,000).

3.3 Investment Properties

On December 10, 2019, the Group acquired two investment properties for \$3.1 million. Such two properties are located in Shenzhen, China, where the property market of such area has gained much market attention during the year under review. Such acquisition is also an attempt of GobiMin to diversify its investments and to generate steady rental income to the Group.

3.4 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 year ended December 31, 2019, a total of 267,000 common shares were repurchased at an aggregate cost of \$61,083 (CAD79,518), of which 90,500 common shares were repurchased under the NCIB for 2018 and the remaining 176,500 common shares were repurchased under the 2019 NCIB. For the period from January 1, 2020 to April 28, 2020, a total of 423,500 common shares were repurchased at an aggregate cost of \$71,790 (CAD93,456) under the 2019 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.

3.5 Liquidity and Capital Resources

As at December 31, 2019, working capital of the Group was amounted to about \$21.3 million (2018: \$19.3 million), by netting off its current assets of \$23.8 million (2018: \$22.8 million) with current liabilities of \$2.5 million (2018: \$3.5 million).

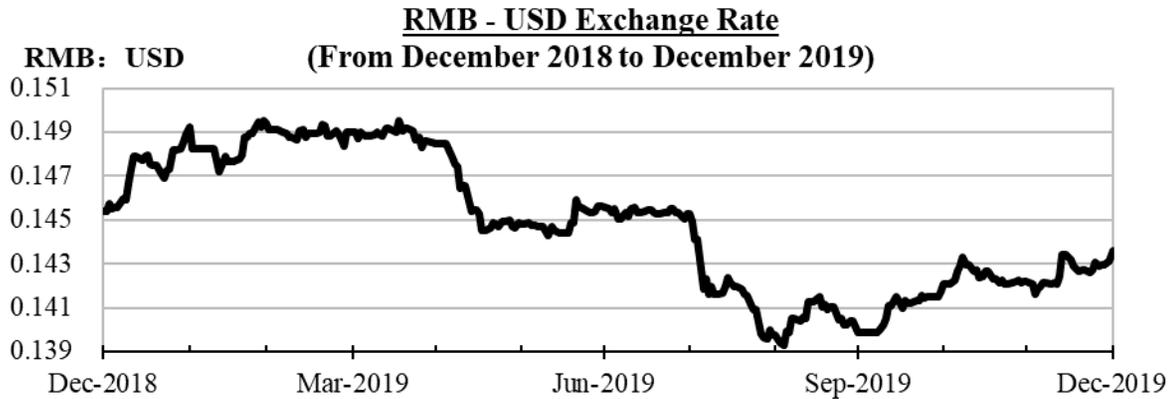
Among the cash and cash equivalents of \$17.8 million, approximately \$0.6 million were held by subsidiaries in China. The subsidiaries in China are allowed to transfer funds to other Group companies outside China upon presentation of relevant documentation required by applicable regulations, subject to the risks outlined hereinafter under the section "Risk Factors". The Group will take careful measures ahead 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.

4. Key Economic Trends

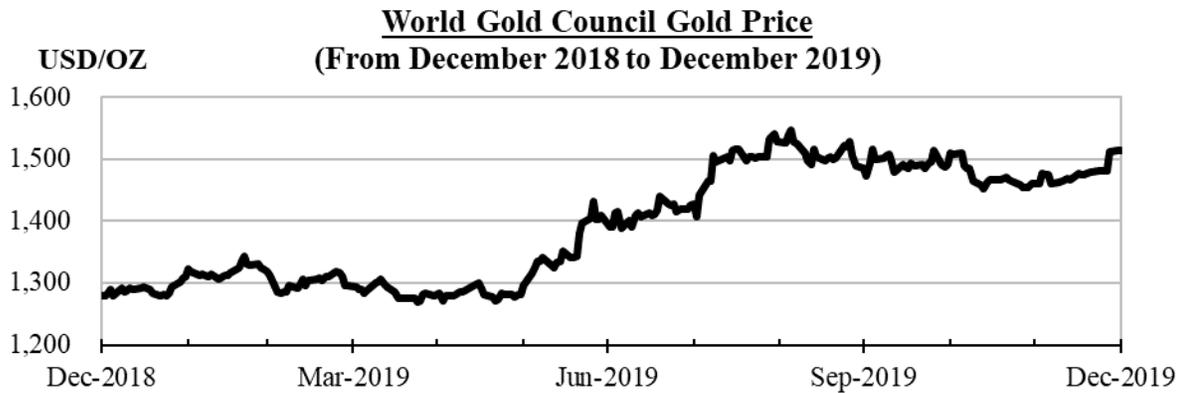
4.1 China Economy

On account of the large proportion of GobiMin's business operated in China, the condition of the Chinese economy plays a key role the Group's exploration and development business. Currency fluctuations may also have an impact on the Group's cost structure as the Group reports in United States dollars. For the year ended December 31, 2019, the Chinese Renminbi ("RMB") depreciated by approximately 1.22% against the United States dollars comparing with the exchange rate on December 31, 2018.



4.2 Gold Market

The changes in gold price have a strong influence on the value of the Gold Project. For the year ended December 31, 2019, the gold price has increased by around 18.43% against the price on December 31, 2018.



5. Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported results. Changes to these estimates could materially impact the financial statements. The estimates made by the Group that are considered to be most critical are described below.

5.1 Exploration and Evaluation Assets

The application of the Group’s accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Group, which may be based on assumptions about future events or circumstances. Judgments made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written down to its recoverable amount in the year the new information becomes available. The Company has determined that there is no indicator of impairment for the expenditure capitalized as at the reporting date.

5.2 Income Taxes

Significant judgment is required in determining the provision of income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognizes liabilities and contingencies for anticipated tax audit issues based on the Group's current understanding of the applicable tax law. For matters where it is probable that an adjustment will be made, the Group records its best estimate of the tax liability including the related interest and penalties (if any) in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may be materially different from the amount included in the tax liabilities.

5.3 Functional Currency

The determination of the functional currency for the Company's subsidiaries and associates is a significant judgment. The determination of functional currency requires the Company to assess the primary economic environment in which each of the entities operates and affects how the Company translates foreign currency balances and transactions.

5.4 Power to Exercise Control, Joint Control or Significant Influence

Significant judgment is required in determining whether the Company has the power to exercise control, joint control or significant influence over another entity. In making this decision, the Company reviews the degree of influence it has to govern the relevant activities of another entity, taking into consideration the Company's equity interest, voting interest, ability to appoint senior management and officers and the Company's exposure to variable returns from the entity.

5.5 Impairment of Non-Financial Assets (Other Than Goodwill)

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts and are subject to judgment. Judgment is required in establishing whether there are indicators of impairment related to these assets such as changes in market price, the extent or manner in which it is being used or in its physical condition, operations and business environment.

5.6 Fair Value Measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilizes market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilized are. The classification of an item into different levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognized in the period they occur.

6. Future Changes in Significant Accounting Policies

All new and revised IFRSs potentially relevant to the Group's consolidated financial statements issued but are not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. The Group intends to adopt these new and revised standards when they become effective.

GobiMin Inc.**Management's Discussion and Analysis of Financial Results****For the year ended December 31, 2019**

(Expressed in United States Dollars)

April 28, 2020

Amendments to IFRS 3	<i>Definition of a Business</i>	Effective for annual periods beginning on or after January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>	Effective for annual periods beginning on or after January 1, 2020
Amendments to IFRS 10 and IAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	No mandatory effective date yet determined but available for adoption
IFRS 17	<i>Insurance Contracts</i>	Effective for annual periods beginning on or after January 1, 2023
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>	Effective for annual periods beginning on or after January 1, 2020

Further information about those IFRSs that are expected to be applicable to the Group is described below.

6.1 Amendments to IFRS 3 – Definition of a Business

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output.

6.2 Amendments to IAS 1 and IAS 8 – Definition of Material

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The Group expects to adopt the amendments prospectively from January 1, 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

7. Selected Quarterly Information

As at / For the three months ended	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
	\$	\$	\$	\$
Revenue	260,604	386,801	323,883	328,298
Gain on disposal of financial assets	38,422	501,609	746	24,696
Fair value gain/(loss) on financial assets	(206,868)	24,873	116,964	961,832
Net profit/(loss) for the period	(708,040)	46,123	(398,561)	581,802
Basic and diluted earnings/(loss) per share	(0.014)	0.001	(0.007)	0.012
Cash and cash equivalents	17,777,915	21,413,310	16,908,530	15,725,028
Total assets	76,020,273	76,031,651	76,826,211	78,093,057

As at / For the three months ended	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
	\$	\$	\$	\$
Revenue	353,478	422,195	370,712	309,590
Fair value loss on financial assets	(50,871)	(70,266)	(810,964)	(197,616)
Net loss for the period	(657,609)	(330,644)	(1,341,462)	(611,641)
Basic and diluted loss per share	(0.013)	(0.006)	(0.026)	(0.011)
Cash and cash equivalents	17,077,240	16,290,698	16,158,205	17,996,879
Total assets	78,090,576	77,908,027	78,568,782	82,983,577

GobiMin Inc.
Management's Discussion and Analysis of Financial Results
For the year ended December 31, 2019
(Expressed in United States Dollars)
April 28, 2020

The above financial information was extracted from the consolidated financial statements prepared in accordance with IFRS.

The functional currency of GobiMin is Canadian dollars. The functional currency of Hong Kong and the certain British Virgin Islands subsidiaries is Hong Kong dollars. The functional currency of the Group's subsidiaries in China and certain British Virgin Islands subsidiaries is Chinese Renminbi. The consolidated financial statements are presented in United States dollars.

For the three months ended December 31, 2019, the Group recorded a net loss of \$0.7 million (2018: \$0.7 million) which mainly consists of interest income and rental income of \$0.3 million (2018: \$0.4 million), exchange gain of \$0.1 million (2018: loss of \$0.1 million), netting off the administrative expenses of \$0.9 million (2018: \$0.8 million) and fair value loss on financial assets of \$0.2 million (2018: \$51,000).

During this quarter, the Group recorded a net cash outflow of \$3.6 million (2018: cash inflow of \$0.8 million). It mainly represented \$3.0 million (2018: nil) loan repayment from Dragon Silver, \$1.1 million (2018: nil) loan repayment from CPM less \$4.6 million (2018: nil) loan secured by a property and \$3.1 million (2018: nil) for purchase of office properties in Shenzhen of China. During the last quarter of 2018, the net cash inflow of \$0.8 million mainly represented \$0.3 million interest income received, \$0.2 million proceeds from dissolution of associates and \$0.2 million from maturity of debentures.

As at December 31, 2019, the total assets were \$76.0 million which was about the same with \$76.0 million as at September 30, 2019.

8. Results of Operations

8.1 Revenue

Interest income, rental income and dividend income in 2019 were \$0.9 million (2018: \$1.1 million), \$0.3 million (2018: \$0.3 million) and \$0.1 million (2018: \$0.1 million) respectively while the gain on disposal of financial assets in 2019 was \$0.6 million (2018: \$3,500).

8.2 Fair Value Gain/(Loss) on Financial Assets

Fair value gain on financial assets at fair value through profit or loss was \$0.9 million in 2019 (2018: loss of \$1.1 million). It represented fair value gain on listed securities of \$0.9 million (2018: loss of \$1.1 million) and fair value gain on debentures of \$0.2 million (2018: loss of \$0.4 million) netting off against fair value loss on equity investment in Dragon Silver of \$0.2 million (2018: gain of \$0.4 million). Save for the fair value of Dragon Silver that was determined with reference to the valuation report prepared by professional valuer, all fair value used in calculating fair value gain or loss are with reference to quoted market prices at the end of the reporting period.

8.3 General and Administrative Expenses

General and administrative expenses incurred in 2019 were \$3.2 million (2018: \$2.9 million). They mainly represented pre-operating expenses incurred for the Gold Project, office rental, staff costs and legal and professional fees.

8.4 Loss Per Share

The basic and diluted loss per share in 2019 was \$0.007 (2018: \$0.056).

GobiMin Inc.
Management's Discussion and Analysis of Financial Results
For the year ended December 31, 2019
(Expressed in United States Dollars)
April 28, 2020

8.5 LBITDA

In 2019, the loss before interest income and expense, income taxes, depreciation and amortization ("LBITDA"), a non-IFRS performance measure, was \$0.6 million as compared to \$3.2 million in 2018. The following table presents the calculation of LBITDA for the years:

For the year ended December 31,	2019	2018
	\$	\$
Net loss for the year	(478,676)	(2,941,356)
Interest income	(915,909)	(1,054,170)
Depreciation	761,646	790,714
Interest expenses	8,625	9,075
LBITDA ⁽¹⁾	(624,314)	(3,195,737)
LBITDA per share ⁽²⁾	(0.013)	(0.064)

Note:

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

8.6 Annual Dividend

On June 21, 2019, the Company paid an annual dividend of \$0.01 (CAD0.01) per share for a total amount of \$0.4 million (2018: \$0.4 million) in accordance with its dividend policy and 2018 performance.

The Board does not recommend any payment of dividend for the year ended December 31, 2019 in accordance with its dividend policy and 2019 performance.

9. Cash Flows

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

As at December 31,	2019	2018
	\$	\$
Cash and cash equivalents	17,777,915	17,077,240
Working capital ⁽¹⁾	21,313,423	19,347,364
For the year ended December 31,	2019	2018
		\$
Net cash flow used in operating activities	(2,879,632)	(1,437,018)
Net cash flow used in financing activities	(461,879)	(1,412,629)
Net cash flow from investing activities	4,161,629	1,126,890
Increase/(decrease) in cash and cash equivalents	820,118	(1,722,757)

GobiMin Inc.
Management's Discussion and Analysis of Financial Results
For the year ended December 31, 2019
(Expressed in United States Dollars)
April 28, 2020

Note:

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

9.1 Operating Activities

In 2019, net cash outflow used in operating activities was \$2.9 million (2018: \$1.4 million) which mainly represented net cash payment of office expenses of \$2.1 million (2018: \$1.9 million) and net settlement of payables of \$0.8 million (2018: inflow from net settlement of receivables of \$0.4 million). The increase in net cash outflow as compared with 2018 was mainly due to settlement of payables for Gold Project of \$1.1 million in 2019.

9.2 Financing Activities

The net cash outflow used in financing activities was \$0.5 million in 2019 (2018: \$1.4 million) which mainly represented payment of dividend of \$0.4 million (2018: \$0.4 million) and share repurchased of \$0.1 million (2018: \$23,000) while there was repayment of bank loan of \$1.0 million in 2018.

9.3 Investing Activities

The net cash inflow from investing activities was \$4.2 million in 2019 (2018: \$1.1 million), which mainly represented cash inflow from repayment of loan from CPM of \$3.5 million (2018: nil), repayment of loan from Dragon Silver of \$3.0 million (2018: nil), disposal of shares of LocoHK of \$2.9 million (2018: nil) and proceed from disposal net of addition of debentures and maturity of certificate of deposit of \$2.2 million (2018: 0.3 million), against the cash outflow of \$4.6 million (2018: nil) loan secured by a property and \$3.1 million (2018: nil) for acquisition of investment properties in Shenzhen of China.

10. Statements of Financial Position

10.1 Cash and Cash Equivalents

The Group had approximately \$17.8 million in cash and cash equivalents as at December 31, 2019, compared to \$17.1 million as at December 31, 2018. The increase of \$0.7 million was mainly the cash inflow from repayment of loan from CPM of \$3.5 million, repayment of loan from Dragon Silver of \$3.0 million, disposal of shares of LocoHK of \$2.9 million and proceed from disposal net of addition of debentures and maturity of certificate of deposit of \$2.2 million, against the cash outflow of \$4.6 million for loan secured by a property and \$3.1 million for acquisition of investment properties in Shenzhen of China, payment of the office expenses of \$2.1 million and settlement of payables of \$1.1 million.

10.2 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 year ended December 31, 2019, there were addition of \$0.7 million in exploration and evaluation assets which mainly represented the research and development cost on bioleaching technique on gold ores.

GobiMin Inc.
Management's Discussion and Analysis of Financial Results
For the year ended December 31, 2019
(Expressed in United States Dollars)
April 28, 2020

10.3 Financial Assets

As at December 31, 2019, financial assets comprised:

Current Portion

- (a) \$11,000 investment in shares listed on GEM of The Stock Exchange of Hong Kong Limited.
- (b) \$1.2 million debentures with coupon rates ranged from 5.125% to 6.000% per annum and maturities ranged between January 17, 2020 and November 30, 2020.

Non-current Portion

- (c) \$3.4 million debentures with coupon rates ranged from 4.250% to 7.750% per annum and maturities ranged between May 31, 2021 and perpetual.
- (d) \$1.4 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) \$0.1 million investment in shares listed on TSX Venture Exchange.

10.4 Share Capital

As at December 31, 2019, GobiMin had 49,644,982 common shares issued and outstanding. During the year, 267,000 common shares were repurchased and cancelled.

11. Related Party Transactions

The Group had the following transactions with related parties during the year ended December 31, 2019:

- (i) Fees and other remunerations to directors and key management personnel of \$0.4 million (2018: \$0.4 million).
- (ii) Rental income of \$47,614 (2018: \$48,152) and share of office common expenses of \$5,156 (2018: \$4,329) from companies in which a director of the Company has equity interest.
- (iii) Rental income of \$0.1 million (2018: \$0.1 million) from a company with common director.
- (iv) Interest income of \$0.1 million (2018: \$0.1 million) from a company with common director.
- (v) Share of office common expenses and staff cost of \$8,316 (2018: \$0.1 million) from a company with common director.

12. Capital Commitment

As at December 31, 2019, the Group had capital commitments of \$1.6 million (2018: \$1.7 million) in relation to office building renovation, mine design and related facilities and research on gold processing method.

GobiMin Inc.
Management's Discussion and Analysis of Financial Results
For the year ended December 31, 2019
(Expressed in United States Dollars)
April 28, 2020

13. Off-Balance Sheet Arrangements

The Group has no off-balance sheet arrangements.

14. 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.

15. Outstanding Share Data

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

<u>As at</u>	<u>December 31, 2018</u>	<u>December 31, 2019</u>	<u>April 28 2020</u>
Number of Common Shares Outstanding	49,911,982	49,644,982	49,221,482
Number of Options Outstanding	280,000	0	0
Number of Common Shares Fully Diluted	50,191,982	49,644,982	49,221,482

16. Risk Factors

The mining business conducted by the Group is exposed to a number of risks, including those outlined below. These risk factors could materially affect the Group's future operating results and lead to actual events materially different from those described in the forward-looking statements relating to the Group. Readers should also be aware that there are particular risks of doing business in China, some of which are outlined below.

16.1 Metal Prices

The profitability of the Group may be significantly affected by fluctuations of the market price of metals. Metal prices fluctuate on a daily basis and are affected by numerous factors beyond the control of the Group. Interest rates, inflation, exchange rates and world supply of mineral commodities can all cause fluctuations in the market prices for these metals. Such external economic factors are in turn influenced by changes in international economic growth patterns and political developments.

16.2 Currency Risks

Part of the Group's operating expenses and revenues from operations are in RMB, one of the main currencies used by the Group. Currently, the RMB is linked to the US dollar by exchange rates managed through China's central bank. Accordingly, exchange rate fluctuations with the RMB may adversely affect the Group's financial position and operating results. The Group does not currently engage in foreign currency hedging activities.

Under current regulations, there is no restriction on foreign exchange conversion of the RMB on the current account, although any foreign exchange transaction on the capital account is subject to prior approval from the State Administration of Foreign Exchange ("SAFE") or review by the payment bank in accordance with regulations issued by SAFE. However, even on the current account the RMB is not a freely convertible currency. Foreign invested enterprises in China are currently allowed to repatriate profit to their foreign parents or pay outstanding current account obligations in foreign exchange but

GobiMin Inc.**Management's Discussion and Analysis of Financial Results****For the year ended December 31, 2019**

(Expressed in United States Dollars)

April 28, 2020

must present the proper documentation to a designated foreign exchange bank in order to do so. There is no guarantee that foreign exchange control policies will not be changed so as to require government approval to convert RMB into foreign currency on the current account or repatriate profits. These limitations could affect the ability of the Group to pay dividends, obtain foreign exchange through debt or equity financing, or to obtain foreign exchange for capital expenditures.

16.3 Exploration, Development and Operating Risks

The exploration and development of mineral deposits involves significant risks over a significant period of time, which even with a combination of careful evaluation, experience and knowledge may not be eliminated. Few properties that are explored are ultimately developed into producing mines. Major expenditures may be required to establish mineral reserves through drilling, to develop metallurgical processes and to develop the mining and processing facilities and infrastructure at any site chosen for mining. No assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economic viability of a mineral deposit depends on many factors, including size, grade, cost of operations, metal prices, cost of processing equipment, and continuing access to smelter facilities on acceptable terms, government regulations, land tenure, and environmental protection. The exact effect of these factors cannot be measured but the combinations of these factors may impact the success of the Group's mineral exploration, development and acquisition activities. Even after the commencement of mining operations, such operations may be subject to risks and hazards such as environmental hazards, industrial accidents, cave-ins, rock bursts, unusual or unexpected geological formations, ground control problems and flooding. The occurrence of any of the foregoing could result in damage to or destruction of mineral properties and production facilities, personal injuries, environmental damage, delays or interruptions of production, increases in production costs, monetary loss, legal liability and adverse government action.

It is not always possible to obtain insurance against all such risks and the Group may decide not to insure against certain risks because of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any further profitability and result in increasing costs and a decline in the value of the securities of the Group. The Group does not maintain insurance against political or environmental risks.

The Group's properties are mainly located in the Xinjiang region, a sector which has in the past experienced seismic activity of six to seven on the Richter scale. Therefore, planning for mines and infrastructures must consider seismicity in the design and there exist a risk that seismic activities may cause significant damages to the Group's infrastructures and operations in the area.

The development of mining properties has inherent risks. The Group may not have sufficient technical or financial resources to complete the projects. Costs over-runs are common in mining projects and may pose a risk for the Group.

16.4 Uncertainty of Ore Reserves and Resource Estimates

There are numerous uncertainties inherent in estimating mineral resources and mineral reserves. Such estimates are a subjective process, and the accuracy of any mineral resources and mineral reserves estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. These amounts are estimates only and the actual level of recovery of minerals from such deposits may be different. Differences between management's assumptions, including economic assumptions such as mineral prices, market conditions

and actual events could have a material adverse effect on the Company's mineral reserve and mineral resource estimates, financial position and results of operations.

For some of its properties, the Group may prepare its own mineral reserves and resources estimate only in accordance with the former China Ministry of Geological and Mineral Resources ("CMGMR") classification system. The CMGMR classification system is not compliant with the Canadian Securities Administrators NI 43-101. These figures are only estimates and there cannot be any assurance given that the estimated mineral reserves and resources will be recovered or that they will be recovered at the rates estimated. Mineral reserve and resource estimates are determined based upon assumed commodity prices and operating costs. These factors may in the future render certain mineral reserves and resources unproductive and may ultimately result in a significant reduction in reserves and resources.

16.5 Capital Requirements

The Group does have limited financial resources. Although the Group believes it will be able to fund the development of its mineral properties through existing working capital, and a combination of debt and equity, there can be no assurance the Group will be able to raise additional funding if needed. Failure to obtain such additional funding could result in the delay or indefinite postponement of the exploration and development of some of the Group's properties.

16.6 Risks Relating to Conducting Business in China

Part of the business operations of the Group are located in, and the revenues of the Group are derived from activities in, China. Accordingly, the business, financial condition and results of operations of the Group could be significantly and adversely affected by economic, legal, political and social changes in China. Generally, China demonstrates favourable policies towards foreign investments. However, there is no guarantee that current policy trends and the existing economic policy of China will not be changed. A change in policies in China could adversely affect the Group.

China's local, provincial and central authorities exercise a substantial degree of control over the mining industry in China. The Group's operations are subject to Chinese laws, regulations, policies, standards and requirements in relation to, among other things, mine exploration, development, production, taxation, labor standards, occupational health and safety, waste treatment and environmental protection, and operation management. Any changes to these laws, regulations, policies, standards and requirements or to the interpretation or enforcement thereof may restrict the business operations of the Group or increase the Group's operating costs and thus adversely affect the Group's results.

16.7 Permits and Licences

The operations of exploration and mining require specific licences and permits e.g. exploration licence for exploration activities and exploitation licence for exploitation activities. Any changes in regulations imposed by the governments due to any reasons are beyond the control of the Group and may adversely affect its business and its ability to retain title to its property and obtain some of the necessary licences. The changes of regulations may include, but not limited to, varying degrees of those with respect to stricter restrictions on production, price controls, export controls, income taxes, and expropriation of property, employment, land use, water use, environmental legislation and mine safety.

GobiMin's exploration and exploitation licences are subject to annual audit by the Department of Land and Resources of Xinjiang, China. In their annual audit, the authorities may consider whether the Group's mining activities have been in compliance with the relevant laws and regulations. If the Group fails to meet the relevant requirements or materially breaches any laws or regulations, it may not pass

such audit, in which case it may be subject to penalties in accordance with applicable laws, or be given a deadline to rectify deficiencies, or, in serious cases, have its permits and licences revoked. While the Group has never encountered such problems in the past, there can be no assurance that it will pass future audits. Should permits or licences be suspended or revoked, GobiMin's business and results of operations could be materially affected.

As at December 31, 2019, the exploration licence was renewed to August 22, 2021. The mining licence was expired on December 23, 2019 and renewal application has been accepted by the Department of Land and Resources of Wuqia County on March 28, 2020. Relevant documents of renewal application have been submitted to the Department of Land and Resources of Kezilesu Prefecture on March 31, 2020 for further approval. The renewal process was affected by the new requirements on mining royalties enacted in April 2019 and it is expected that the renewal application of the mining licence will be processed pending the reassessment of reserve by the Department of Land and Resources as well as payment for mining royalties based on the assessed reserve. The on-site reserve evaluation work carried out by independent valuer appointed by the Department of Land and Resources has been completed by the end of November 2019. As at the reporting date, the calculation work on the mining royalties based on the reserve reassessed by the Department of Land and Resources was delayed by the outbreak of COVID-19. It is anticipated that renewal process of the mining licence will be continued after restarting of the economy.

16.8 Environmental Regulation

The mining operations of the Group are subject to environmental regulations promulgated by relevant governments. The relevant environmental regulations impose restrictions and prohibitions on spills, or handling of various substances produced during mining or processing operations. In addition, approval of environmental impact assessment for certain types of the mining operations are required. In breach of such regulations or failure of the governmental approval may result in the imposition of fines and penalties. The costs of compliance with environmental regulations, such as advanced equipment which is environmental friendly, has the potential to reduce the profitability of future operations.

16.9 Dependence on Key Managerial Employees

The success of the Group is highly dependent upon the continued services of a small number of key managerial employees both in Canada and China, including Mr. Felipe Tan, the Chief Executive Officer of the Company. The Group does not currently maintain key-man life insurance policies on any member of management. Accordingly, the loss of any of these executives could have a material adverse effect on the Group.

16.10 Competition

There is significant and increasing competition within the mining industry for the discovery and acquisition of properties considered having commercial potential. The Group competes with other mining companies, some of which have greater financial resources, and as a result, the Group may not be able to acquire mineral interests on terms it considers acceptable. As well, the Group competes for the recruitment and retention of qualified employees and other personnel. The current economic growth in China and the corresponding creation of a more liquid market for skilled employees may lead to future problems in retaining local Chinese management. As a result of this competition, the Group may not be able to acquire additional mineral interests and hire or retain qualified personnel for its projects.

16.11 Dividend Policy

GobiMin has been declaring and paying an annual dividend to its shareholders since 2005. In order to maintain liquidity to deal with the uncertainties created by coronavirus outbreak, the Company has determined a suspension of its 14-consecutive-year annual dividend distribution. Our dividend policy may change from time to time at the discretion of our board of directors, subject to economic situation, earnings and capital availability, and we may or may not continue to declare dividend payments. A change in our dividend policy could have a negative effect on our stock price.

16.12 Impact of COVID-19 Outbreak

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

As a result of the COVID-19 outbreak, the on-site industrial test on applying bio-tech methodology on extraction of metals of Gold Project has been delayed from the original planned February 2020 to April 2020. It is anticipated that the industrial test will complete in 2021. The delay does not significantly impact the project timeline and it is therefore not anticipated to cause impairment to the exploration and evaluation assets of the Group. The Group further considered that since the COVID-19 outbreak, there has not been significant declines in the values of its level 1 financial instruments and investment properties held by the Group by reference to the relevant economic indices for Hong Kong and the PRC. The Group also noted that there has been no indication of an increase in risks associated with its cash balances held in Hong Kong and the PRC and ECL on its loan receivable balance. However, there continues to be uncertainties around the long-term impact of the COVID-19 outbreak. The board and the management of the Group will continue to closely monitor the impact of the outbreak on the operations of the Group to allow for a more fluid management of the Group's resources in order to minimize any negative impacts of the COVID-19 outbreak and preserve the value of the Group and the interests of its shareholders.