

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, 2020

(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, 2020
 (Expressed in United States Dollars)
 April 27, 2021

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, 2020 was prepared on April 27, 2021 and should be read in conjunction with its audited consolidated financial statements for the year ended December 31, 2020 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 Sawayaerdun 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 27, 2021 is as follows:



HK: Hong Kong
 BVI: British Virgin Islands
 *unofficial English name translated from Chinese registered name of the company

GobiMin Inc.

Management's Discussion and Analysis of Financial Results

For the year ended December 31, 2020

(Expressed in United States Dollars)

April 27, 2021

2. Financial Highlights

As at / For the year ended December 31,	2020	2019	2018
	\$	\$	\$
Revenue	0.9 million	1.3 million	1.5 million
Gain on disposal of financial assets	0.3 million	0.6 million	3,500
Fair value (loss)/gain on financial assets	(0.1 million)	0.9 million	(1.1 million)
Net loss for the year	(3.3 million)	(0.5 million)	(2.9 million)
Loss attributable to shareholders of the Company	(3.1 million)	(0.3 million)	(2.8 million)
LBITDA ⁽¹⁾	(3.0 million)	(0.6 million)	(3.2 million)
Basic and diluted loss per share	(0.062)	(0.007)	(0.056)
LBITDA per share ⁽¹⁾	(0.061)	(0.013)	(0.064)
Cash and cash equivalents	19.5 million	17.8 million	17.1 million
Cash and cash equivalents per share ⁽¹⁾	0.40	0.36	0.34
Working capital	21.3 million	21.3 million	19.3 million
Total current liabilities	2.5 million	2.5 million	3.5 million
Total non-current financial liabilities	-	0.4 million	-
Total assets	75.0 million	76.0 million	78.1 million
Annual dividend per share	-	-	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. Its exploration licence had been renewed with expiry date on August 22, 2021. Its mining licence expired on December 23, 2019 and the renewal process involved multiple approval levels. The application procedures were delayed attributable to the work piled in government authorities during the COVID-19 pandemic and additional time required for finalizing the resources assessment report on the Gold Project prepared by an independent valuer. As at December 31, 2020, approval from the Department of Natural Resources of both the county and prefecture levels were received. As at the date of this report, the renewal application was approved by the Department of Natural Resources of Xinjiang Uyghur Autonomous Region after submission of related geological documents and the land rehabilitation report. The renewal application of the mining licence will be processed pending the determination of the reserve assessment amount and payment for the related fee based on the assessment.

GobiMin Inc.
Management's Discussion and Analysis of Financial Results
For the year ended December 31, 2020
(Expressed in United States Dollars)
April 27, 2021

The on-site industrial test on applying bio-tech methodology on extraction of metals from large-scale samples of gold ores was affected by the COVID-19 pandemic during the year under review. Due to reduction of social contact and transportation restrictions, the progress of the industrial test was delayed by the inadequacy of technical manpower and test materials, especially sulphuric acid. By virtue of recurrence of infections during this year, the test site had conducted closed-off management several times. Therefore, professional researchers of the Research Institute were not able to return to Xinjiang on time and had to rely on remote working for nearly three months to give guidance on our industrial test. In addition, delivery of ore samples to the Research Institute was disrupted, analysis of which had to be conducted by local labs. Based on the analysis of the samples collected in July 2020, the cultured bacteria were found active in the ore heap which indicated the pre-oxidation of ores has gone well. Additional samples were also collected in November 2020, the analysis results show that the iron and arsenic content in the ores decreased after the pre-oxidation process which indicate that arsenic and iron in the ore sample is successfully removed by oxidation. Moreover, the acid spray and other on-site works were suspended during the winter, and has resumed since late March 2021. After the pre-oxidation stage and subject to the analysis result of the samples, the industrial test would enter the final stage of immersion gold process probably in the second half of 2021.

For the year ended December 31, 2020, there were addition of \$0.2 million in the exploration and evaluation assets. As at December 31, 2020, 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, 2020, the fair value of listed securities held by the Group amounted to \$0.2 million (2019: \$0.1 million) which mainly included \$0.1 million (2019: \$11,000) investment in listed stock, futures and options trading through registered brokerage firms in Hong Kong and \$0.1 million (2019: \$0.1 million) for a stock listed in Canada. For the year ended December 31, 2020, the gain on disposal of listed securities amounted to \$0.2 million (2019: \$0.5 million) and fair value gain was \$15,000 (2019: \$0.9 million).

(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.

Pursuant to the subscription agreement dated December 29, 2017, the guarantor of the agreement irrevocably guaranteed to the Group that (i) the audited net profit after tax of Dragon Silver shall not be less than \$1,926,233 (HK\$15,000,000) for each of the financial years ending from June 30, 2018 to 2022; and (ii) the amount of dividends declared and paid by Dragon Silver during each of the financial years ending from June 30, 2018 to 2022 shall not be less than \$0.16 (HK\$1.25) per share ("Dividend Guarantee"). If the dividend per share declared and paid by Dragon Silver is less than the Dividend Guarantee, the guarantor shall compensate the Group the sum being calculated as the shortfall ("Dividend Compensation Amount"). On April 17, 2020, the Group agreed with Dragon Silver to waive the profit guarantee for the years ended June 30, 2019 and 2020. For the year ended June 30, 2020, Dragon Silver has not declared and paid any dividend to the Group. In October 2020, the guarantor paid to the Group the Dividend Compensation Amount of \$0.1 million for the financial year ended June 30, 2020. The carrying value of the investment together with the Dividend Guarantee, the related profit

GobiMin Inc.

Management's Discussion and Analysis of Financial Results

For the year ended December 31, 2020

(Expressed in United States Dollars)

April 27, 2021

guarantee and put option as at December 31, 2020 was \$1.3 million (2019: \$1.4 million) and the Group recognized a fair value loss on financial asset of \$0.1 million (2019: \$0.2 million).

As at December 31, 2020, other unlisted investments held by the Group amounted to \$0.3 million (2019: \$0.2 million). During the year under review, the fair value gain on other unlisted investments was \$18,000 (2019: \$3,000).

(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, 2020, the Group held debentures of \$2.7 million (2019: \$4.6 million) with coupon rates ranged from 4.250% to 7.375% (2019: 4.250% to 7.750%) per annum and maturities ranged between May 31, 2021 and perpetual (2019: January 17, 2020 and perpetual).

For the year ended December 31, 2020, the interest income on debentures and certificate of deposit was \$0.2 million (2019: \$0.3 million) and fair value loss was \$13,000 (2019: gain of \$0.2 million) respectively.

3.3 Investment Properties

As at December 31, 2020, the investment properties in Shenzhen with carrying amount of \$3.1 million (2019: \$3.1 million) was higher than the estimated fair value of \$2.0 million and therefore an impairment loss on investment properties of \$1.1 million was recognized for the year ended December 31, 2020 (2019: nil).

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. Purchases were made in accordance with applicable regulations over a maximum period of 12 months commenced on August 8, 2019 and ended on August 7, 2020 pursuant to the NCIB. GobiMin did not renew its NCIB afterwards.

Upon the end of NCIB on August 7, 2020, a total of 450,000 common shares were repurchased at an aggregate cost of \$77,744 (CAD98,985). All shares repurchased have been returned to treasury for cancellation.

Management believed 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, 2020, working capital of the Group was amounted to about \$21.3 million (2019: \$21.3 million), by netting off its current assets of \$23.8 million (2019: \$23.8 million) with current liabilities of \$2.5 million (2019: \$2.5 million).

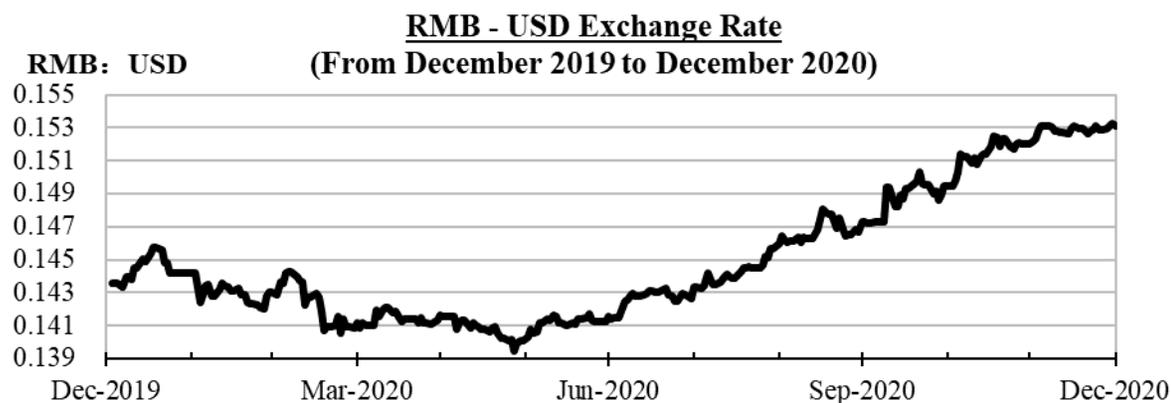
Among the cash and cash equivalents of \$19.5 million, approximately \$0.5 million were held by subsidiaries in China. The subsidiaries in China are allowed to transfer funds to other Group companies outside China upon presentation of relevant documentation required by applicable regulations, subject 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 in 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, 2020, the Chinese Renminbi (“RMB”) appreciated by approximately 6.59% against the United States dollars comparing with the exchange rate on December 31, 2019.



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, 2020, the gold price has increased by around 24.61% against the price on December 31, 2019.

GobiMin Inc.

Management's Discussion and Analysis of Financial Results

For the year ended December 31, 2020

(Expressed in United States Dollars)

April 27, 2021



5. Critical Accounting Judgement and Estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements and estimates and assumptions that affect the reported results. Changes to these judgements and estimates could materially impact the financial statements. The judgements and 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.

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.

GobiMin Inc.

Management's Discussion and Analysis of Financial Results

For the year ended December 31, 2020

(Expressed in United States Dollars)

April 27, 2021

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 of Investment Properties

Where indicators of impairment exist, the fair value of the investment properties as at the end of the reporting period were estimated by the management with reference to property valuation conducted by independent professional valuer. Such valuations were based on certain assumptions which are subject to uncertainty and might differ significantly from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of the reporting period.

5.7 Fair Value of Unlisted investment

The Group invested in certain unlisted investment as at 31 December 2020 which are carried at fair value of \$1,285,950. The fair value of such unlisted investments was estimated by management with reference to valuation conducted by independent professional valuers. The fair value of the unlisted investment was measured using income approach with option-pricing method and the option-pricing model is based on volatilities of market comparable companies and value of the unlisted investment.

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.

Amendments to IFRS 3	<i>Definition of a Business</i>	Effective for annual periods beginning on or after January 1, 2022
Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>	Effective for annual periods beginning on or after January 1, 2021
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
Amendments to IFRS 17	<i>Insurance Contracts</i>	Effective for annual periods beginning on or after January 1, 2023
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>	Effective for annual periods beginning on or after January 1, 2023
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>	Effective for annual periods beginning on or after January 1, 2022

GobiMin Inc.**Management's Discussion and Analysis of Financial Results****For the year ended December 31, 2020**

(Expressed in United States Dollars)

April 27, 2021

Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>	Effective for annual periods beginning on or after January 1, 2022
Annual Improvements to IFRSs 2018-2020	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41</i>	Effective for annual periods beginning on or after January 1, 2022

The Group expects that these amendments will not have any significant impact on the Group's financial statements.

7. Selected Quarterly Information

As at / For the three months ended	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
	\$	\$	\$	\$
Revenue	191,219	304,601	202,437	192,600
Gain/(loss) on disposal of financial assets	36,103	141,638	123,710	(35,885)
Fair value gain/(loss) on financial assets	46,967	55,031	193,904	(402,317)
Net loss for the period	(1,665,346)	(384,525)	(70,334)	(1,229,260)
Basic and diluted loss per share	(0.033)	(0.005)	(0.001)	(0.024)
Cash and cash equivalents	19,470,884	18,342,341	17,886,443	16,495,032
Total assets	74,984,531	74,465,643	73,295,748	73,676,804

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 (loss)/gain on financial assets	(206,868)	24,873	116,964	961,832
Net (loss)/profit for the period	(708,040)	46,123	(398,561)	581,802
Basic and diluted (loss)/earnings 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

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 certain British Virgin Islands subsidiaries is United States dollars. The functional currency of Hong Kong and the remaining British Virgin Islands subsidiaries is Hong Kong dollars. The functional currency of the subsidiaries in China is Chinese Renminbi ("RMB"). The consolidated financial statements are presented in United States dollars.

For the three months ended December 31, 2020, the Group recorded a net loss of \$1.7 million (2019: \$0.7 million) which mainly consists of interest income, rental income and dividend income of \$0.2 million (2019: \$0.3 million), exchange gain of \$0.5 million (2019: \$0.1 million), netting off the administrative expenses of \$1.2 million (2019: \$0.9 million), impairment loss on loan receivable of \$0.7 million (2019: nil) and impairment loss on investment properties of \$1.0 million (2019: nil).

During this quarter, the Group recorded a net cash inflow of \$1.1 million (2019: outflow of \$3.6 million). It mainly represented \$0.1 million (2019: nil) from net disposal of listed securities trading through

GobiMin Inc.**Management's Discussion and Analysis of Financial Results****For the year ended December 31, 2020**

(Expressed in United States Dollars)

April 27, 2021

registered brokerage firms in Hong Kong, maturity of bonds of \$0.4 million, receipt in advance of interest from loan of \$0.2 million (2019: \$0.2 million) and exchange gain of \$0.5 million (2019: \$0.1 million). During the last quarter of 2019, the net cash outflow of \$3.6 million mainly represented \$3.0 million loan repayment from Dragon Silver, \$1.1 million loan repayment from China Precision Material Limited less \$4.6 million loan secured by a property and \$3.1 million for purchase of office properties in Shenzhen of China.

As at December 31, 2020, the total assets were \$75.0 million which was about the same with \$74.5 million as at September 30, 2020.

8. Results of Operations**8.1 Revenue**

Interest income, rental income and dividend income in 2020 were \$0.6 million (2019: \$0.9 million), \$0.2 million (2019: \$0.3 million) and \$0.1 million (2019: \$0.1 million) respectively.

8.2 Gain on Disposal of Financial Assets

For the year ended December 31, 2020, gain on disposal of financial assets of \$0.3 million (2019: \$0.6 million) was recorded.

8.3 Fair Value (Loss)/Gain on Financial Assets

Fair value loss on financial assets at fair value through profit or loss was \$0.1 million in 2020 (2019: fair value gain of \$0.9 million). It mainly represented fair value loss on equity investment in Dragon Silver of \$0.1 million (2019: \$0.2 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.

8.4 General and Administrative Expenses

General and administrative expenses incurred in 2020 were \$3.5 million (2019: \$3.2 million). They mainly represented pre-operating expenses incurred for the Gold Project, office rental, staff costs and legal and professional fees.

GobiMin Inc.
Management’s Discussion and Analysis of Financial Results
For the year ended December 31, 2020
(Expressed in United States Dollars)
April 27, 2021

8.5 Impairment loss on loan receivable

As at December 31, 2020, the net carrying amount of a loan was \$4.6 million which was pledged by the property of the borrower. Management considered the credit risk of the loan increased significantly since its initial recognition as the loan has been further extended for 1 year from the original due on December 10, 2020 to December 10, 2021. We have engaged professional valuer for the valuation of the pledged property and calculated the fair market value of the pledged property was \$3.9 million as at December 31, 2020. In case of default in repayment of the loan, the Company can only recover up to the market value of the pledged property and therefore, an impairment loss on loan receivable of \$0.7 million has been provided for the year ended December 31, 2020 (2019: nil).

8.6 Impairment loss on investment properties

As at December 31, 2020, the investment properties in Shenzhen with carrying amount of \$3.1 million was higher than the fair market value of \$2.0 million according to the valuation report prepared by professional valuer. Therefore, an impairment loss on investment properties of \$1.1 million was recognized for the year ended December 31, 2020 (2019: nil).

8.7 Loss Per Share

The basic and diluted loss per share in 2020 was \$0.062 (2019: \$0.007).

8.8 LBITDA

In 2020, the loss before interest income and expense, income taxes, depreciation and amortization (“LBITDA”), a non-IFRS performance measure, was \$3.0 million as compared to \$0.6 million in 2019. The following table presents the calculation of LBITDA for the years:

For the year ended December 31,	2020	2019
	\$	\$
Net loss for the year	(3,349,464)	(478,676)
Interest income	(588,903)	(915,909)
Depreciation	930,716	761,646
Interest expenses	6,101	8,625
LBITDA ⁽¹⁾	(3,001,550)	(624,314)
LBITDA per share ⁽²⁾	(0.061)	(0.013)

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.

GobiMin Inc.
Management's Discussion and Analysis of Financial Results
For the year ended December 31, 2020
(Expressed in United States Dollars)
April 27, 2021

8.9 Annual Dividend

The Board does not recommend any payment of dividend for the year ended December 31, 2020 in accordance with its dividend policy and 2020 performance. (Dividend for the year ended December 31, 2019: nil)

In June 2019, GobiMin paid an annual dividend of CAD0.01 per share for the year ended December 31, 2018.

9. Cash Flows

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

As at December 31,	2020	2019
	\$	\$
Cash and cash equivalents	19,470,884	17,777,915
Working capital ⁽¹⁾	21,306,083	21,313,423
For the year ended December 31,		
	\$	\$
Net cash flow used in operating activities	(1,686,498)	(2,879,632)
Net cash flow used in financing activities	(77,745)	(461,879)
Net cash flow from investing activities	2,579,465	4,161,629
Increase in cash and cash equivalents	815,222	820,118

Note:

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

9.1 Operating Activities

In 2020, net cash outflow used in operating activities was \$1.7 million (2019: \$2.9 million) which mainly represented net cash payment of office expenses of \$2.2 million (2019: \$2.1 million) and net settlement from receivables of \$0.4 million (2019: \$0.3 million). The decrease in cash outflow was mainly due to the settlement of payables of \$1.1 million only incurred in 2019.

9.2 Financing Activities

The net cash outflow used in financing activities was \$78,000 in 2020 (2019: \$0.5 million) which solely represented share repurchased (2019: share repurchased of \$61,000 and payment of dividend of \$0.4 million).

9.3 Investing Activities

The net cash inflow from investing activities was \$2.6 million in 2020 (2019: \$4.2 million), which mainly represented cash inflow from disposal and maturity of debentures of \$1.9 million (2019: \$2.2 million) and interest received of \$0.6 million (2019: \$0.9 million). The cash inflow was decreased by \$1.6 million because there was loan repayment from a related company of \$3.5 million, loan repayment from an investee of \$3.0 million and net disposal of listed securities of \$2.9 million netting off addition of investment properties of \$3.1 million and loan secured by a property of \$4.6 million in 2019.

GobiMin Inc.
Management's Discussion and Analysis of Financial Results
For the year ended December 31, 2020
(Expressed in United States Dollars)
April 27, 2021

10. Statements of Financial Position

10.1 Cash and Cash Equivalents

The Group had approximately \$19.5 million in cash and cash equivalents as at December 31, 2020, compared to \$17.8 million as at December 31, 2019. The increase of \$1.7 million was mainly the combined effect of cash inflow from disposal and maturity of debentures of \$1.9 million, net settlement of receivables of \$0.4 million, interest received of \$0.6 million, dividend received of \$0.1 million and also the effect of foreign exchange rate changes on cash of \$0.9 million, netting off cash outflow for net payment of office expenses of \$2.2 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, 2020, there were addition of \$0.2 million to exploration and evaluation assets in relation to the research and development cost on bioleaching technique on gold ores.

10.3 Financial Assets

As at December 31, 2020, financial assets comprised:

Current Portion

- (a) \$0.1 million investment in listed shares, options and futures.
- (b) \$0.2 million debentures with coupon rates of 4.750% per annum and will mature on May 31, 2021.

Non-current Portion

- (c) \$2.5 million debentures with coupon rates ranged from 4.250% to 7.375% per annum and maturities ranged between November 30, 2026 and perpetual.
- (d) \$1.3 million unlisted equity investment in Dragon Silver, a Hong Kong based metal trading and processing company.
- (e) \$0.3 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, 2020, GobiMin had 49,194,982 common shares issued and outstanding. During the year, 450,000 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, 2020:

- (i) Fees and other remunerations to directors and key management personnel of \$0.5 million (2019: \$0.4 million).
- (ii) Rental income of \$86,000 (2019: \$48,000) and share of office common expenses of \$16,000 (2019: \$5,000) from companies in which a director of the Company has equity interest.

GobiMin Inc.
Management's Discussion and Analysis of Financial Results
For the year ended December 31, 2020
(Expressed in United States Dollars)
April 27, 2021

For the year ended December 31, 2019, there were rental income of \$50,000, interest income of \$61,000, share of office common expenses and staff cost of \$8,000 from a company with common director. No such transaction recorded this year.

12. Capital Commitment

As at December 31, 2020, the Group had capital commitments of \$1.6 million (2019: \$1.6 million) in relation to office building renovation, mine design and related facilities and research on gold processing method.

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:

As at	December 31, 2019	December 31, 2020	April 27 2021
Number of Common Shares Outstanding	49,644,982	49,194,982	49,194,982
Number of Options Outstanding	-	-	-
Number of Common Shares Fully Diluted	49,644,982	49,194,982	49,194,982

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

GobiMin Inc.**Management's Discussion and Analysis of Financial Results****For the year ended December 31, 2020**

(Expressed in United States Dollars)

April 27, 2021

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 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, 2020, the exploration licence was renewed to August 22, 2021. Its mining licence expired on December 23, 2019 and the renewal process involved multiple approval levels. The application procedures were delayed attributable to the work piled in government authorities during the COVID-19 pandemic and additional time required for finalizing the resources assessment report on the Gold Project prepared by an independent valuer. As at December 31, 2020, approval from the Department of Natural Resources of both the county and prefecture levels were received. As at the date of this report, the renewal application was approved by the Department of Natural Resources of Xinjiang Uyghur Autonomous Region after submission of related geological documents and the land rehabilitation report. The renewal application of the mining licence will be processed pending the determination of the reserve assessment amount and payment for the related fee based on the assessment.

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

GobiMin Inc.**Management's Discussion and Analysis of Financial Results****For the year ended December 31, 2020**

(Expressed in United States Dollars)

April 27, 2021

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 COVID-19 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

During the year under review, the global supply chains and financial market have experienced significant volatility in response to the COVID-19 pandemic. Although an effective mass-produced vaccine is in place in Hong Kong and the PRC, the COVID-19 pandemic is expected to continue to impact our ability to achieve our performance objectives. While we could never have predicted the extent of the pandemic crisis we currently face and the timing of the overall recovery, GobiMin has been making great effort in putting our cash position back on a sound footing to go through the crisis. We take years-long effort to build strong capital levels that gives us stability to continue our development plan.

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. Apart from that, the industrial test was bogged down due to disruptions of sulphuric acid resulting from lockdown of the whole city when a number of asymptomatic infections appeared in Xinjiang. The social distancing ordered by the government also affected the technical manpower in our test site. Professional researchers of the Research Institute had to work remotely to offer advice on our test. Attributable to the transportation limitation, delivery of the ore samples to the Research Institute for analysis was delayed. All of the abovementioned matters made impact on our industrial test. It is anticipated that the industrial test will not be completed until the end of 2021.