

GobiMin Inc.

(Incorporated in Canada under the Canada Business Corporations Act)

Interim Management's Discussion and Analysis of Financial Results

- Quarterly Highlights

March 31, 2021

(Expressed in United States Dollars except where otherwise noted)

GobiMin Inc.
Interim MD&A – Quarterly Highlights
For the three months ended March 31, 2021
(Expressed in United States Dollars)
May 25, 2021

The Quarterly Highlights of GobiMin Inc. (the “Company” or “GobiMin”) provide material updates to the business operations, liquidity and capital resources of the Company since its last annual management discussion & analysis, being the Management Discussion & Analysis (the “Annual MD&A”) for the fiscal year ended December 31, 2020. The Quarterly Highlights do not provide a general update to the Annual MD&A, or reflect any non-material events since the date of the Annual MD&A.

The Quarterly Highlights have been prepared by management as of May 25, 2021 and in compliance with the requirements of section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with its condensed interim consolidated financial statements for the three months ended March 31, 2021 prepared in accordance with International Financial Reporting Standards (“IFRS”), its audited consolidated financial statements for the year ended December 31, 2020 prepared in accordance with IFRS and the Annual MD&A.

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

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

1. Corporate Overview

GobiMin, the shares of which are traded on the TSX Venture Exchange under the symbol GMN, is an investment issuer under the rules of the TSX Venture Exchange. The Company, together with its subsidiaries (collectively the “Group”), is principally engaged in the investment in 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 established in China to explore, develop and operate the Sawayaerdun Gold Project (the “Gold Project”) located in Xinjiang.

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2. Financial Highlights

	Three months ended March 31,		Year ended
	2021	2020	December 31, 2020
	\$'000	\$'000	\$'000
Revenue	206	193	891
(Loss)/gain on disposal of financial assets	(114)	(36)	266
Fair value loss on financial assets	(48)	(402)	(106)
Net loss for the period/year	(719)	(1,229)	(3,349)
Loss attributable to shareholders of the Company	(673)	(1,201)	(3,057)
Basic and diluted loss per share (in \$)	(0.014)	(0.024)	(0.062)
LBITDA ⁽¹⁾	(677)	(1,129)	(3,002)
LBITDA per share (in \$) ⁽¹⁾	(0.014)	(0.023)	(0.061)
		As at March 31,	As at
	2021	2020	December 31, 2020
	\$'000	\$'000	\$'000
Cash and cash equivalents	18,392	16,495	19,471
Cash and cash equivalents per share (in \$) ⁽¹⁾	0.37	0.33	0.40
Working capital	20,763	21,083	21,306
Total current liabilities	2,586	2,395	2,536
Total non-current financial liabilities	-	352	-
Total assets	74,199	73,677	74,985

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** are not mandatorily required by 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 as well as direct ownership stakes in projects, including the development of mineral 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 COVID-19 Pandemic Impacts

During the period under review, the global economy recovered gradually after the launch of coronavirus vaccine scheme worldwide. Experts from Organisation for Economic Co-operation and Development struck an optimistic tone towards the global economic prospects in 2021 and expected global economic output to resume to pre-pandemic levels in the first half of this year. However, there is still a high degree of uncertainty as new virus mutations could spark another wave of infections and destroy the recovery momentum that we have so painfully begun to establish.

The Company has been monitoring the potential impact of COVID-19 pandemic on our operations since mid-February 2020. COVID-19 is threatening the supply chains and logistics setup of the Group, thus causing unprecedented impact on our normal business activities. The Group's operations may be adversely affected by unstable employment if great portions of our workforce, especially technical workers, are confined to their homes by government order or cannot return to workplace due to various restrictions on travel. We expected the coronavirus vaccine scheme implemented in China may ameliorate the insufficiency of manpower. In addition, the normal progress of on-site industrial test on applying bio-tech methodology on extraction of metals of Gold Project was impeded as further explained in section 3.2 below.

As at March 31, 2021, the management had assessed the credit risk of the loan receivable and the fair market value of the investment properties with reference to the recent market prices for similar properties in the same locations and similar conditions. Based on the assessment, there is no further significant adverse impact on credit risk and the fair value resulting from COVID-19 pandemic since December 31, 2020. A realistic view of mastering the crisis is keeping healthy liquidity position and implementing cautious cash management. Meanwhile, the Company continues to work on timely adjustment on investment plans in light of the current conditions and will explore opportunities in a proactive manner.

As uncertainties from the outbreak are likely to persist, the management will actively seek out the most up-to-date market information and formulate various plans for each scenario in the context of business continuity.

3.2 Gold Project in Xinjiang

The Company owns 70% equity interests 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 on the Gold Project by an independent valuer. As at the date of this report, approvals from the Department of Natural Resources of all of the county, prefecture and region levels were confirmed. The renewed mining licence is expected to be issued after settlement of the mining royalties amounting to \$1.46 million (equivalent to RMB9.56 million).

The on-site industrial test on applying bio-tech methodology on extraction of metals from large-scale samples of gold ores was running behind the schedule attributable to the pandemic in 2020. As suggested by the experts from the Research Institute, three-shift rotation schedule has been implemented to accelerate the test progress in the mine site. According to the analysis results on the ore samples and the immersion gold tests conducted by the Research Institute, arsenic and iron in the ore samples have been successfully removed by oxidation. After the pre-oxidation stage and subject to the analysis result of the samples, the industrial test would enter into the final stage of immersion gold process in late 2021.

For the three months ended March 31, 2021, there was no addition to exploration and evaluation assets. As at March 31, 2021, the Group had a contractual commitment of \$1,628,000 for the future development of the Gold Project.

3.3 Financial Assets

(i) Listed Securities

As at March 31, 2021, the fair value of listed securities held by the Group amounted to \$757,000 (December 31, 2020: \$247,000) which include \$664,000 (December 31, 2020: \$127,000) investment in listed stock, futures and options trading through registered brokerage firms in Hong Kong and \$93,000 (December 31, 2020: \$120,000) for a listed stock in Canada. For the three months ended March 31, 2021, the loss on trading of listed stock, indexes, futures and options amounted to \$114,000 (three months ended March 31, 2020: \$39,000) and fair value loss was \$52,000 (three months ended March 31, 2020: \$80,000).

(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 (equivalent to HK\$8,710,000). Dragon Silver is a Hong Kong based company which mainly engaged in trading, production, processing and investment in precious metals and non-ferrous metals and related products.

Pursuant to a put option deed dated December 29, 2017, the Group has the right to sell all the shares held by the Group to the guarantor of the agreement at the investment cost within the period from December 29, 2021 to December 29, 2022 (the “Put Option”). Pursuant to the subscription agreement dated December 29, 2017, the guarantor of the agreement guaranteed to the Group that (i) the audited net profit after tax of Dragon Silver shall not be less than \$1.93 million (HK\$15,000,000) (the “Profit Guarantee”) 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 (the “Dividend Guarantee”). As the profit of Dragon Silver was seriously impacted by the volatile economic and market conditions, the Group waived the profit guarantee compensation for the years ended June 30, 2019 and 2020 in March 2020.

In consideration of the continuous difficult market conditions and the impact of COVID-19, the Group agreed to waive the profit guarantee compensation further for the years ended June 30, 2021 and 2022 as requested by the guarantor who committed to continue the payment of the dividend guarantee compensation for the Relevant Years.

There is no material update on the operations of Dragon Silver for the current period under review other than those disclosed in Annual MD&A. The carrying value of the investment together with the Dividend Guarantee, the Profit Guarantee and the Put Option as at March 31, 2021 was \$1,286,000 (December 31, 2020: \$1,286,000). Management considered that there were no material fair value changes for the investment in Dragon Silver for the three months ended March 31, 2021 (three months ended March 31, 2020: nil).

As at March 31, 2021, unlisted investments held by the Group other than Dragon Silver amounted to \$257,000 (December 31, 2020: \$257,000). During the period under review, the fair value loss on other unlisted investments was \$3,000 (three months ended March 31, 2020: \$10,000).

(iii) Debentures and Certificate of Deposit

The Group would invest in debentures and certificate of deposit bearing low risks and reasonable interest return from various industries through the open market. Debentures are held to receive coupon interest

payments as well as to realize potential gains. The Group may dispose of debentures through the open market when the Group requires funds for operational or other investment needs.

As at March 31, 2021, the Group held debentures of \$2,748,000 (December 31, 2020: \$2,741,000) with coupon rates ranged from 4.250% to 7.375% (December 31, 2020: 4.250% to 7.375%) per annum and maturities ranged between May 31, 2021 and perpetual (December 31, 2020: May 31, 2021 and perpetual).

For the three months ended March 31, 2021, interest income from debentures was \$40,000 (three months ended March 31, 2020: \$46,000) and fair value gain on debentures amounted to \$7,000 (three months ended March 31, 2020: fair value loss of \$312,000). No gain or loss from disposal of debentures (three months ended March 31, 2020: gain of \$4,000) was noted for the three months ended March 31, 2021.

3.4 Investment Properties

The Group holds investment properties in Shenzhen, Xinjiang and Hong Kong. Since December 31, 2020, there was no significant change in fair value of the investment properties.

3.5 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. 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. GobiMin did not renew its NCIB afterwards.

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.

3.6 Liquidity and Capital Resources

As at March 31, 2021, working capital of the Group was amounted to about \$20,763,000 (December 31, 2020: \$21,306,000), which is computed by netting off its current assets of \$23,349,000 (December 31, 2020: \$23,842,000) with its current liabilities of \$2,586,000 (December 31, 2020: \$2,536,000).

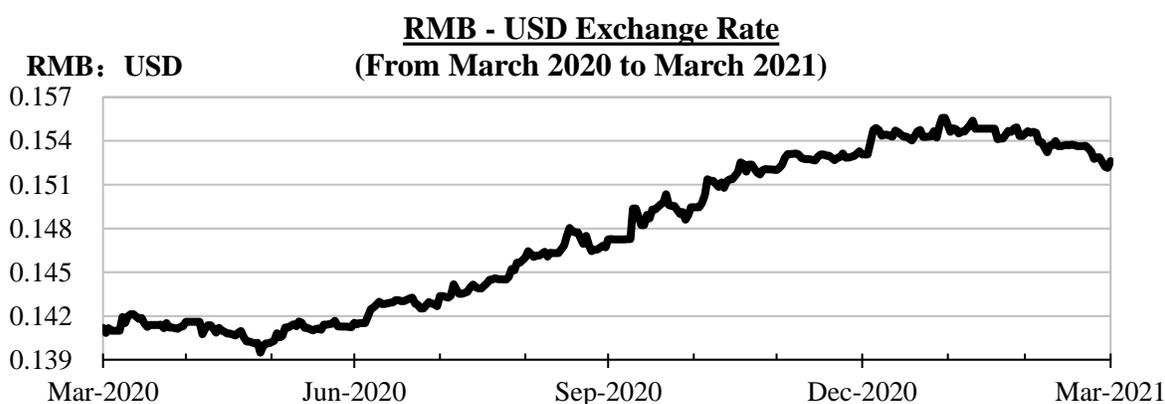
Among the cash and cash equivalents of \$18,392,000, approximately \$530,000 were held by subsidiaries in China. The subsidiaries in China are allowed to transfer funds to other Group companies outside China upon presentation of relevant documentation required by applicable regulations, subject to the risks outlined hereinafter under the section “Risk Factors”. The Group will take careful measures ahead to ensure that the available resources match with its various payment obligations in China and elsewhere.

Taking into account of its financial position, 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 \$1,628,000 as at March, 31 2021 (December 31, 2020: \$1,633,000).

4. Key Economic Trends

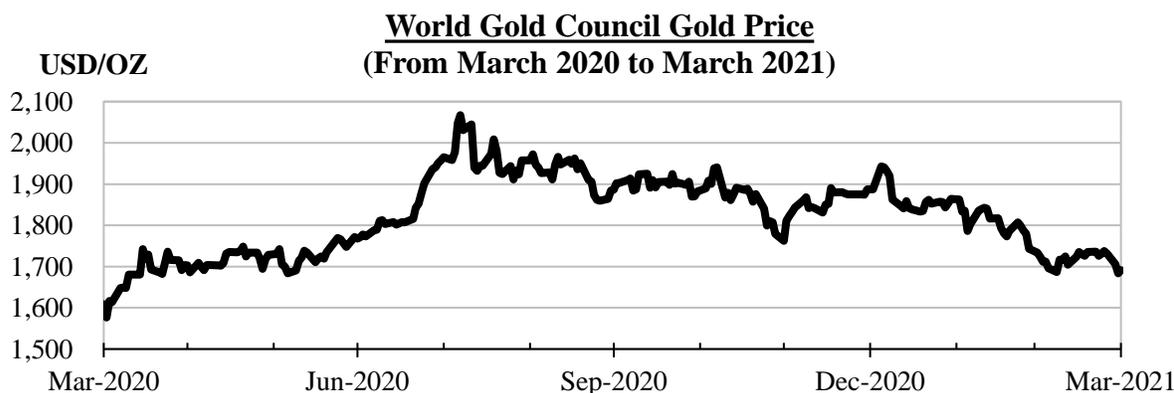
4.1 China Economy

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. As at March 31, 2021, the Chinese Renminbi (“RMB”) appreciated by approximately 8.08% against the United States dollars comparing with the exchange rate as at March 31, 2020. For the three months ended March 31, 2021, the exchange rate of RMB against the United States Dollars stabilised and a slight depreciation of 0.31% was noted.



4.2 Gold Market

The changes in gold price have a strong influence on the value of the Gold Project. As at March 31, 2021, the gold price has increased by around 5.10% against the price as at March 31, 2020.



5. Selected Quarterly Information

For the three months ended March 31, 2021, the Group reported a net loss of \$719,000 (three months ended March 31, 2020: \$1,229,000) which mainly comprised the fair value loss together with the disposal loss on financial assets of \$162,000 (three months ended March 31, 2020: \$438,000) and administrative

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expenses of \$720,000 (three months ended March 31, 2020: \$726,000), netting off against the interest and rental income of \$204,000 (three months ended March 31, 2020: \$193,000).

In this quarter, the Group recorded a net decrease in cash and cash equivalents of \$1,083,000 (three months ended March 31, 2020: \$1,123,000). It comprised mainly of the purchase of listed shares, futures and options of \$675,000 (three months ended March 31, 2020: nil) and net cash flows used in operating activities of \$515,000 (three months ended March 31, 2020: \$680,000).

The total assets decreased by \$786,000 from \$74,985,000 as at December 31, 2020 to \$74,199,000 at the end of the period, which mainly represented the net payment of office expenses of \$474,000 and depreciation of property, plant and equipment and investment properties of \$195,000 in aggregate.

6. Results of Operations

6.1 Revenue

During the period, interest income was \$153,000 (three months ended March 31, 2020: \$142,000) and rental income was \$51,000 (three months ended March 31, 2020: \$50,000) respectively.

6.2 Fair Value Loss and Disposal Loss on Financial Assets at Fair Value Through Profit or Loss (“FVTPL”)

Fair value loss on financial assets at FVTPL for the period was \$48,000 (three months ended March 31, 2020: \$402,000). It mainly represented the fair value loss on listed securities of \$52,000 (three months ended March 31, 2020: \$80,000), and was offset by the fair value gain from debentures of \$7,000 (three months ended March 31, 2020: loss of \$312,000). The fair values of these instruments were measured with reference to quoted market prices at the end of the reporting period.

Loss on disposal of financial assets at FVTPL for the period was \$114,000 (three months ended March 31, 2020: \$36,000), representing the trading loss of listed shares, futures and options of \$114,000 (three months ended March 31, 2020: \$39,000).

6.3 General and Administrative Expenses

General and administrative expenses were \$720,000 for this quarter (three months ended March 31, 2020: \$726,000). They mainly represented pre-operating expenses incurred for the Gold Project, office rental, staff costs and legal and professional fees.

6.4 Loss Per Share

The basic and diluted loss per share were \$0.014 for this quarter (three months ended March 31, 2020: \$0.024).

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6.5 LBITDA

The loss before interest income and expense, income taxes, depreciation and amortization (“LBITDA”), a non-IFRS performance measure, for the period was calculated in the table below:

	For the three months ended	
	March 31, 2021	March 31, 2020
	\$'000	\$'000
Loss for the period	(719)	(1,229)
Interest income	(153)	(142)
Finance costs	-	5
Depreciation	195	237
LBITDA ⁽¹⁾	(677)	(1,129)
LBITDA per share (in \$) ⁽²⁾	(0.014)	(0.023)

Note:

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

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

6.6 Annual Dividend

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 (2019: nil).

7. Cash Flows

The following table summarised the Group’s cash flows and cash and cash equivalents:

	As at	
	March 31, 2021	December 31, 2020
	\$'000	\$'000
Cash and cash equivalents	18,392	19,471
Working capital ⁽¹⁾	20,763	21,306

	For the three months ended	
	March 31, 2021	March 31, 2020
	\$'000	\$'000
Net cash flows used in operating activities	(515)	(680)
Cash flow used in a financing activity	-	(28)
Net cash flows used in investing activities	(568)	(415)
Decrease in cash and cash equivalents	(1,083)	(1,123)

Note:

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

7.1 Operating Activities

During the period, the Company recorded a net cash outflow from operating activities of \$515,000 (three months ended March 31, 2020: \$680,000), which mainly represented net payment of office expenses of \$474,000 (three months ended March 31, 2020: \$441,000).

7.2 Financing Activity

During the period, there is no cash flow used in financing activities while the cash outflow from a financing activity in the last corresponding period solely represented shares repurchased of \$28,000.

7.3 Investing Activities

During the period, the Company recorded a net cash outflow from investing activities of \$568,000 (three months ended March 31, 2020: \$415,000), which mainly represented interest income of \$153,000 (three months ended March 31, 2020: \$142,000), and was offset by the purchase of listed securities of \$675,000 (three months ended March 31, 2020: nil). Cash outflow from investing activities in the last corresponding period also included the net proceeds from the disposal and maturity of debentures of \$1,486,000 netting off the deposit paid to a brokerage firm of \$2,000,000.

8. Statements of Financial Position

8.1 Cash and Cash Equivalents

The Group had approximately \$18,392,000 cash and cash equivalents as at March 31, 2021, compared to \$19,471,000 as at December 31, 2020. The decrease of \$1,079,000 was mainly due to the cash outflow used to purchase listed securities of \$675,000 and net cash flows used in operating activities of \$515,000.

8.2 Exploration and Evaluation Assets

The exploration and evaluation assets are mainly related to the Gold Project, including mining rights, geological and geophysical costs, mine site and facilities construction, drilling and exploration expenses. There was no addition to exploration and evaluation assets in the current reporting period. Decrease in balance during the period was due to the depreciation of RMB against the United States Dollars during the period.

8.3 Financial Assets

As at March 31, 2021, financial assets comprised:

Current portion

- (a) \$664,000 investment in listed shares, options and futures.
- (b) \$200,000 debentures with coupon rates of 4.750% per annum and will mature on May 31, 2021.

Non-current portion

- (c) \$2,548,000 debentures with coupon rates ranged from 4.250% to 7.375% per annum and maturities ranged between November 30, 2026 and perpetual.
- (d) \$1,286,000 unlisted equity investment in Dragon Silver, a Hong Kong based metal trading and processing company.
- (e) \$257,000 investment in an investment fund.
- (f) \$93,000 investment in shares listed on TSX Venture Exchange.

8.4 Share Capital

As at December 31, 2020 and March 31, 2021, GobiMin had 49,194,982 common shares issued and outstanding. For the three months ended March 31 2021, there was no movement in the Company's share capital.

9. Related Party Transactions

The Group had the following transactions with related parties during the three months ended March 31, 2021:

- (a) Fees and other remunerations to directors and key management personnel of \$83,000 (three months ended March 31, 2020: \$99,000).
- (b) Rental income of \$22,000 (three months ended March 31, 2020: \$21,000) and share of office common expenses of \$3,000 (three months ended March 31, 2020: \$4,000) from companies in which a director of the Company has equity interests.

10. Capital Commitment

As at March 31, 2021, the Group had capital commitments of \$1,628,000 (December 31, 2020: \$1,633,000) in relation to office building renovation, mine design and related facilities and research on gold processing method.

11. Off-Balance Sheet Arrangements

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

12. Future Plans for Material Investments

The Group intends to use its available funds to invest in 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 investments in the near future.

13. Outstanding Share Data

As at March 31, 2021 and up to the date of this report, the number of common shares outstanding was 49,194,982 (December 31, 2020: 49,194,982). There were no options or other potential common shares outstanding at the end of the reporting period and as at the date of this report (December 31, 2020: nil).

14. Risk Factors

The business conducted by the Group is subject to a number of risks. These risk factors could materially affect the Group's future operating results and could cause actual events to differ materially from those described in the forward-looking statements relating to the Group. Prospective investors should carefully consider the risks factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risk Factors" in the Company's Annual MD&A for the financial year ended December 31, 2020, available on SEDAR at www.sedar.com.