

GobiMin Inc.

(Incorporated in Canada under the Canada Business Corporations Act)

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

June 30, 2021

(Expressed in United States Dollars except where otherwise noted)

GobiMin Inc.
Interim MD&A – Quarterly Highlights
For the quarter ended June 30, 2021
(Expressed in United States Dollars)
August 18, 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 August 18, 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 six months ended June 30, 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.

GobiMin Inc.
Interim MD&A – Quarterly Highlights
For the quarter ended June 30, 2021
(Expressed in United States Dollars)
August 18, 2021

2. Financial Highlights

	Three months ended June 30,		Year ended
	2021	2020	December 31, 2020
	\$'000	\$'000	\$'000
Revenue	220	202	891
(Loss)/gain on disposal of financial assets	(22)	124	266
Fair value (loss)/gain on financial assets	(26)	194	(106)
Net loss for the period/year	(479)	(70)	(3,349)
Loss attributable to shareholders of the Company	(402)	(30)	(3,057)
Basic and diluted loss per share (in \$)	(0.008)	(0.001)	(0.062)
(LBITDA)/EBITDA ⁽¹⁾	(415)	10	(3,002)
(LBITDA)/EBITDA per share (in \$) ⁽¹⁾	(0.008)	0.0002	(0.061)
	As at June 30,	2020	As at
	2021	December 31, 2020	\$'000
	\$'000	\$'000	\$'000
Cash and cash equivalents	18,636	17,886	19,471
Cash and cash equivalents per share (in \$) ⁽¹⁾	0.38	0.36	0.40
Working capital	20,528	21,190	21,306
Total current liabilities	2,512	2,272	2,536
Total assets	74,266	73,296	74,985

Note:

(1) As non-IFRS measurements, (LBITDA)/EBITDA ((loss)/earnings before interest income and expense, income taxes, depreciation and amortization), (LBITDA)/EBITDA 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, a new wave of coronavirus infections demonstrated the fragile nature of the global recovery. A surge in Delta variant cases has forced some government to re-impose stricter COVID-19 restrictions. The Company is keeping a close eye on the spread of Delta variant in China recently as the outbreak is the largest in China for months and has been monitoring its potential impact on our operations, such as disruption of the supply chains and logistics setup.

As at June 30, 2021, the management had assessed the credit risk of the receivables and the fair 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.

The rapid spread of Delta variant has clouded the growth outlook and has added a lot of uncertainty to the worldwide economy. As Delta variant constitutes a growing source of uncertainty, the management will implement scenario planning and timely adjust our master plan in response to the changing environment.

3.2 Gold Project in Xinjiang

The Company owns 70% equity interests in Xinjiang Tongyuan Minerals Limited which operates the Gold Project in Xinjiang. Its exploration licence had been renewed with expiry date on June 15, 2023. Upon the settlement of the mining royalties of \$1,481,000 (equivalent to RMB9,560,000) in July 2021, the mining licence had been renewed with expiry date on March 22, 2023.

The on-site industrial test on applying bio-tech methodology on extraction of metals from large-scale samples of gold ores was running behind schedule attributable to the COVID-19 pandemic. 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. It is almost the end of the pre-oxidation stage. Upon the satisfaction in maintaining the alkali balance, the industrial test would enter into the final stage of gold immersion process in late 2021.

For the six months ended June 30, 2021, there was no addition to exploration and evaluation assets. As at June 30, 2021, the Group had a contractual commitment of \$1,653,000 for the future development of the Gold Project.

3.3 Financial Assets

(i) Listed Securities

As at June 30, 2021, the fair value of listed securities held by the Group amounted to \$313,000 (December 31, 2020: \$247,000) which include investments in listed stock, futures and options of \$252,000 (December 31, 2020: \$127,000) trading through registered brokerage firms in Hong Kong and a listed stock in Canada of \$61,000 (December 31, 2020: \$120,000). For the six months ended June 30, 2021, the loss on disposal of listed stock, indexes, futures and options amounted to \$137,000 (six months ended June 30, 2020: gain of \$84,000) and fair value loss on listed securities was \$88,000 (six months ended June 30, 2020: \$76,000).

(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 \$1,121,000 (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 the subscription agreement dated December 29, 2017, the guarantor of the agreement guaranteed to the Group that the audited net profit after tax of Dragon Silver shall not be less than \$1,931,000 (equivalent to HK\$15,000,000) (the “Profit Guarantee”) for each of the financial years ending

GobiMin Inc.
Interim MD&A – Quarterly Highlights
For the quarter ended June 30, 2021
(Expressed in United States Dollars)
August 18, 2021

from June 30, 2018 to 2022 (the “Relevant Years”); 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 further the profit guarantee compensation for the years ended June 30, 2021 and 2022 as requested by the guarantor. There were no material fair value changes for the investments in Dragon Silver for the six months ended June 30, 2021 (six months ended June 30, 2020: nil).

As at June 30, 2021, unlisted investments held by the Group other than Dragon Silver amounted to \$268,000 (December 31, 2020: \$257,000). During the period under review, the fair value gain on other unlisted investments was \$4,000 (six months ended June 30, 2020: gain of \$5,000).

(iii) Debentures and Certificates of Deposit

The Group would hold debentures and certificates of deposit with low credit 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 June 30, 2021, the Group held debentures of \$2,551,000 (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 November 30, 2026 and perpetual (December 31, 2020: May 31, 2021 and perpetual).

For the six months ended June 30, 2021, interest income from debentures was \$79,000 (six months ended June 30, 2020: \$98,000) and fair value gain on debentures amounted to \$10,000 (six months ended June 30, 2020: loss of \$138,000). No gain or loss on disposal of debentures (six months ended June 30, 2020: gain of \$4,000) was recorded for the six months ended June 30, 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 June 30, 2021, working capital of the Group was amounted to about \$20,528,000 (December 31, 2020: \$21,306,000), which is computed by netting off its current assets of \$23,040,000 (December 31, 2020: \$23,842,000) with its current liabilities of \$2,512,000 (December 31, 2020: \$2,536,000).

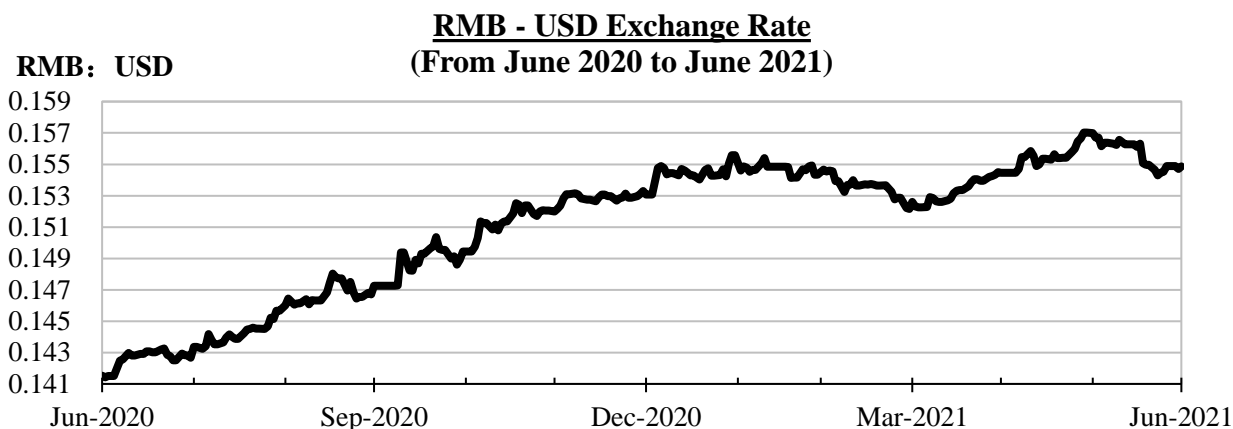
Among the total balance of cash and cash equivalents of \$18,636,000, approximately \$520,000 were held by the Company’s subsidiaries in China. The subsidiaries in China are allowed to transfer funds to other Group companies outside China upon presentation of relevant documentation required by applicable 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.

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 \$1,653,000 (December 31, 2020: \$1,633,000) as at June 30, 2021.

4. Key Economic Trends

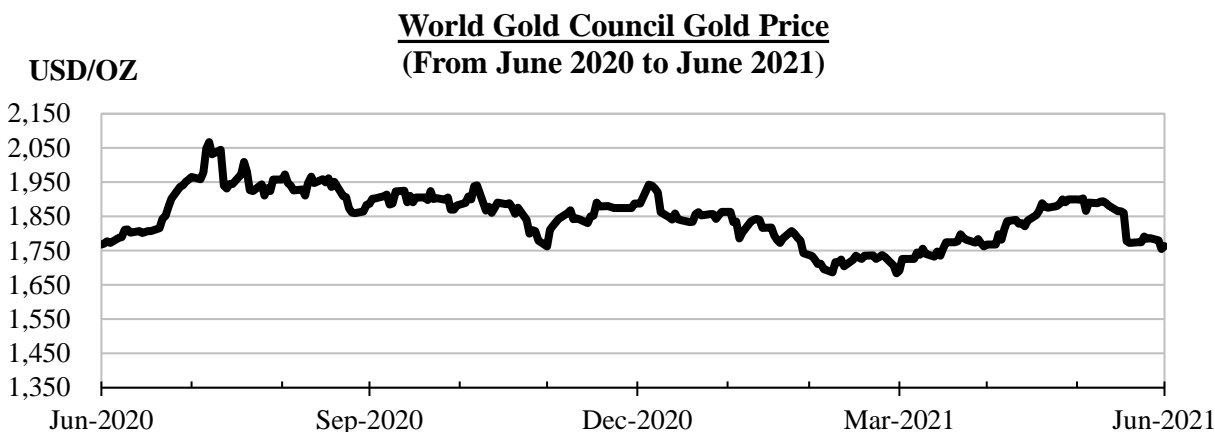
4.1 China Economy

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 June 30, 2021, the Chinese Renminbi (“RMB”) appreciated by approximately 9.42% against the United States dollars comparing with the exchange rate as at June 30, 2020. For the six months ended June 30, 2021, the exchange rate of RMB kept steady against the United States Dollars and a slight appreciation of 1.17% was noted.



4.2 Gold Market

The changes in gold price have a strong influence on the value of the Gold Project. As at June 30, 2021, the gold price has decreased by around 0.28% against the price as at June 30, 2020.



5. Selected Quarterly Information

For the three months ended June 30, 2021, the Group reported a net loss of \$479,000 (three months ended June 30, 2020: \$70,000) which mainly comprised interest income and rental income of \$212,000 (three months ended June 30, 2020: \$199,000), loss on disposal of financial assets of \$22,000 (three months ended June 30, 2020: gain of \$124,000), fair value loss on financial assets of \$26,000 (three months ended June 30, 2020: gain of \$194,000), exchange gain of \$198,000 (three months ended June 30, 2020: \$51,000) and general and administrative expenses of \$877,000 (three months ended June 30, 2020: \$699,000).

In this quarter, the Group recorded a net increase in cash and cash equivalents of \$227,000 (three months ended June 30, 2020: decrease of \$418,000). It comprised mainly the cash inflow from net disposal of listed shares, futures and options of \$387,000 (three months ended June 30, 2020: cash outflow from net addition of \$2,000), proceeds received on maturity of debentures of \$200,000 (three months ended June 30, 2020: nil), interest received of \$159,000 (three months ended June 30, 2020: \$146,000), netting off the net cash flows used in operating activities of \$540,000 (three months ended June 30, 2020: \$462,000).

The total assets decreased by \$719,000 from \$74,985,000 as at December 31, 2020 to \$74,266,000 at the end of the reporting period, which mainly represented the net cash flows used in operating activities of \$1,055,000 netting off the exchange gain on translation of exploration and evaluation assets of \$380,000.

6. Results of Operations

6.1 Revenue

Interest income and rental income in the second quarter of 2021 were \$159,000 (three months ended June 30, 2020: \$146,000) and \$53,000 (three months ended June 30, 2020: \$53,000) respectively.

Interest income and rental income for the six months ended June 30, 2021 were \$312,000 (six months ended June 30, 2020: \$288,000) and \$105,000 (six months ended June 30, 2020: \$104,000) respectively.

6.2 Fair Value Loss/(Gain) and Disposal Loss/(Gain) on Financial Assets at Fair Value Through Profit or Loss ("FVTPL")

For the three months ended June 30, 2021, fair value loss on financial assets at FVTPL was \$26,000 (three months ended June 30, 2020: gain of \$194,000). It mainly represented the fair value loss on a listed stock

GobiMin Inc.
Interim MD&A – Quarterly Highlights
For the quarter ended June 30, 2021
(Expressed in United States Dollars)
August 18, 2021

in Canada of \$34,000 (three months ended June 30, 2020: gain of \$18,000) and fair value gain on debentures of \$3,000 (three months ended June 30, 2020: \$174,000) whose fair values were determined with reference to quoted market prices at the end of the reporting period.

For the six months ended June 30, 2021, fair value loss on financial assets at FVTPL was \$74,000 (six months ended June 30, 2020: \$208,000). It mainly represented the fair value loss on a listed stock in Canada of \$63,000 (six months ended June 30, 2020: \$40,000), fair value loss on position held through brokers of \$26,000 (six months ended June 30, 2020: \$29,000) and fair value gain on debentures of \$10,000 (six months ended June 30, 2020: loss of \$138,000). The fair values were determined with reference to quoted market prices at the end of the reporting period.

6.3 General and Administrative Expenses

General and administrative expenses were \$877,000 for this quarter (three months ended June 30, 2020: \$699,000) and \$1,597,000 for the six months ended June 30, 2021 (six months ended June 30, 2020: \$1,426,000). It mainly included 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 \$0.008 for this quarter (three months ended June 30, 2020: \$0.001) and \$0.022 for the six months ended June 30, 2021 (six months ended June 30, 2020: \$0.025).

6.5 (LBITDA)/EBITDA

The (loss)/earnings before interest income and expense, income taxes, depreciation and amortisation (“(LBITDA)/EBITDA”) is a non-IFRS performance measure. LBITDA for this quarter was \$415,000 as compared to EBITDA of \$10,000 in the corresponding period last year. The calculation of (LBITDA)/EBITDA was set out in the table below:

	For the three months ended	
	June 30, 2021	June 30, 2020
	\$'000	\$'000
Loss for the period	(479)	(70)
Interest income	(159)	(146)
Finance costs	-	629
Depreciation	223	226
(LBITDA)/EBITDA ⁽¹⁾	(415)	10
(LBITDA)/EBITDA per share (in \$) ⁽²⁾	(0.008)	0.0002

Note:

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

No dividend was paid during the six months ended June 30, 2021 (six months ended June 30, 2020: nil).

GobiMin Inc.
Interim MD&A – Quarterly Highlights
For the quarter ended June 30, 2021
(Expressed in United States Dollars)
August 18, 2021

7. Cash Flows

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

	As at	
	June 30, 2021	December 31, 2020
	\$'000	\$'000
Cash and cash equivalents	18,636	19,471
Working capital ⁽¹⁾	20,528	21,306
	For the three months ended	
	June 30, 2021	June 30, 2020
	\$'000	\$'000
Net cash flows used in operating activities	(540)	(462)
Cash flow used in a financing activity	-	(44)
Net cash flows from investing activities	767	88
Increase/(decrease) in cash and cash equivalents	227	(418)
	For the six months ended	
	June 30, 2021	June 30, 2020
	\$'000	\$'000
Net cash flows used in operating activities	(1,055)	(1,142)
Cash flow used in a financing activity	-	(72)
Net cash flows used in investing activities	199	1,436
(Decrease)/increase in cash and cash equivalents	(856)	222

Note:

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

7.1 Operating Activities

For the three months ended June 30, 2021

For the three months ended June 30, 2021, the Company recorded a net cash outflow from operating activities of \$540,000 (three months ended June 30, 2020: \$462,000) which mainly comprised of net cash payment of office expenses of \$592,000 (three months ended June 30, 2020: \$355,000).

For the six months ended June 30, 2021

For the six months ended June 30, 2020, the Company recorded a net cash outflow from operating activities of \$1,055,000 (six months ended June 30, 2020: \$1,142,000) which mainly comprised of net cash payment of office expenses of \$1,066,000 (six months ended June 30, 2020: \$796,000) and net cash inflow from changes in working capital of \$12,000 (six months ended June 30, 2020: net cash outflow of \$346,000).

7.2 Financing Activity

For the three months ended June 30, 2021

For the three months ended June 30, 2021, 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 \$44,000.

For the six months ended June 30, 2021

For the six months ended June 30, 2021, 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 repurchase of \$72,000.

7.3 Investing Activities

For the three months ended June 30, 2021

For the three months ended June 30, 2021, the Company recorded a net cash inflow from investing activities of \$767,000 (three months ended June 30, 2020: \$88,000), which mainly represented cash inflow from net disposal of listed securities of \$387,000 (three months ended June 30, 2020: cash outflow from net addition of \$2,000), proceeds received on maturity of debentures of \$200,000 (three months ended June 30, 2020: nil) and interest income of \$159,000 (three months ended June 30, 2020: \$146,000).

For the six months ended June 30, 2021

For the six months ended June 30, 2020, net cash inflow from investing activities was \$199,000 (six months ended June 30, 2020: \$1,436,000), representing the proceeds received on maturity of debentures of \$200,000 (six months ended June 30, 2020: \$1,486,000 from disposal of debentures).

8. Statements of Financial Position

8.1 Cash and Cash Equivalents

The Group had approximately \$18,636,000 cash and cash equivalents as at June 30, 2021, compared to \$19,471,000 as at December 31, 2020. The decrease of \$835,000 was mainly due to the net cash flows used in operating activities of \$1,055,000, offset by the proceeds received on maturity of debenture of \$200,000.

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. Increase in balance during the period was due to the appreciation of RMB against the United States Dollars.

8.3 Financial Assets

As at June 30, 2021, financial assets comprised:

Current Portion

(a) \$252,000 investments in listed shares, options and futures.

Non-current Portion

(b) \$2,551,000 debentures with coupon rates ranged from 4.250% to 7.375% per annum and maturities ranged between November 30, 2026 and perpetual.

(c) \$1,286,000 unlisted equity investments in Dragon Silver, a Hong Kong based metal trading and processing company.

(d) \$268,000 investment in an investment fund.

(e) \$61,000 investments in shares listed on TSX Venture Exchange.

8.4 Share Capital

As at June 30, 2021, GobiMin had 49,194,982 common shares issued and outstanding. For the six months ended June 30, 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 six months ended June 30, 2021:

- (a) Fees and other remunerations to directors and management personnel of \$190,000 (six months ended June 30, 2020: \$217,000).
- (b) Rental income of \$35,000 (six months ended June 30, 2020: \$34,000) and share of office common expenses of \$6,000 (six months ended June 30, 2020: \$8,000) from companies in which a director of the Company has equity interest.

10. Capital Commitment

As at June 30, 2021, the Group had capital commitments of \$1,653,000 (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 reporting date, the Company does not have any plan for material investments in the near future.

13. Outstanding Share Data

As at June 30, 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.