

GobiMin Inc.

(Incorporated in Canada under the Canada Business Corporations Act)

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

September 30, 2021

(Expressed in United States Dollars except where otherwise noted)

GobiMin Inc.

Interim MD&A – Quarterly Highlights

For the quarter ended September 30, 2021

(Expressed in United States Dollars)

November 24, 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 financial 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 November 24, 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 financial statements for the quarter ended September 30, 2021 prepared in accordance with International Financial Reporting Standard (“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 under the symbol GMN, is an investment issuer under the rules of the TSX Venture Exchange. The Company and its subsidiaries (collectively the “Group”) are 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 September 30		Year ended
	2021	2020	December 31, 2020
	\$'000	\$'000	\$'000
Revenue	311	305	891
(Loss)/gain on disposal of financial assets	(114)	142	266
Fair value gain/(loss) on financial assets	54	55	(106)
Net loss for the period/year	(612)	(385)	(3,349)
Loss attributable to shareholders of the Company	(548)	(222)	(3,057)
Basic and diluted loss per share (in \$)	(0.011)	(0.005)	(0.062)
LBITDA ⁽¹⁾	(538)	(296)	(3,002)
LBITDA per share (in \$) ⁽¹⁾	(0.011)	(0.006)	(0.061)
	As at September 30		As at
	2021	2020	December 31, 2020
	\$'000	\$'000	\$'000
Cash and cash equivalents	15,403	18,342	19,471
Cash and cash equivalents per share (in \$) ⁽¹⁾	0.31	0.37	0.40
Working capital	17,385	21,550	21,306
Total current liabilities	2,604	2,363	2,536
Total assets	73,764	74,466	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 Impacts of COVID-19

During the reporting period under review, there was continued closures and restrictions from the global pandemic outbreak of COVID-19. The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and specifically, the regional economies in which the Company operates. The Company is keeping a close eye on the spread of Delta variant in China recently and has been monitoring its potential impact on our operations, such as disruption of the supply chains and logistics setup.

As at September 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

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impact on credit risk and the fair value resulting from COVID-19 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.

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 mining licence and exploration licence have an expiry date on March 22, 2023 and June 15, 2023 respectively.

The schedule of the on-site industrial test on applying bioleach methodology on extraction of metals from large-scale samples of gold ores was delayed by the COVID-19 pandemic which lead to logistical blockage and delayed delivery of supplies to the trial site. The bioleach operation was interrupted and the extraction of gold originally planned by end of October 2021 was delayed due to alkaline situation of active carbon filters. The Beijing Research Institute recommended to complete the trial run in March 2022 catering for winter interception.

For the nine months ended September 30, 2021, there was addition to exploration and evaluation assets of \$1,482,000 in respect of the mining royalties paid. As at September 30, 2021, the Group had a contractual commitment of \$1,654,000 for the future development of the Gold Project.

3.3 Financial Assets

(i) Listed Securities

As at September 30, 2021, the fair value of listed securities held by the Group amounted to \$654,000 (December 31, 2020: \$247,000) which include investments in listed stock, futures and options of \$316,000 (December 31, 2020: \$127,000) trading through registered brokerage firm in Hong Kong and listed stocks in Canada of \$338,000 (December 31, 2020: \$120,000). For the nine months ended September 30, 2021, the loss on disposal of listed securities amounted to \$250,000 (nine months ended September 30, 2020: gain of \$226,000) and fair value loss was \$6,000 (nine months ended September 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 engaged in trading, production, processing and investment in precious metals and non-ferrous metals and related products.

As the profit of Dragon Silver was seriously impacted by the volatile economic and market conditions, the Group has waived its profit guarantee compensation for the financial years up to 2022. The Group has received the dividend guarantee compensation for its financial year ended June 30, 2021 of \$108,000, which was recognised as dividend income for the period under review.

The fair value of the investment in Dragon Silver amounted to \$1,286,000 as at September 30, 2021 and there were no material fair value changes for such investment for the nine months ended September 30, 2021 (nine months ended September 30, 2020: nil).

During the period under review, the Group acquired 40,153,000 shares, representing about 6.28% equity interests, in Infinity Technology Limited (“Infinity Tech”) which is a company incorporated in British

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Virgin Islands with a subsidiary in Hong Kong providing a one-stop solution cloud POS system integrating automated ordering and payment, menu digitalisation, logistics, marketing analysis, supply chain and inventory management. The investment in Infinity Tech was completed on September 30, 2021 at a cash consideration of \$1,509,000.

As at September 30, 2021, unlisted investments held by the Group other than Dragon Silver and Infinity Tech amounted to \$262,000 (December 31, 2020: \$257,000). For the nine months ended September 30, 2021, the fair value gain on other unlisted investments was \$4,000 (nine months ended September 30, 2020: \$10,000).

(iii) **Debentures and Certificate of Deposit**

As at September 30, 2021, the Group held debentures of \$2,022,000 (December 31, 2020: \$2,741,000) with coupon rates ranged from 4.250% to 7.000% (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 nine months ended September 30, 2021, interest income from debentures was \$115,000 (nine months ended September 30, 2020: \$100,000) and fair value loss on debentures amounted to \$18,000 (nine months ended September 30, 2020: \$87,000). Loss on disposal of debentures of \$1,000 (nine months ended September 30, 2020: gain of \$4,000) was recorded for the nine months ended September 30, 2021.

3.4 Investment Properties

As at September 30, 2021, The Group holds investment properties with carrying amount of \$4,833,000 (December 31, 2020: \$5,003,000) in Shenzhen, Xinjiang and Hong Kong for rental income and/or capital appreciation. The estimated fair value of the investment properties as at September 30, 2021 was approximately \$8,117,000 (December 31, 2020: \$7,705,000) as determined by management assessment with reference to recent market prices for similar properties in the same locations and similar conditions. Certain investment properties were leased to third parties and related parties while some remain vacant. For the nine months ended September 30, 2021, rental income from the leased properties was \$156,000 (nine months ended September 30, 2020: \$148,000).

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.

3.6 Liquidity and Capital Resources

As at September 30, 2021, working capital of the Group was amounted to about \$17,385,000 (December 31, 2020: \$21,306,000), which is computed by netting off its current assets of \$19,989,000 (December 31, 2020: \$23,842,000) with its current liabilities of \$2,604,000 (December 31, 2020: \$2,536,000). The decrease in working capital by \$3,921,000 was mainly due to the investment in unlisted securities in Hong Kong of \$1,509,000, payment of mining royalties of \$1,482,000, acquisition of listed securities in Canada

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of \$242,000 and net cash used in operating activities of \$1,560,000, offsetting by the proceeds received on maturity of debentures of \$700,000.

Among the total balance of cash and cash equivalents of \$15,403,000, approximately \$757,000 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 \$1,654,000 (December 31, 2020: \$1,633,000) as at September 30, 2021.

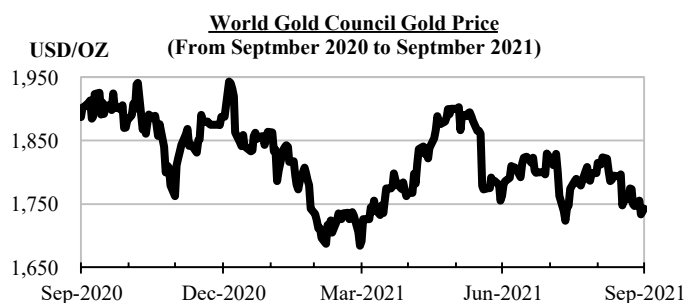
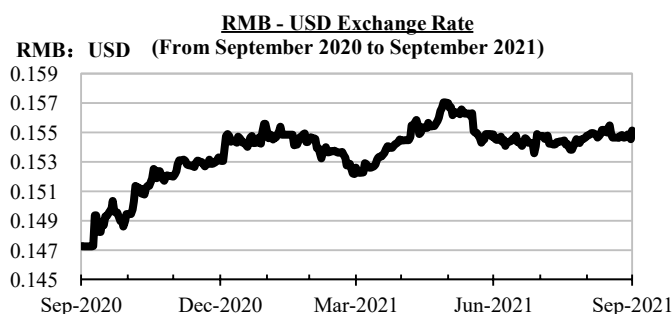
4. Key Economic Trends

China Economy

Since the conditions of the Chinese economy play a paramount role in the Group's exploration business while the Group reports in U.S. dollars, the Group's cost structure may potentially be impacted by currency fluctuations. As at September 30, 2021, the exchange rate of the Chinese Renminbi against the U.S. dollar increased by 5.34% from that as at September 30, 2020.

Gold Market

The changes in price of gold have a strong influence on the Gold Project's value. As at September 30, 2021, the gold price decreased by 7.64% from that as at September 30, 2020.



5. Selected Quarterly Information

For the three months ended September 30, 2021, the Group reported a net loss of \$612,000 (three months ended September 30, 2020: \$385,000) which mainly comprised of interest income of \$147,000 (three months ended September 30, 2020: \$152,000), rental income of \$51,000 (nine months ended September 30, 2020: \$45,000), dividend income of \$113,000 (three months ended September 30, 2020: \$108,000), net exchange gain of \$17,000 (three months ended September 30, 2020: \$455,000) netting of the loss on disposal of financial assets of \$114,000 (three months ended September 30, 2020: gain of \$142,000) and administrative expenses of \$880,000 (three months ended September 30, 2020: \$810,000). No impairment loss on investment properties (three months ended September 30, 2020: \$168,000) and written-off of exploration and evaluation assets (three months ended September 30, 2020: \$389,000) were recognized during the three months ended September 30, 2021.

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In this quarter, the Group recorded a net decrease in cash and cash equivalents of \$3,220,000 (three months ended September 30, 2020: increase of \$312,000) which was mainly driven by the investment in unlisted securities of \$1,509,000, additions of exploration and evaluation assets of \$1,482,000 as a result of payment of mining royalties and net addition of listed securities of \$375,000.

The total assets decreased by \$1,221,000 from \$74,985,000 as at December 31, 2020 to \$73,764,000 at the end of the reporting period, which mainly represented the net cash flows used in operating activities of \$1,560,000 netting off the exchange gain on translation of exploration and evaluation assets of \$409,000.

6. Results of Operations

6.1 Revenue

For the three months ended September 30, 2021, interest income was \$147,000 (three months ended September 30, 2020: \$152,000), rental income was \$51,000 (three months ended September 30, 2020: \$45,000) and dividend income was \$113,000 (three months ended September 30, 2020: \$108,000) respectively.

For the nine months ended September 30, 2021, interest income was \$459,000 (nine months ended September 30, 2020: \$440,000), rental income was \$156,000 (nine months ended September 30, 2020: \$148,000) and dividend income was \$123,000 (nine months ended September 30, 2020: \$112,000) respectively.

6.2 (Loss)/Gain on Disposal of Financial Assets

For the three months ended September 30, 2021, loss on disposal of financial assets was \$114,000 (three months ended September 30, 2020: gain of \$142,000). It mainly represented loss on trading of listed stock, futures and options through a registered brokerage firm in Hong Kong.

For the nine months ended September 30, 2021, loss on disposal of financial assets was \$251,000 (nine months ended September 30, 2020: gain of \$229,000). It mainly represented loss on trading of listed stock, futures and options through a registered brokerage firm in Hong Kong.

6.3 Fair Value Loss/(Gain) on Financial Assets

For the three months ended September 30, 2021, fair value gain on financial assets at fair value through profit or loss (“FVTPL”) was \$54,000 (three months ended September 30, 2020: \$55,000). It mainly represented the fair value gain on listed securities of \$82,000 (three months ended September 30, 2020: loss of \$1,000) netting off the fair value loss on debentures of \$28,000 (three months ended September 30, 2020: gain of \$51,000). The fair values were determined with reference to quoted market prices at the end of the reporting period.

For the nine months ended September 30, 2021, fair value loss on financial assets at FVTPL was \$20,000 (nine months ended September 30, 2020: \$153,000). It mainly represented the fair value loss on debentures of \$18,000 (nine months ended September 30, 2020: \$87,000). The fair values were determined with reference to quoted market prices at the end of the reporting period.

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6.4 General and Administrative Expenses

General and administrative expenses were \$880,000 for this quarter (three months ended September 30, 2020: \$810,000) and \$2,477,000 for the nine months ended September 30, 2021 (nine months ended September 30, 2020: \$2,235,000). It mainly included pre-operating expenses incurred for the Gold Project, office rental, staff costs and legal and professional fees.

6.5 Loss Per Share

The basic and diluted loss per share were \$0.011 for this quarter (three months ended September 30, 2020: \$0.005) and \$0.033 for the nine months ended September 30, 2021 (nine months ended September 30, 2020: \$0.029).

6.6 LBITDA

The loss before interest income and expense, income taxes, depreciation and amortisation (“LBITDA”), a non-IFRS performance measure, for this quarter was \$538,000 as compared to \$296,000 incurred in the corresponding period last year. The calculation of (LBITDA)/EBITDA was set out in the table below:

	For the three months ended	
	September 30, 2021	September 30, 2020
	\$'000	\$'000
Loss for the period	(612)	(385)
Interest income	(147)	(152)
Interest expense	-	1
Depreciation	221	240
LBITDA ⁽¹⁾	(538)	(296)
LBITDA per share (in \$) ⁽²⁾	(0.011)	(0.006)

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.

6.7 Dividend

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

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7. Cash Flows

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

	As at	
	September 30, 2021	December 31, 2020
	\$’000	\$’000
Cash and cash equivalents	15,403	19,471
Working capital ⁽¹⁾	17,385	21,306

	For the three months ended	
	September 30, 2021	September 30, 2020
	\$’000	\$’000
Net cash flow used in operating activities	(505)	(81)
Net cash flow used in a financing activity	-	(1)
Net cash flow (used in)/from investing activities	(2,715)	394
(Decrease)/increase in cash and cash equivalents	(3,220)	312

	For the nine months ended	
	September 30, 2021	September 30, 2020
	\$’000	\$’000
Net cash flow used in operating activities	(1,560)	(1,223)
Net cash flow used in a financing activity	-	(74)
Net cash flow (used in)/from investing activities	(2,516)	1,831
(Decrease)/increase in cash and cash equivalents	(4,076)	534

Note:

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

7.1 Operating Activities

For the three months ended September 30, 2021, the Company recorded a net cash outflow from operating activities of \$505,000 (three months ended September 30, 2020: \$81,000) which mainly comprised of net cash payment of office expenses of \$607,000 (three months ended September 30, 2020: \$499,000) and net cash inflow from changes in working capital of \$102,000 (three months ended September 30, 2020: \$418,000).

For the nine months ended September 30, 2021, the Company recorded a net cash outflow from operating activities of \$1,560,000 (nine months ended September 30, 2020: \$1,223,000) which mainly comprised of net cash payment of office expenses of \$1,674,000 (nine months ended September 30, 2020: \$1,295,000) and net cash inflow from changes in working capital of \$114,000 (nine months ended September 30, 2020: \$72,000).

7.2 Financing Activity

For the three months ended September 30, 2021, there is no cash flow used in a financing activity while the cash outflow from a financing activity in the last corresponding period solely represented shares repurchased of \$1,000.

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For the nine months ended September 30, 2021, there is no cash flow used in a financing activity while the cash outflow from a financing activity in the last corresponding period solely represented shares repurchase of \$74,000.

7.3 Investing Activities

For the three months ended September 30, 2021, the Company recorded a net cash outflow from investing activities of \$2,715,000 (three months ended September 30, 2020: net cash inflow of \$394,000), which mainly represented cash outflow from investment in unlisted securities of \$1,509,000 (three months ended September 30, 2020: nil) and additions of exploration and evaluation assets of \$1,482,000 (three months ended September 30, 2020: \$54,000).

For the nine months ended September 30, 2021, net cash outflow from investing activities was \$2,516,000 (nine months ended September 30, 2021: net cash inflow of \$1,831,000), representing the proceeds from maturity of debentures of \$700,000 (nine months ended September 30, 2021: \$1,486,000 from disposal of debentures), netting off the cash outflow from investment in unlisted securities of \$1,509,000 (nine months ended September 30, 2020: nil) and additions of exploration and evaluation assets of \$1,482,000 (nine months ended September 30, 2020: \$152,000).

8. Statements of Financial Position

8.1 Cash and Cash Equivalents

The Group had approximately \$15,403,000 cash and cash equivalents as at September 30, 2021, compared to \$19,471,000 as at December 31, 2020. The decrease of \$4,068,000 was mainly the combined effect of cash inflow from maturity of debentures of \$700,000, netting off cash outflow for investment in unlisted securities of \$1,509,000, additions of exploration and evaluation assets of \$1,482,000 and net cash flows used in operating activities of \$1,560,000.

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. For the nine months ended September 30, 2021, there were addition of \$1,482,000 to exploration and evaluation assets which related to the payment of mining royalties.

8.3 Financial Assets

As at September 30, 2021, the financial assets comprised:

Current Portion

(a) \$316,000 investment in listed shares, options and futures.

Non-current Portion

- (b) \$2,022,000 debentures with coupon rates ranged from 4.250% to 7.000% per annum and maturities ranged between November 30, 2026 and perpetual.
- (c) \$1,509,000 unlisted equity investment in Infinity Tech, whose subsidiary in Hong Kong providing a one-stop solution cloud POS system integrating automated ordering and payment, menu digitalisation, logistics, marketing analysis, supply chain and inventory management.
- (d) \$1,286,000 unlisted equity investment in Dragon Silver, a Hong Kong based metal trading and processing company.

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- (e) \$338,000 investment in shares listed on TSX Venture Exchange.
- (f) \$262,000 investment in an investment fund.

8.4 Share Capital

As at September 30, 2021, GobiMin had 49,194,982 common shares issued and outstanding. For the nine months ended September 30, 2021, there was no movement in the Company's share capital. For the nine months ended September 30, 2020, 450,000 shares were repurchased and cancelled.

9. **Related Party Transactions**

The Group had the following transactions with related parties for the nine months ended September 30, 2021:

- (a) Fees and other remunerations to directors and management personnel of \$336,000 (nine months ended September 30, 2020: \$333,000).
- (b) Rental income of \$53,000 (nine months ended September 30, 2020: \$52,000) and share of office common expenses of \$10,000 (nine months ended September 30, 2020: \$12,000) from companies in which a director of the Company has equity interest.

10. **Capital Commitment**

As at September 30, 2021, the Group had capital commitments of \$1,654,000 (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 investment in the near future.

13. **Outstanding Share Data**

As at September 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.