

# **GobiMin Inc.**

*(Incorporated in Canada under the Canada Business Corporations Act)*

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

**March 31, 2022**

*(Expressed in United States Dollars except where otherwise noted)*

**GobiMin Inc.**  
**Interim MD&A – Quarterly Highlights**  
**For the three months ended March 31, 2022**  
(Expressed in United States Dollars)  
May 24, 2022

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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, 2021. 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 24, 2022 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, 2022 prepared in accordance with International Financial Reporting Standards (“IFRS”), its audited consolidated financial statements for the year ended December 31, 2021 prepared in accordance with IFRS and the Annual MD&A.

Additional information is accessible at the Company’s website [www.gobimin.com](http://www.gobimin.com) or through the Company’s public filing at [www.sedar.com](http://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**

	<b>Three months</b>		<b>Year ended</b>
	<b>ended March 31,</b>		<b>December 31, 2021</b>
	<b>2022</b>	2021	
	<b>\$'000</b>	\$'000	\$'000
Revenue	<b>213</b>	206	937
Loss on disposal of financial assets	<b>(155)</b>	(114)	(250)
Fair value loss on financial assets	<b>(130)</b>	(48)	(168)
Net loss for the period/year	<b>(778)</b>	(719)	(2,363)
Loss attributable to shareholders of the Company	<b>(701)</b>	(673)	(2,085)
Basic and diluted loss per share (in \$)	<b>(0.014)</b>	(0.014)	(0.042)
LBITDA <sup>(1)</sup>	<b>(709)</b>	(677)	(2,109)
LBITDA per share (in \$) <sup>(1)</sup>	<b>(0.014)</b>	(0.014)	(0.043)
	<b>As at March 31,</b>	2021	As at
	<b>2022</b>		<b>December 31, 2021</b>
	<b>\$'000</b>	\$'000	\$'000
Cash and cash equivalents	<b>14,885</b>	18,392	15,456
Cash and cash equivalents per share (in \$) <sup>(1)</sup>	<b>0.30</b>	0.37	0.31
Working capital <sup>(1)</sup>	<b>16,797</b>	20,763	17,215
Total current liabilities	<b>2,791</b>	2,586	2,659
Total assets	<b>73,218</b>	74,199	73,725

Note:

(1) As non-IFRS measurements, **LBITDA** (loss before interest income and expense, income taxes, depreciation and amortization), **LBITDA per share**, **Cash and cash equivalents per share** and **working capital** 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 Gold Project**

The Company owns a 70% equity interest in Xinjiang Tongyuan Minerals Limited which holds the Gold Project in Xinjiang.

The disruption of logistic and supplies chain impacted by the COVID-19 pandemic delayed the on-site industrial test on applying bio-leaching methodology on extraction of metals from large-scale samples of gold ores. Upon the satisfaction in maintaining the alkali balance of gold ores, the industrial test would enter into the final stage of gold immersion process which is targeted to complete within 2022.

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For the period ended March 31, 2022, there was no addition to exploration and evaluation assets. As at March 31, 2022, the Group had a contractual commitment of \$1,652,000 for the future development of the Gold Project.

### **3.2 Financial Assets**

#### **(i) Listed Securities**

As at March 31, 2022, the fair value of listed securities held by the Group amounted to \$931,000 (December 31, 2021: \$758,000) which included \$675,000 (December 31, 2021: \$458,000) investment in listed stocks, futures and options trading through a registered brokerage firm in Hong Kong and \$256,000 (December 31, 2021: \$300,000) for listed stocks in Canada. For the three months ended March 31, 2022, the loss on trading of listed stocks, indexes, futures and options amounted to \$155,000 (three months ended March 31, 2021: \$114,000) and fair value loss on listed securities was \$48,000 (three months ended March 31, 2021: \$52,000).

#### **(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 mainly engaged in trading, production, processing and investment in precious metals and non-ferrous metals and related products.

Due to continuous difficult market conditions and the impact of COVID-19, the Group agreed with the guarantor and Dragon Silver to waive the compensation for Profit Guarantee for the financial years ended up to June 30, 2022, and to extend (i) the Dividend Guarantee of not less than USD0.16 (HKD1.25) per share to the Group to the financial years ending from June 30, 2022 to June 30, 2027; and (ii) the exercisable period of Put Option in respect of the right to sell all the shares held by the Group at the investment cost to December 28, 2027. The fair value of the investment in Dragon Silver as at March 31, 2022 was \$1,226,000 (December 31, 2021: \$1,226,000) and there was no material fair value change for such investment for the three months ended March 31, 2022 (three months ended March 31, 2021: nil).

The Group also holds 40,153,000 shares, representing about 6.28% equity interest, in Infinity Technology (Cayman) Limited (“Infinity Tech”) whose group provides in Hong Kong a one-stop solution cloud POS system integrating automated ordering and payment, menu digitalisation, logistics, marketing analysis, supply chains and inventory management at an investment cost of \$1,500,000. The fair value of such investment as at March 31, 2022 was \$1,500,000 (December 31, 2021: \$1,500,000) and there was no material fair value change for the three months ended March 31, 2022.

As at March 31, 2022, unlisted investments held by the Group other than Dragon Silver and Infinity Tech amounted to \$259,000 (December 31, 2021: \$268,000). During the period under review, the fair value loss on other unlisted investments was \$14,000 (three months ended March 31, 2021: \$3,000).

#### **(iii) Debentures**

The Group would invest in debentures 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.

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As at March 31, 2022, the Group held debentures of \$1,734,000 (December 31, 2021: \$1,803,000) with coupon rates ranged from 5.000% to 7.000% (December 31, 2021: 5.000% to 7.000%) per annum and with perpetual maturities (December 31, 2021: perpetual maturities).

For the three months ended March 31, 2022, interest income from debentures amounted to \$26,000 (three months ended March 31, 2021: \$40,000) and fair value loss on debentures was \$68,000 (three months ended March 31, 2021: fair value gain of \$7,000).

### **3.3 Investment Properties**

As at March 31, 2022, the Group held investment properties with carrying amount of \$4,725,000 (December 31, 2021: \$4,795,000) in Shenzhen, Xinjiang and Hong Kong for rental income and/or capital appreciation. The estimated fair value of the investment properties was approximately \$7,963,000 as at March 31, 2022 (December 31, 2021: \$7,685,000) 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 three months ended March 31, 2022, rental income from the leased properties was \$54,000 (three months ended March 31, 2021: \$51,000).

### **3.4 Normal Course Issuer Bid (“NCIB”)**

On April 27, 2022, TSX Venture Exchange (“TSXV”) approved the Company to commence a Normal Course Issuer Bid (“NCIB”) to repurchase up to an additional 2,459,749 common shares, representing 5% of the issued and outstanding common shares of the Company. Purchases will be made in accordance with applicable regulations over a maximum period of 12 months commenced on April 29, 2022 and ended on April 28, 2023 or on such earlier date as GobiMin may complete its purchases pursuant to the NCIB or as it may otherwise determine. Up to May 24, 2022, a total of 11,000 common shares were repurchased at an aggregate cost of \$1,968 (CAD2,450) under the NCIB. All shares repurchased will be/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 March 31, 2022, working capital of the Group was amounted to about \$16,797,000 (December 31, 2021: \$17,215,000), which is computed by netting off its current assets of \$19,588,000 (December 31, 2021: \$19,875,000) with its current liabilities of \$2,791,000 (December 31, 2021: \$2,660,000).

Among the cash and cash equivalents of \$14,885,000, approximately \$455,000 were held by subsidiaries in Mainland China. The subsidiaries in Mainland China are allowed to transfer funds to other group companies outside Mainland China upon presentation of relevant documentation required by applicable regulations. The Group will take careful measures ahead to ensure that the available resources match with its various payment obligations in Mainland 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 \$1,652,000 as at March 31, 2022 (December 31, 2021: \$1,647,000).

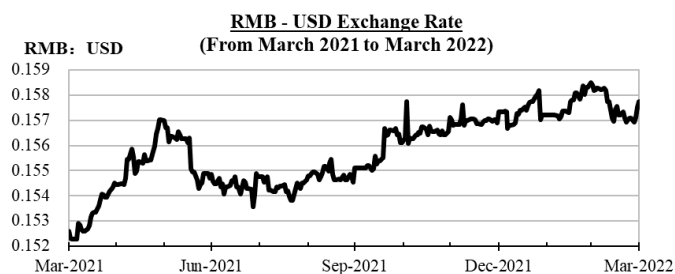
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#### 4. Key Economic Trends

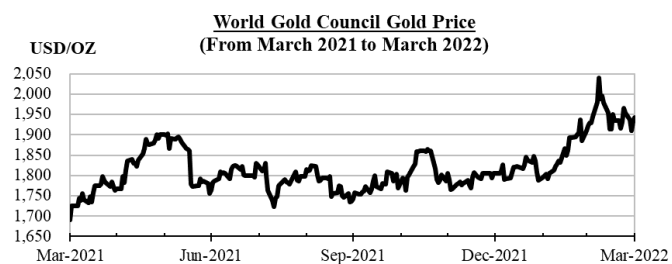
##### China Economy

On account of the large proportion of GobiMin’s business operated in Mainland 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, 2022, the Chinese Renminbi (“RMB”) appreciated by approximately 3.36% against the United States Dollars comparing with the exchange rate as at March 31, 2021. For the three months ended March 31, 2022, the exchange rate of RMB against the United States Dollars stabilised and a slight appreciation of 0.25% was noted.



##### Gold Market

The changes in gold price have a strong influence on the value of the Gold Project. As at March 31, 2022, the gold price has increased by around 14.85% against the price as at March 31, 2021.



#### 5. Selected Quarterly Information

For the three months ended March 31, 2022, the Group reported a net loss of \$778,000 (three months ended March 31, 2021: \$719,000) which mainly comprised the fair value loss together with the disposal loss on financial assets of \$285,000 (three months ended March 31, 2021: \$162,000) and administrative expenses of \$749,000 (three months ended March 31, 2021: \$720,000), netting off against the interest and rental income of \$208,000 (three months ended March 31, 2021: \$204,000) and exchange gain of \$40,000 (three months ended March 31, 2021: exchange loss of \$43,000).

In this quarter, the Group recorded a net decrease in cash and cash equivalents of \$578,000 (three months ended March 31, 2021: \$1,083,000). It comprised mainly of the net purchase of listed shares, futures and options of \$371,000 (three months ended March 31, 2021: \$675,000) and net cash flows used in operating activities of \$367,000 (three months ended March 31, 2021: \$515,000).

The total assets decreased by \$507,000 from \$73,725,000 as at December 31, 2021 to \$73,218,000 at the end of the period, which mainly represented the net payment of office expenses of \$469,000.

#### 6. Results of Operations

##### 6.1 Revenue

For the three months ended March 31, 2022, interest income was \$155,000 (three months ended March 31, 2021: \$153,000), rental income was \$54,000 (three months ended March 31, 2021: \$51,000) and dividend income was \$5,000 (three months ended March 31, 2021: \$2,000).

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**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 three months ended March 31, 2022 was \$130,000 (three months ended March 31, 2021: \$48,000). It mainly represented the fair value loss on listed securities of \$48,000 (three months ended March 31, 2021: \$52,000) and fair value loss on debentures of \$68,000 (three months ended March 31, 2021: fair value gain of \$7,000). 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 \$155,000 (three months ended March 31, 2021: \$114,000). It mainly represented loss on trading of listed stock, futures and options through a registered brokerage firm in Hong Kong.

**6.3 General and Administrative Expenses**

General and administrative expenses were \$749,000 for this quarter (three months ended March 31, 2021: \$720,000) which mainly represented 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, 2021: \$0.014).

**6.5 LBITDA**

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

	<b>For the three months ended</b>	
	<b>March 31, 2022</b>	March 31, 2021
	<b>\$’000</b>	\$’000
Loss for the period	<b>(778)</b>	(719)
Interest income	<b>(155)</b>	(153)
Depreciation	<b>224</b>	195
LBITDA <sup>(1)</sup>	<b>(709)</b>	(677)
LBITDA per share (in \$) <sup>(2)</sup>	<b>(0.014)</b>	(0.014)

*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 Dividend**

No dividend was paid during the three months ended March 31, 2022 (three months ended March 31, 2021: nil).

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**7. Cash Flows**

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

	<b>As at</b>	
	<b>March 31, 2022</b>	December 31, 2021
	<b>\$’000</b>	\$’000
Cash and cash equivalents	<b>14,885</b>	15,456
Working capital <sup>(1)</sup>	<b>16,797</b>	17,215

	<b>For the three months ended</b>	
	<b>March 31, 2022</b>	March 31, 2021
	<b>\$’000</b>	\$’000
Net cash flows used in operating activities	<b>(367)</b>	(515)
Net cash flows used in investing activities	<b>(211)</b>	(568)
Decrease in cash and cash equivalents	<b>(578)</b>	(1,083)

*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 \$367,000 (three months ended March 31, 2021: \$515,000), which mainly represented net payment of office expenses of \$469,000 (three months ended March 31, 2021: \$474,000).

**7.2 Investing Activities**

During the period, the Company recorded net cash outflow from investing activities of \$211,000 (three months ended March 31, 2021: \$568,000), which mainly represented interest income of \$155,000 (three months ended March 31, 2021: \$153,000), and was offset by the net purchase of listed securities of \$371,000 (three months ended March 31, 2021: \$675,000).

**8. Statements of Financial Position**

**8.1 Cash and Cash Equivalents**

The Group had approximately \$14,885,000 cash and cash equivalents as at March 31, 2022, compared to \$15,456,000 as at December 31, 2021. The decrease of \$571,000 was mainly the cash inflow from interest income of \$155,000, offset by cash outflow for investment in unlisted securities of \$371,000 and net cash flows used in operating activities of \$367,000.

**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.



### **8.3 Financial Assets**

As at March 31, 2022, financial assets comprised:

#### Current portion

(a) \$675,000 investment in listed shares, options and futures.

#### Non-current portion

- (a) \$1,734,000 debentures with coupon rates ranged from 5.00% to 7.00% per annum and with perpetual maturities.
- (b) \$1,500,000 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.
- (c) \$1,226,000 unlisted equity investment in Dragon Silver, a Hong Kong based metal trading and processing company.
- (d) \$259,000 investment in an investment fund.
- (e) \$256,000 investment in shares listed on TSX Venture Exchange.

### **8.4 Share Capital**

As at December 31, 2021 and March 31, 2022, GobiMin had 49,194,982 common shares issued and outstanding. For the three months ended March 31 2022, 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, 2022:

- (a) Fees and other remunerations to directors and key management personnel of \$96,000 (three months ended March 31, 2021: \$83,000).
- (b) Rental income of \$23,000 (three months ended March 31, 2021: \$22,000) and share of office common expenses of \$4,000 (three months ended March 31, 2021: \$3,000) from companies in which a director of the Company has equity interests.

### **10. Capital Commitment**

As at March 31, 2022, the Group had capital commitments of \$1,652,000 (December 31, 2021: \$1,647,000) 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 date of this report, the Company does not have any plan for material investments in the near future.

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**13. Outstanding Share Data**

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

<b>As at</b>	<b>December 31, 2021</b>	<b>March 31, 2022</b>	<b>May 24, 2022</b>
Number of Common Shares Outstanding	49,194,982	<b>49,194,982</b>	<b>49,183,982</b>
Number of Options Outstanding	-	-	-
Number of Common Shares Fully Diluted	49,194,982	<b>49,194,982</b>	<b>49,183,982</b>

**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, 2021, available on SEDAR at [www.sedar.com](http://www.sedar.com).