

**GEM INTERNATIONAL RESOURCES INC.**  
**Management's Discussion and Analysis**  
For the Nine Months Ended June 30, 2019 Form 51-102F1

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**Effective Date**

This Management's Discussion and Analysis ("MD&A") provides relevant information on the operations and financial results of Gem International Resources Inc. (the "Company") for the period ended June 30, 2019. This MD&A is a complement and supplement to the unaudited condensed interim consolidated financial statements for the period ended June 30, 2019. It should be read in conjunction with the Company's audited annual consolidated financial statements for year ended September 30, 2018 and related notes thereto. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and the Company's website [www.gemintlresourcesinc.com](http://www.gemintlresourcesinc.com).

All monetary amounts in this MD&A and in the Company's consolidated financial statements are expressed in Canadian dollars, unless otherwise stated.

The effective date of this MD&A is August 27, 2019.

**Forward-Looking Statements**

This MD&A contains forward-looking statements that are based on the Company's current expectations and estimate. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "suggest", "indicate" and other similar words or statements that certain events or conditions "may" or "will" occur. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause actual events or results to differ materially from estimated or anticipated events or results implied or expressed in such forward-looking statements. Such factors include, among others: the actual results of current exploration activities; conclusions of economic evaluations; changes in project parameters as plans to continue to be refined; possible variations in ore grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing; and fluctuations in metal prices. There may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.

**Description of Business and Overall Performance**

The Company was incorporated on September 25, 1985 under the laws of British Columbia, Canada and is a junior natural resource company listed on the TSX Venture Exchange under the trading symbol "GI". The Company is currently suspended as the previous Board of Directors failed to comply with various financial reporting obligations.

On August 1, 2019, the listing of the Company's shares is being moved from the TSX-V, to the NEX, a separate board of the TSX-V. The trading symbol for the Company will change from GI to GI.H. There is no change in the Company's name, no change in its CUSIP number and no consolidation of capital. The symbol extension differentiates NEX symbols from Tier 1 or Tier 2 symbols within the TSX Venture

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market. Further to the TSX Venture bulletin issued February 2, 2018, trading in the shares of the Company will remain suspended.

The Company is engaged in the acquisition, exploration and development of mineral properties with its principal focus on diamond, gold and other precious metals. Activities include acquiring mineral properties and conducting exploration programs.

An Annual & Special Meeting of Shareholders was held on February 9, 2018 wherein the following results were announced:

- Shareholders approved a new Board of Directors and Officer appointments,
- Shareholders voted not to re-approve the Company's 10% rolling stock option plan. Therefore, the 5,420,000 outstanding and unexercised options at September 30, 2017 were cancelled.

The new board of directors are currently investigating various accounting, consulting and rental expenses as well as other expenses claimed to have been provided for or paid on behalf of the Company by some of the former board members.

#### Financing Activities during the nine months ended June 30, 2019 and year ended September 30, 2018

#### **MOSMAN OIL AND GAS LIMITED**

Pursuant to a Loan Agreement dated March 28, 2018 between the Company ("the Borrower") and Mosman Oil and Gas Limited ("the Lender"), a related company will provide an advance up to \$100,000 in Australian dollars ("AUD") to the Borrower which bears interest at 5% per annum, payable on the last day of each month with a repayment date of December 31, 2018. An establishment fee of \$10,000 in Australian dollars will be charged and repaid on December 31, 2018. As at June 30, 2019, the advance under the loan was \$100,000CAD (AUD: \$102,215).

#### **CLARIDEN CAPITAL PTY LTD.**

Pursuant to a Loan Agreement dated April 24, 2018, the Company (the "Borrower") and Clariden Capital Pty Ltd. (the "Lender"), a related company founded by the new director, will provide an advance of up to \$50,000 in Australian dollars ("AUD") to the Borrower which bears interest at 5% per annum payable on the last day of each month with a repayment date of December 31, 2018. An establishment fee of \$10,000 in Australian dollars will be charged and repaid on December 31, 2018. As at June 30, 2019, the advance under the loan was \$50,000 CAD (AUD: \$50,764).

#### **LOANS - OTHERS**

A group of individuals (the "Lenders") intends to execute loan agreements dated January 11, 2019 with the Company for an aggregate of \$50,000 AUD. As at the date of this report an amount of \$25,000 has been received. The loan agreements have identical terms and are repayable in full on December 31, 2019. Of the \$50,000 advanced, \$25,000 are from related parties to the Company. Interest is payable by the Company to the Lender on the Principal Sum at 5% per annum. As at June 30, 2019, the advance under the loan was \$22,262 CAD (AUD: \$23,514).

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**Results of Operations*****For the Three Months Ended June 30, 2019 and 2018***

During the three months ended June 30, 2019, the Company incurred a net loss of \$6,461 as compared to a net loss of \$92,798 for the same quarter in 2018, a decrease in net loss by \$86,337. The decrease was primarily attributed to a decrease in general and administrative expenses, primarily in professional fees, and travel expenses.

- Audit, accounting and legal fees were \$4,250 (2018 - \$16,509);
- Consulting fees were \$nil (2018 - \$21,382);
- Travelling and promotion were \$nil (2018 - \$15,008).

***For the Six Months Ended June 30, 2019 and 2018***

During the six months ended June 30, 2019, the Company incurred a net loss of \$81,878 as compared to a net loss of \$246,017 for the same quarter in 2018, a decrease in net loss by \$164,139. The decrease was primarily attributed to a decrease in general and administrative expenses, primarily in consulting, professional fees, and travel expenses.

- Audit, accounting and legal fees were \$15,120 (2018 - \$70,501);
- Consulting fees were \$38,869 (2018 - \$87,448);
- Rent was \$Nil (2018 - \$6,000);
- Travelling and promotion were \$10,151 (2018 - \$26,470).

**Summary of Quarterly Results**

The following table summarizes information derived from the Company's financial statements for each of the eight most recently completed quarters:

Quarter Ended	Jun 30	Mar 31	Dec 31	Sept 30	June 30	March 31	Dec 31	Sept 30
Year	2019	2018	2018	2018	2018	2017	2017	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Interest Income	-	-	-	1	1	2	2	-
Net Loss	(6,461)	(28,889)	(46,528)	(87,226)	(92,798)	(84,271)	(68,948)	(1,174,184)
Basic & Diluted Loss per share	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.02)

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Significant variances in the Company's reported loss from quarter to quarter most commonly arise from:

(i) Decisions to write off acquisition and deferred exploration costs when management concludes there has been an impairment in the carrying value of a mineral property or the property is abandoned, and (ii) the granting of stock options, which results in the recording of non-cash charge for stock-based compensation expense that can be quite large in relation to other general and administrative expenses incurred in any given quarter. Other than these, the level of operating expenditures driving the net losses for the periods reflect the ongoing corporate activities to develop the properties as discussed above.

The Company has written-off the deposit on Dala Option as well as its deposit on Ruby Option and a reclamation bond in the total sum of \$1,053,180 during the quarter ended September 30, 2017. For the quarters ended September 30, 2016 and March 2017, the Company recognized stock-based compensation expenses of \$96,313 and \$92,473; respectively.

### **Liquidity and Capital Resources**

At June 30, 2019, the Company had net working capital deficit of \$613,409 as compared to net working capital deficiency of \$531,531 at September 30, 2018. The Company had cash on hand of \$1,604 as compared to \$1,795 as at September 30, 2018. Included in the working capital calculation is the disputed amount of claims \$237,392 that are unapproved expenditures committed by the prior directors and related companies which the Company will not pay unless they are directed to do so by a Court Order, and even then, there may well exist counterclaims which would mitigate any eventual payments.

The Company has financed its operations through equity issuances. Although the Company has been successful in raising funds in the past, there can be no assurance that equity funding will be accessible to the Company at the times and in the amounts required to fund the Company's activities. The Company is dependent upon the equity markets to finance all of its activities and it is anticipated that it will continue to rely on this source of funding for its exploration expenditures and to meet its ongoing working capital requirements.

### **Off-Balance Sheet Arrangement**

The Company has no long-term debt, does not have any used lines of credit or other arrangements in place to borrow funds, and has no off-balance sheet arrangements. The Company has no current plans to use debt financing and does not use hedges or other derivatives.

### **Related Party Transactions**

The following is a summary of related party transactions that occurred during the nine months ended June 30, 2019.

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Disputed claims of \$237,392 are unapproved expenditures committed by the prior directors and related companies which the Company will not pay unless they are directed to do so by a Court Order, and even then, there may well exist counterclaims which would mitigate any eventual payments.

- a) Office rent of \$Nil (2018 - \$6,000) and accounting fees of \$Nil (2018 - \$12,000) were incurred by the Company and as at June 30, 2019, \$37,800 (2018 - \$33,075) remained payable to a company related to a former director of the Company;
- b) Incurred consulting fees of \$Nil (2018 - \$18,000) and as at June 30, 2019, \$86,216 (2018 - \$75,000) remained payable to a company owned by a former director of the Company;
- c) Incurred consulting fees of \$Nil (2018 - \$20,000); and as at June 30, 2019, \$34,600 (2018 - \$29,600) remained payable to a company owned by a former director & CEO of the Company;
- d) Incurred consulting fees of \$Nil (2018 - \$Nil) and as at June 30, 2019, \$3,500 (2018 - \$3,500) remained payable to a former director of the Company;
- e) Incurred consulting fees of \$Nil (2018 - \$Nil) and as at June 30, 2019, \$6,000 (2018- \$6,000) remained payable to a former director of the Company;
- f) Accrued accounting fees of \$12,750 (2018 - \$11,000) for accounting services provided by an officer of the Company and as at June 30, 2019, \$8,925 (2018- \$4,250) remained payable.
- g) Incurred consulting fees of \$15,989 (2018 – Nil) and as at June 30, 2019, \$53,695 (2018 – Nil) remained payable to a company owned by the interim CEO of the Company;
- h) Incurred consulting fees of \$22,879 (2018 – Nil) and as at June 30, 2019, \$49,479 (2018 – Nil) remained payable to a company owned by a director of the company.
- i) Of the 2,320,000 incentive stock options granted on February 24, 2017; 1,200,000 (2016 - 1,250,000) stock options, exercisable at \$0.10 per share were granted to the former directors. See Note 6 for cancellation of stock options.

Pursuant to a Loan Agreement dated March 28, 2018 between the Company (“the Borrower”) and Mosman Oil and Gas Limited (“the Lender”), a related company will provide an advance up to \$100,000 in Australian dollars (“AUD”) to the Borrower which bears interest at 5% per annum, payable on the last day of each month with a repayment date of December 31, 2018. An establishment fee of \$10,000 in Australian dollars will be charged and repaid on December 31, 2018. As at June 30, 2019, the advance under the loan was \$100,000CAD (AUD: \$102,215).

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The above transactions with related parties, occurring in the normal course of operations, were measured at the fair value; notwithstanding, the disputed payables.

Amounts due to related parties are unsecured with no specific terms for repayment and do not bear interest.

At an Annual & Special Meeting of Shareholders held on February 9, 2018, the shareholders approved a new Board of Directors and Officer appointments,

#### Key Management Compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include executive and non-executive directors. Key management personnel compensation disclosed above comprised the follow:

	<b>June 30, 2019</b>	June 30, 2018
Key management personnel:		
Interim CEO (a)	<b>\$ 15,989</b>	\$ 32,924
Former CEO (b)	-	20,000
CFO (c)	<b>12,750</b>	11,000
Directors (d)	<b>22,879</b>	-
Former directors <sup>(e)</sup>	-	20,000
	<b>\$ 51,618</b>	\$ 83,924

<sup>(a)</sup> The amounts were incurred with respect to the Company's Interim CEO, Mr. John W. Barr for his consulting services provided to the Company.

<sup>(b)</sup> The amounts were paid to Frontier Asset Management Ltd., which is controlled by Denis Hayes, former CEO and former director of the Company.

<sup>(c)</sup> The amounts were incurred with respect to the Company's CFO, Mr. Simon Ma for his accounting services provided to the Company.

<sup>(d)</sup> The amounts were paid or accrued to the Company's director, Mr. John Campbell, for his consulting services provided to the Company.

<sup>(e)</sup> The amounts were paid to Elite Vantage Development Ltd., which is controlled by Simon Tam, former President and former director of the Company. Elite charges \$5,000 per month for the management and consulting services provided to the Company.

#### **Accounting Standards, Amendments and Interpretations**

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#### **New Standards, Amendments and Interpretations Effective for the first time**

##### **IFRS 9 – Financial Instruments**

IFRS 9 reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous version of IFRS 9. IFRS is effective for annual periods beginning on or after January 1, 2018. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. This standard simplifies the current measurement model for financial instruments under IFRS and establishes two measurement categories for financial assets: amortized cost and fair value.

The adoption of IFRS 9 has not had an effect on the Company's accounting policies related to financial liabilities on the transition date. In accordance with IFRS 9, all financial liabilities are categorized as amortized cost and all financial liabilities of the Company were previously recorded at amortized cost under IAS 39. Put options (see Note 8) are classified as financial liabilities that are measured at their fair value through profit or loss.

##### **IFRS 15 – Revenue from Contractors with Customers**

This standard replaces IAS 18 Revenue and IAS 11 Construction contracts, and contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgemental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

The adoption of IFRS 15 has not had an effect on the Company's accounting policies related to revenue recognition on the transition date since the Company has not previously earned revenue from customers.

##### **Standards, Amendments and Interpretations Not Yet Effective**

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are not mandatory until accounting periods beginning on or after January 1, 2019. They have not been early adopted in these consolidated financial statements, and are expected to affect the Company in the period of initial application. The Company intends to apply these standards from application date as indicated below:

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#### IFRS 16 Leases

The new standard will replace IAS 17 Leases and eliminates the classification of leases as either operating or finance leases by the lessee. The treatment of leases by the lessee will require capitalization of all leases resulting accounting treatment similar to finance leases under IAS 17 Leases. Exemptions for leases of very low value or short-term leases will be applicable. The new standard will result in an increase in lease assets and liabilities for the lessee. Under the new standard the treatment of all lease expense is aligned in the statement of earnings with depreciation, and an interest component recognized for each lease, in line with finance lease accounting under IAS 17 Leases. IFRS 16 will be applied prospectively for annual periods beginning on January 1, 2019. The Company is currently evaluating the impact this standard is expected to have on its consolidated financial statements.

#### IFRIC 23 Uncertainly Over Income Tax Treatments

The new standard, to be effective for annual report periods beginning on or after January 1, 2019, clarifies how to apply the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments, addressing four specific issues:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity should make about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit or loss, taxes bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances.

The Company is currently evaluating the impact this standard is expected to have on its consolidated financial statements.

There are no other IFRS or IFRIC Interpretations that are not yet effective that would be expected to have a material impact on the Company.

#### **Financial Instruments and Other Instruments**

All significant financial assets, financial liabilities and equity instruments of the Company are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk.

The Company's financial instruments comprise of cash, receivables, marketable securities, accounts payable and accrued liabilities.

The fair value of cash and marketable securities are based on level 1 input of the fair value hierarchy. The carrying values of receivables and accounts payable and accrued liabilities approximate their fair values due to their short-term maturity.

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest rate risk, currency risk and/or credit risk arising from these financial instruments.



**Management's Responsibility for the Financial Statements**

Information provided in this MD&A, including financial information extracted from the Financial Statements, is the responsibility of management. In the preparation of the Financial Statements, estimates are sometimes necessary to make a determination of future value for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying Financial Statements.

**Critical Accounting Estimates**

The financial statements prepared in accordance with IFRS requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to assessments of the recoverability and carrying value of exploration and evaluation assets, assumptions used in determining the fair value of share-based payments, recognition and valuation of deferred income tax amounts as well as provision for restoration and environmental costs. Due to the inherent uncertainty involved with making such estimates, actual results could differ from these estimates. Future events and risk factors inherent in the mining industry could result in changes in these estimates and assumptions.

**Outstanding Share Data**

As at the date of this MD&A, the Company had the following securities issued and outstanding:

- (1) Common shares – 58,265,539
- (2) Share purchase warrants – Nil
- (3) Stock options – Nil -

**Risk Factors relating to the Company's Business**

Mineral exploration and mining involve considerable financial and technical risk. Substantial expenditures are usually required to establish ore reserves, to evaluate metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration programs planned by the Company will result in profitable commercial mining operations. Unusual or unexpected geological formations, unstable ground conditions that could result in cave-ins or land slides, floods, power outages or fuel shortages, labour disruptions, fire, explosions, and the inability to obtain suitable or adequate machinery, equipment or labour are risks associated with the conduct of exploration programs and the operation of mines. At this point, the Company has no experience in the development and operation of mines and in the construction of facilities required to bring mines into production, and may rely upon consultants for expertise with respect to the construction and operation of a mining facility.

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Future exploration and development activities on the Company's properties will require additional financing. There is no assurance that additional funding will be available to the Company when need or that, if available, the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the property interests of the Company with the possible dilution or loss of such interests. The effects of these cannot be accurately predicted, but any of these issues could impede development or render it uneconomic.

The Company expects that uncertainty remains with respect to global economy, available capital and exploration risk to the resource industry. The Company intends to manage its cash resources and review opportunities as circumstances demand.

#### **Additional Information**

Additional information pertaining to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and the Company's website [www.gemintlresourcesinc.com](http://www.gemintlresourcesinc.com)

#### **Directors and Officers**

John W. Barr – Director, Interim CEO and Chairman

John Campbell Smyth – Director

Sean Hurd - Director

Simon Ma – CFO