

# **GobiMin Inc.**

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

## **Condensed Interim Financial Statements (unaudited)**

**June 30, 2019**

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

Notice to readers:

The financial statements and the accompanying notes thereto contained in this report have been prepared by the management and have not been reviewed or audited by the Company's external auditor.

**GobiMin Inc.**  
**Condensed Interim Statements of Financial Position (Unaudited)**  
**As at June 30, 2019 and December 31, 2018**  
(Expressed in United States Dollars)

	<i>Note</i>	(Unaudited) June 30, 2019	(Audited) December 31, 2018
		\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	5	16,908,530	17,077,240
Prepayments, deposits and other receivables	6	3,531,985	3,405,596
Financial assets	7	4,083,742	2,353,948
<b>Total current assets</b>		<b>24,524,257</b>	<b>22,836,784</b>
<b>Non-current</b>			
Property, plant and equipment	8	12,403,266	12,689,210
Investment properties		1,450,524	1,511,114
Exploration and evaluation assets	9	30,189,069	29,877,546
Financial assets	7	6,848,550	7,675,922
Amount due from a related company	10	1,410,545	3,500,000
<b>Total non-current assets</b>		<b>52,301,954</b>	<b>55,253,792</b>
<b>Total assets</b>		<b>76,826,211</b>	<b>78,090,576</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Other payables, receipts in advance and accrued liabilities	11	1,009,319	2,362,313
Income taxes payable		1,127,107	1,127,107
<b>Total current liabilities</b>		<b>2,136,426</b>	<b>3,489,420</b>
<b>Total liabilities</b>		<b>2,136,426</b>	<b>3,489,420</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	12	21,993,023	22,054,895
Reserves and retained earnings		52,565,795	52,406,671
<b>Equity attributable to shareholders of the Company</b>		<b>74,558,818</b>	<b>74,461,566</b>
Non-controlling interests		130,967	139,590
<b>Total shareholders' equity</b>		<b>74,689,785</b>	<b>74,601,156</b>
<b>Total liabilities and shareholders' equity</b>		<b>76,826,211</b>	<b>78,090,576</b>

*The accompanying notes form an integral part of these Financial Statements.*

APPROVED BY THE BOARD ON AUGUST 23, 2019 AND SIGNED ON ITS BEHALF BY:

(Signed)  
**Felipe Tan**  
Director

(Signed)  
**Hubert Marleau**  
Director

**GobiMin Inc.**  
**Condensed Interim Statements of Comprehensive Income (Unaudited)**  
**For the six months ended June 30, 2019 and 2018**  
(Expressed in United States Dollars)

	<b>Three Months Ended</b>		<b>Six Months Ended</b>		
	<i>Note</i>	<b>June 30, 2019</b>	June 30, 2018	<b>June 30, 2019</b>	June 30, 2018
		\$	\$	\$	\$
Interest income		<b>240,751</b>	297,969	<b>488,589</b>	533,502
Rental income		<b>83,132</b>	71,225	<b>163,592</b>	145,282
Gain on disposal of financial assets		<b>746</b>	1,518	<b>25,442</b>	1,518
Fair value gain/(loss) on financial assets at fair value through profit or loss		<b>116,964</b>	(810,964)	<b>1,078,796</b>	(1,008,580)
<b>Gross profit/(loss)</b>		<b>441,593</b>	(440,252)	<b>1,756,419</b>	(328,278)
General and administrative expenses		<b>(773,550)</b>	(737,213)	<b>(1,504,408)</b>	(1,452,121)
Share of results of associates		-	(4,406)	-	(4,285)
<b>Operating profit/(loss)</b>		<b>(331,957)</b>	(1,181,871)	<b>252,011</b>	(1,784,684)
Gain on disposal of property, plant and equipment		-	35,881	-	35,881
Loss on disposal of a subsidiary	<i>13</i>	<b>(74,775)</b>	-	<b>(74,775)</b>	-
Exchange gain/(loss)		<b>9,170</b>	(192,013)	<b>9,127</b>	(192,013)
Finance costs		<b>(999)</b>	(3,459)	<b>(3,122)</b>	(12,287)
<b>Profit/(loss) before income tax</b>		<b>(398,561)</b>	(1,341,462)	<b>183,241</b>	(1,953,103)
Income tax		-	-	-	-
<b>Net profit/(loss) for the period</b>		<b>(398,561)</b>	(1,341,462)	<b>183,241</b>	(1,953,103)
<b>Other comprehensive income/(loss), net of tax</b>					
Other comprehensive income/(loss) to be reclassified to profit or loss in the subsequent period:					
Exchange difference released upon disposal of a subsidiary		<b>74,775</b>	-	<b>74,775</b>	-
Exchange difference on translation of foreign operations		<b>221,912</b>	(1,585,196)	<b>221,903</b>	(1,585,196)
<b>Total comprehensive income/(loss) for the period</b>		<b>(101,874)</b>	(2,926,658)	<b>479,919</b>	(3,538,299)
<b>Profit/(loss) for the period attributable to:</b>					
Shareholders of the Company		<b>(361,332)</b>	(1,317,928)	<b>257,697</b>	(1,890,836)
Non-controlling interests		<b>(37,229)</b>	(23,534)	<b>(74,456)</b>	(62,267)
		<b>(398,561)</b>	(1,341,462)	<b>183,241</b>	(1,953,103)
<b>Total comprehensive income/(loss) for the period attributable to:</b>					
Shareholders of the Company		<b>(130,478)</b>	(2,889,589)	<b>488,542</b>	(3,462,497)
Non-controlling interests		<b>28,604</b>	(37,069)	<b>(8,623)</b>	(75,802)
		<b>(101,874)</b>	(2,926,658)	<b>479,919</b>	(3,538,299)
<b>Net earnings/(loss) per share</b>					
Basic and diluted	12.7	<b>(0.007)</b>	(0.026)	<b>0.005</b>	(0.038)
<b>Weighted average number of shares outstanding</b>		Share	Share	Share	Share
Basic and diluted	12.7	49,893,224	50,005,482	49,897,566	50,005,482

*The accompanying notes form an integral part of these Financial Statements.*

**GobiMin Inc.**  
**Condensed Interim Statements of Changes in Equity (Unaudited)**  
**For the six months ended June 30, 2019 and 2018**  
(Expressed in United States Dollars)

	Attributable to shareholders of the Company					Retained earnings	Non-controlling interests	Total equity
	Share capital Note 12.1	Contributed surplus	Share option reserve	General reserve Note 12.3	Translation reserve Note 12.4			
<b>At January 1, 2018</b>	\$ 22,096,211	\$ 2,399,939	\$ 35,274	\$ 501,965	\$ 1,606,110	\$ 53,262,413	\$ 360,873	\$ 80,262,785
Loss for the period	-	-	-	-	-	(1,890,836)	(62,267)	(1,953,103)
Other comprehensive loss	-	-	-	-	(1,571,661)	-	(13,535)	(1,585,196)
Total comprehensive loss	-	-	-	-	(1,571,661)	(1,890,836)	(75,802)	(3,538,299)
Payment of dividend	-	-	-	-	-	(387,227)	-	(387,227)
Share based payment	-	-	963	-	-	-	-	963
<b>At June 30, 2018</b>	<b>22,096,211</b>	<b>2,399,939</b>	<b>36,237</b>	<b>501,965</b>	<b>34,449</b>	<b>50,984,350</b>	<b>285,071</b>	<b>76,338,222</b>
<b>At January 1, 2019</b>	<b>22,054,895</b>	<b>2,399,939</b>	<b>37,060</b>	<b>501,965</b>	<b>(640,365)</b>	<b>50,108,072</b>	<b>139,590</b>	<b>74,601,156</b>
Profit/(loss) for the period	-	-	-	-	-	257,697	(74,456)	183,241
Other comprehensive income	-	-	-	-	230,845	-	65,833	296,678
Total comprehensive income/(loss)	-	-	-	-	230,845	257,697	(8,623)	479,919
Payment of dividend	-	-	-	-	-	(368,102)	-	(368,102)
Shares repurchased	(61,872)	-	-	-	-	38,684	-	(23,188)
Options forfeited	-	-	(2,647)	-	-	2,647	-	-
<b>At June 30, 2019</b>	<b>21,993,023</b>	<b>2,399,939</b>	<b>34,413</b>	<b>501,965</b>	<b>(409,520)</b>	<b>50,038,998</b>	<b>130,967</b>	<b>74,689,785</b>

*The accompanying notes form an integral part of these Financial Statements.*

**GobiMin Inc.**  
**Condensed Interim Statements of Cash Flows (Unaudited)**  
**For the six months ended June 30, 2019 and 2018**  
(Expressed in United States Dollars)

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30, 2019</b>	June 30, 2018	<b>June 30, 2019</b>	June 30, 2018
	\$	\$	\$	\$
<b>Operating activities</b>				
Profit/(loss) before income tax	<b>(398,561)</b>	(1,341,462)	<b>183,241</b>	(1,953,103)
Adjustments for items not involving cash:				
- Depreciation	<b>187,245</b>	198,583	<b>375,441</b>	406,724
- Share-based payment	-	468	-	963
- Share of results of associates	-	4,406	-	4,285
- Gain on disposal of property, plant and equipment	-	(35,881)	-	(35,881)
- Gain on disposal of financial assets	<b>(746)</b>	(1,518)	<b>(25,442)</b>	(1,518)
- Fair value (gain)/loss on financial assets at fair value through profit or loss	<b>(116,964)</b>	810,964	<b>(1,078,796)</b>	1,008,580
- Loss on disposal of a subsidiary	<b>74,775</b>	-	<b>74,775</b>	-
- Exchange difference	<b>(9,170)</b>	192,013	<b>(9,127)</b>	192,013
- Interest income	<b>(240,751)</b>	(297,969)	<b>(488,589)</b>	(533,502)
- Interest expense	-	2,428	-	9,075
	<b>(504,172)</b>	(467,968)	<b>(968,497)</b>	(902,364)
Working capital adjustments:				
- Prepayments, deposits and other receivables	<b>(18,603)</b>	(58,184)	<b>(114,804)</b>	(77,938)
- Other payables, receipts in advance and accrued liabilities	<b>(774,989)</b>	(91,213)	<b>(1,352,995)</b>	(404,294)
<b>Net cash flow used in operating activities</b>	<b>(1,297,764)</b>	(617,365)	<b>(2,436,296)</b>	(1,384,596)
<b>Financing activities</b>				
Interest paid	-	(2,428)	-	(9,075)
Shares repurchased	<b>(21,882)</b>	-	<b>(23,188)</b>	-
Payment of dividend	<b>(368,102)</b>	(387,227)	<b>(368,102)</b>	(387,227)
Repayment of bank loan	-	(965,380)	-	(1,011,326)
<b>Net cash flow used in financing activities</b>	<b>(389,984)</b>	(1,355,035)	<b>(391,290)</b>	(1,407,628)
<b>Investing activities</b>				
Interest received	<b>240,751</b>	296,813	<b>488,589</b>	532,346
Additions of property, plant and equipment	<b>(13,084)</b>	(5,266)	<b>(28,907)</b>	(8,234)
Additions of exploration and evaluation assets	<b>(45,320)</b>	-	<b>(92,078)</b>	-
Proceeds from disposal of property, plant and equipment	-	41,251	-	41,251
Net disposal/(addition) of debentures	<b>(496,750)</b>	583,556	<b>1,006,540</b>	(399,604)
Net maturity/(addition) of certificate of deposit	<b>1,096,198</b>	-	<b>(1,001,770)</b>	499,825
Disposal/(acquisition) of unlisted securities	-	(257,400)	<b>197,047</b>	(257,400)
Acquisition of listed securities	-	(193,399)	-	(193,399)
Repayment from a related company	<b>2,089,455</b>	-	<b>2,089,455</b>	-
<b>Net cash flow from investing activities</b>	<b>2,871,250</b>	465,555	<b>2,658,876</b>	214,785
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>1,183,502</b>	(1,506,845)	<b>(168,710)</b>	(2,577,439)
<b>Effect of foreign exchange rate changes</b>	-	(331,829)	-	(331,829)
<b>Cash and cash equivalents at beginning of the period</b>	<b>15,725,028</b>	17,996,879	<b>17,077,240</b>	19,067,473
<b>Cash and cash equivalents at end of the period</b>	<b>16,908,530</b>	16,158,205	<b>16,908,530</b>	16,158,205

*The accompanying notes form an integral part of these Financial Statements.*

**GobiMin Inc.**  
**Notes to Condensed Interim Financial Statements**  
**For the quarter ended June 30, 2019**  
(Express in United States Dollars)

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**1. CORPORATE INFORMATION**

GobiMin Inc. (the “Company” or “GobiMin”), together with its subsidiaries (collectively the “Group”), is a limited liability company incorporated in Canada under the Canada Business Corporations Act. It is listed on the TSX Venture Exchange, having the symbol GMN, as a Tier 2 investment issuer. Its registered office is situated at 1000 Sherbrooke Street West, Suite 2700, Montreal, Quebec H3A 3G4, Canada.

The Group is principally engaged in the investment in 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”).

**2. BASIS OF PREPARATION**

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

These condensed interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2018. Operating results for this interim period are not necessarily indicative of the results that may be expected for the full financial year ending December 31, 2019.

In preparing these condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2018.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied in these condensed interim financial statements are consistent with the policies disclosed in notes 2 and 3 to the consolidated financial statements for the year ended December 31, 2018, except for those related to new or revised International Financial Reporting Standards (“IFRS”) effective from January 1, 2019. The adoption of these new or revised IFRS has no material effect on the Group’s condensed interim financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued by the International Accounting Standards Board but is not yet effective.

**4. SEGMENT INFORMATION**

The Group is engaged in two operating segments, namely (i) the investment in investment properties, equity, debt or other securities as well as direct ownership stakes in projects (“Investment Business”); and (ii) the development, exploration and exploitation of mineral properties, mainly in Xinjiang, China (“Mining Business”).

**GobiMin Inc.**  
**Notes to Condensed Interim Financial Statements**  
**For the quarter ended June 30, 2019**  
(Express in United States Dollars)

(a) Segment information for assets and liabilities are as follows:

<b>As at</b>	<b>June 30, 2019</b>	December 31, 2018
	\$	\$
<b>Segment assets</b>		
Investment Business	16,914,205	18,166,475
Mining Business	36,792,146	35,933,210
Total segment assets	53,706,351	54,099,685
Unallocated	23,119,860	23,990,891
<b>Consolidated assets</b>	<b>76,826,211</b>	<b>78,090,576</b>
<b>Segment liabilities</b>		
Investment Business	37,058	135,430
Mining Business	866,261	1,848,023
Total segment liabilities	903,319	1,983,453
Unallocated	1,233,107	1,505,967
<b>Consolidated liabilities</b>	<b>2,136,426</b>	<b>3,489,420</b>

(b) Segment information for operating results are as follows:

<b>For the six months ended</b>	<b>June 30, 2019</b>	June 30, 2018
	\$	\$
<b>Segment revenue and results</b>		
Investment Business	1,626,510	(451,279)
Mining Business	(323,845)	(351,191)
	1,302,665	(802,470)
Other income and gains	69,319	123,001
Unallocated corporate expenses	(1,119,973)	(1,105,215)
Gain on disposal of property, plant and equipment	-	35,881
Loss on disposal of a subsidiary	(74,775)	-
Exchange gain/(loss)	9,127	(192,013)
Finance costs	(3,122)	(12,287)
<b>Profit/(loss) before income tax</b>	<b>183,241</b>	<b>(1,953,103)</b>

**5. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents were held in following locations:

<b>Location</b>	<b>June 30, 2019</b>	December 31, 2018
	\$	\$
Canada	1,069,188	233,120
Hong Kong	14,355,828	13,717,374
China	1,483,514	3,126,746
<b>Total</b>	<b>16,908,530</b>	<b>17,077,240</b>

**GobiMin Inc.**  
**Notes to Condensed Interim Financial Statements**  
**For the quarter ended June 30, 2019**  
(Express in United States Dollars)

The RMB located in China is not freely convertible into other currencies. However, under China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

The fair market values of cash and cash equivalents approximate their carrying values at the respective reporting date.

**6. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

As at June 30, 2019, the prepayments, deposits and other receivables balance mainly represented a loan of \$3,000,000 (December 31, 2018: \$3,000,000) to an investment company of the Group, Dragon Silver Holdings Limited (“Dragon Silver”), and interest receivables from debentures, certificate of deposits and time deposit of \$120,844 (December 31, 2018: \$123,035). The loan to Dragon Silver is secured by the personal guarantee of a director of Dragon Silver, bears interest at the rate of 8.5% per annum and is repayable on demand with 7 days’ notice. For the six months ended June 30, 2019, the Group received interest income from loan to Dragon Silver of \$128,208 (2018: \$130,333).

**7. FINANCIAL ASSETS**

<b>As at</b>		<b>June 30, 2019</b>	December 31, 2018
		\$	\$
<b>Current</b>			
Listed securities	<i>(a)</i>	<b>2,383,475</b>	1,476,718
Debentures	<i>(b)</i>	<b>700,477</b>	680,183
Unlisted securities	<i>(c)</i>	-	197,047
Certificate of deposit	<i>(d)</i>	<b>999,790</b>	-
		<b>4,083,742</b>	2,353,948
<b>Non-current</b>			
Listed securities	<i>(a)</i>	<b>184,526</b>	151,721
Debentures	<i>(b)</i>	<b>5,068,271</b>	5,928,448
Unlisted securities	<i>(c)</i>	<b>1,595,753</b>	1,595,753
		<b>6,848,550</b>	7,675,922
<b>Total</b>		<b>10,932,292</b>	10,029,870

- (a) As at June 30, 2019 and December 31, 2018, the listed securities represented the investment in 40,260,000 shares of Loco Hong Kong Holdings Limited (“LocoHK”) and other listed securities that are designated at fair value through profit or loss. The fair value of the investment is determined with reference to quoted market price.
- (b) Debentures are classified as financial assets at fair value through profit or loss, with coupon rates ranged from 4.250% to 7.750% (December 31, 2018: 4.250% to 9.000%) per annum and maturities ending between September 17, 2019 and perpetual (December 31, 2018: November 3, 2019 and perpetual).
- (c) Unlisted securities represented a 9.90% interest in Dragon Silver which is a company incorporated in Hong Kong engaged in metal trading and processing. There is no change in the fair value of the unlisted securities for the six months ended June 30, 2019.



**GobiMin Inc.**  
**Notes to Condensed Interim Financial Statements**  
**For the quarter ended June 30, 2019**  
(Express in United States Dollars)

As at December 31, 2018, the current portion of unlisted securities represented an investment in equity of a fund managed by an experienced fund manager and was disposed in January 2019.

- (d) Certificate of deposit represented deposit placed with a bank with coupon rate ranged from 2.50% to 2.76% per annum and maturities on September 12, 2019 (December 31, 2018: nil).

**8. PROPERTY, PLANT AND EQUIPMENT**

	Leasehold land & buildings	Leasehold improvements	Furniture, fixture & equipment	Computer hardware & equipment	Motor vehicles	Total
<b>Cost:</b>	\$	\$	\$	\$	\$	\$
<b>At January 1, 2018</b>	<b>15,712,195</b>	<b>237,107</b>	<b>415,726</b>	<b>602</b>	<b>890,458</b>	<b>17,256,088</b>
Exchange difference	(325,248)	-	(18,268)	(31)	(36,521)	(380,068)
Additions	-	1,918	23,648	-	2,806	28,372
Disposals	-	-	-	-	(85,914)	(85,914)
<b>At December 31, 2018</b>	<b>15,386,947</b>	<b>239,025</b>	<b>421,106</b>	<b>571</b>	<b>770,829</b>	<b>16,818,478</b>
Additions	15,823	-	13,084	-	-	28,907
<b>At June 30, 2019</b>	<b>15,402,770</b>	<b>239,025</b>	<b>434,190</b>	<b>571</b>	<b>770,829</b>	<b>16,847,385</b>
<b>Accumulated depreciation:</b>						
<b>At January 1, 2018</b>	<b>2,230,449</b>	<b>222,719</b>	<b>350,434</b>	<b>602</b>	<b>825,422</b>	<b>3,629,626</b>
Exchange difference	(39,524)	-	(15,097)	(31)	(34,695)	(89,347)
Depreciation for the year	613,495	13,596	19,973	-	22,469	669,533
Elimination on disposal	-	-	-	-	(80,544)	(80,544)
<b>At December 31, 2018</b>	<b>2,804,420</b>	<b>236,315</b>	<b>355,310</b>	<b>571</b>	<b>732,652</b>	<b>4,129,268</b>
Depreciation for the period	307,374	1,326	5,801	-	350	314,851
<b>At June 30, 2019</b>	<b>3,111,794</b>	<b>237,641</b>	<b>361,111</b>	<b>571</b>	<b>733,002</b>	<b>4,444,119</b>
<b>Net book value:</b>						
<b>At December 31, 2018</b>	<b>12,582,527</b>	<b>2,710</b>	<b>65,796</b>	<b>-</b>	<b>38,177</b>	<b>12,689,210</b>
<b>At June 30, 2019</b>	<b>12,290,976</b>	<b>1,384</b>	<b>73,079</b>	<b>-</b>	<b>37,827</b>	<b>12,403,266</b>

As at June 30, 2019, the carrying amount of property, plant and equipment which were located in Hong Kong amounted to \$7,073,522 (December 31, 2018: \$7,255,509). The remaining property, plant and equipment were located in China.

**GobiMin Inc.**  
**Notes to Condensed Interim Financial Statements**  
**For the quarter ended June 30, 2019**  
(Express in United States Dollars)

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**9. EXPLORATION AND EVALUATION ASSETS**

	<b>Total</b>
<b>Cost:</b>	\$
<b>At January 1, 2018</b>	<b>31,533,596</b>
Exchange difference	94,613
Disposals	(1,750,663)
<b>At December 31, 2018</b>	<b>29,877,546</b>
<b>Cost:</b>	\$
<b>At January 1, 2019</b>	<b>29,877,546</b>
Exchange difference	219,445
Addition	92,078
<b>At June 30, 2019</b>	<b>30,189,069</b>

The exploration and evaluation assets represented the mining and exploration rights and geological and geophysical costs, mine site and facilities construction, drilling and exploration costs of the Sawayaerdun Gold Project (“Gold Project”) located at 200 km northwest of the city of Kashi, western Xinjiang, China. Its mining licence has been renewed with expiry date on December 31, 2019 and the original of the mining licence will be collectable after the reassessment of reserve by the Department of Land and Resources as well as payment for mining royalties based on the assessed reserve. For the exploration licence expired by the end of 2018, we submitted the application materials to Department of Land and Resources for the retention of the exploration licence on December 18, 2017. Following normal procedures, subsequent to the review and approval by the relevant authorities and passing of the public notice period, the new licence shall be issued. At the reporting date, the application documents have been reviewed by the relevant authorities and pending for approval at the departmental meeting. Due to backlog of applications of licences and the proposed ecological criteria in Xinjiang, it is anticipated that the licences will be issued after the backlog is cleared.

The Company has engaged General Research Institute for Nonferrous Metals for an on-site industrial test on the gold processing methodology by applying large scale samples started in 2019. Subject to satisfactory on-site test results, the production costs of the Gold Project are expected to be reduced.

**10. AMOUNT DUE FROM A RELATED COMPANY**

Amount due from a related company represented a loan of \$1,410,545 to China Precision Material Limited (“CPM”), a subsidiary of LocoHK. The Group owns 40,260,000 shares of LocoHK which is classified as financial assets as disclosed in note 7 to the financial statements. As at June 30, 2019, Mr. Felipe Tan, Chief Executive Officer of GobiMin, was a director of LocoHK and CPM. Subsequently in July 2019, CPM ceased to be a related company when Mr. Felipe Tan resigned as director of LocoHK and CPM.

The loan to CPM is unsecured, bears interest at the rate of 3.5% per annum and is repayable on demand with 3 days’ notice.

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**11. OTHER PAYABLES, RECEIPTS IN ADVANCE AND ACCRUED LIABILITIES**

As at June 30, 2019 and December 31, 2018, the balances of other payables, receipts in advance and accrued liabilities comprised mainly the payable related to the construction work of the office building, exploration work, mine design and related facilities of the Gold Project and accrual of office expenses.

<u>As at</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
	\$	\$
Other payables	865,771	1,830,644
Accrued liabilities	101,801	391,550
Receipts in advance	37,058	135,430
Deposit received	4,689	4,689
<b>Total</b>	<b>1,009,319</b>	<b>2,362,313</b>

**12. SHARE CAPITAL AND STOCK OPTIONS**

**12.1 Common Shares**

	Number	Amount
<b><u>Authorized:</u></b>		\$
Unlimited number of common shares		
<b><u>Issued and outstanding:</u></b>		
<b>At January 1, 2018</b>	<b>50,005,482</b>	<b>22,096,211</b>
Shares repurchased and cancelled	(93,500)	(41,316)
<b>At December 31, 2018</b>	<b>49,911,982</b>	<b>22,054,895</b>
Shares repurchased and cancelled	(90,500)	(61,872)
<b>At June 30, 2019</b>	<b>49,821,482</b>	<b>21,993,023</b>

**12.2 Preferred Shares**

The Company did not authorize or issue any preferred shares.

**12.3 General Reserve**

The general reserve represents statutory reserves of the Group's Chinese operating subsidiaries. During the six months ended June 30, 2019, there was no movement in the general reserve.

**12.4 Translation Reserve**

Translation reserve represents net unrealized exchange gain on translation of foreign operations.

**12.5 Normal Course Issuer Bid**

On July 23, 2018, GobiMin was granted approval by TSX Venture Exchange to renew its normal course issuer bid to repurchase up to an additional 2,500,274 common shares, representing approximately 5% of the then common shares outstanding. Purchases are expected to be made in accordance with applicable regulations over a maximum period of 12 months commencing on July 25, 2018 and ended on July 24, 2019 or on such earlier date as GobiMin may complete its purchases pursuant to the normal course issuer bid or as it may otherwise determine. For the six months ended June 30, 2019, a total of 90,500 common shares were

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repurchased at an aggregate cost of \$23,188 (CAD31,384). All shares repurchased have been returned to treasury for cancellation.

**12.6 Stock Options**

On May 26, 2005, the Company adopted a resolution cancelling all of its outstanding stock option plans and creating a new stock option plan to grant options to its employees, directors and officers to purchase common shares. A total number of 6,700,000 (December 31, 2018: 6,700,000) common shares were reserved for issuance pursuant to the exercise of options to be granted under the plan.

**a) Status of the outstanding employee stock options:**

	<u>Six months ended</u> <u>June 30, 2019</u>		<u>Six months ended</u> <u>June 30, 2018</u>	
	<u>Number</u> <u>of Options</u>	<u>Weighted Average</u> <u>Exercise Price</u>	<u>Number</u> <u>of Options</u>	<u>Weighted Average</u> <u>Exercise Price</u>
		\$		\$
<b>Outstanding, beginning of the period</b>	<b>280,000</b>	<b>0.37</b>	280,000	0.37
Forfeited during the period	(20,000)	0.37	-	-
<b>Outstanding, end of the period</b>	<b>260,000</b>	<b>0.37</b>	280,000	0.37

**b) Summary of the employee stock options outstanding and exercisable:**

<u>Exercise</u> <u>Price</u>	<u>Exercise</u> <u>Price</u>	<u>Number of</u> <u>Options</u> <u>Outstanding</u>	<u>Weighted</u> <u>Average</u> <u>Remaining</u> <u>Contractual</u> <u>Life</u>	<u>Weighted</u> <u>Average</u> <u>Exercise</u> <u>Price</u>	<u>Number of</u> <u>Options</u> <u>Exercisable</u>	<u>Weighted</u> <u>Average</u> <u>Remaining</u> <u>Contractual</u> <u>Life</u>	<u>Weighted</u> <u>Average</u> <u>Exercise</u> <u>Price</u>
<u>CAD</u>	<u>\$</u>		<u>(Years)</u>	<u>\$</u>		<u>(Years)</u>	<u>\$</u>
<b><u>At June 30, 2019</u></b>							
<b>0.50</b>	<b>0.37</b>	<b>260,000</b>	<b>0.50</b>	<b>0.37</b>	<b>260,000</b>	<b>0.50</b>	<b>0.37</b>
<u>At December 31, 2018</u>							
0.50	0.37	280,000	1.00	0.37	280,000	1.00	0.37

**c) Share-Based Payments**

There were no options granted during the period. The Company determines fair value of the employee stock options using the Black-Scholes option pricing model.

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**12.7 Basic and Diluted Earnings/(Loss) Per Share**

<b>For the three months ended</b>	<b>June 30, 2019</b>	June 30, 2018
<b>Net loss attributable to shareholders</b>		
Basic and diluted	(\$361,332)	(\$1,317,928)
<b>Weighted average number of shares outstanding</b>		
Basic and diluted	49,893,224	50,005,482
<b>Basic and diluted loss per share</b>	<b>(\$0.007)</b>	<b>(\$0.026)</b>
<b>For the six months ended</b>	<b>June 30, 2019</b>	June 30, 2018
<b>Net earnings/(loss) attributable to shareholders</b>		
Basic and diluted	\$257,697	(\$1,890,836)
<b>Weighted average number of shares outstanding</b>		
Basic and diluted	49,897,566	50,005,482
<b>Basic and diluted earnings/(loss) per share</b>	<b>\$0.005</b>	<b>(\$0.038)</b>

For the three months ended June 30, 2018 and 2019 and six months ended June 30, 2018, the stock options outstanding during the period had an anti-dilutive effect on the basic loss per share and as such, the conversion of the above potential dilutive shares is not assumed in the computation of diluted loss per share.

For the six months ended June 30, 2019, the computation of diluted earnings per share did not assume the exercise of the Company's outstanding share options as the exercise price of those share options is higher than the average market price of the shares for the period.

**13. LOSS ON DISPOSAL OF A SUBSIDIARY**

In April 2018, the Group invested about \$1.5 million (equivalent to RMB10 million) to an indirect wholly-owned subsidiary in China, targeting for development, planting and sales of primary agricultural products and plants cultivation in Hami City, Xinjiang, China. As the agriculture project has not achieved any virtual progress since its incorporation due to the difficulties and challenges in obtaining suitable land use rights, the subsidiary has been deregistered in April 2019. The net assets upon deregistration solely represented cash of \$1,460,480 (equivalent to RMB9,968,315) which has been received as return of capital in April 2019.

<b>For the three months and six months ended</b>	<b>June 30, 2019</b>
	\$
Return of capital	1,460,480
Less: net assets disposed of	(1,460,480)
Less: Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss	(74,775)
<b>Loss on disposal of a subsidiary</b>	<b>(74,775)</b>

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**14. RELATED PARTY TRANSACTIONS**

**14.1 Key management compensation**

The remuneration of key management and directors was as follows:

<b>For the three months ended</b>	<b>June 30, 2019</b>	June 30, 2018
	\$	\$
Wages, fees and other benefits	<b>99,775</b>	122,476
Payment to defined contribution plans	<b>928</b>	934
Share-based payment	-	96
	<b>100,703</b>	123,506
<hr/>		
<b>For the six months ended</b>	<b>June 30, 2019</b>	June 30, 2018
	\$	\$
Wages, fees and other benefits	<b>171,844</b>	216,024
Payment to defined contribution plans	<b>1,507</b>	1,513
Share-based payment	-	308
	<b>173,351</b>	217,845

**14.2 Related party transactions**

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties:

<b>Relationship</b>	<b>Type of transactions</b>	<b>For the three months ended</b>	
		<b>June 30, 2019</b>	June 30, 2018
		\$	\$
Companies in which a director of the Company has equity interest	Rental income	<b>12,038</b>	11,875
	Share of office common expenses	<b>1,432</b>	941
	Disposal of property, plant and equipment (Note)	-	41,251
A company with common director who has controlling interest in the Company	Rental income	<b>16,731</b>	30,116
	Interest income	<b>29,047</b>	30,542
	Share of office common expenses and staff cost	<b>3,820</b>	24,311
Director of the company	Purchase of property, plant and equipment	-	2,806

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<b>Relationship</b>	<b>Type of transactions</b>	<b>For the six months ended</b>	
		<b>June 30, 2019</b>	<b>June 30, 2018</b>
		\$	\$
Companies in which a director of the Company has equity interest	Rental income	<b>24,076</b>	24,212
	Share of office common expenses	<b>2,335</b>	1,898
	Disposal of property, plant and equipment (Note)	-	41,251
A company with common director who has controlling interest in the Company	Rental income	<b>41,828</b>	60,232
	Interest income	<b>59,252</b>	60,747
	Share of office common expenses and staff cost	<b>8,335</b>	50,810
Director of the company	Purchase of property, plant and equipment	-	2,806

Note: During the three months and six months ended June 30, 2018, the Group disposed of a motor vehicle to a company controlled by a director and recognised a gain on disposal of property, plant and equipment of \$35,881.

## 15. COMMITMENTS

### 15.1 Capital commitments

The Group has the following capital commitment:

<b>As at June 30, 2019</b>	<b>Contract Date</b>	<b>Contracted Sum</b>	<b>Capital Commitments</b>
		\$	\$
Mine design and related facilities	October 31, 2011	1,172,098	<b>644,654</b>
Office building renovation	March 2, 2013	1,923,689	<b>858,252</b>
Research on gold processing method	June 20, 2018	249,071	<b>175,815</b>
<b>Total capital commitments for the Gold Project</b>		<b>3,344,858</b>	<b>1,678,721</b>

### 15.2 Operating lease commitments

#### The Group as Lessor

The Group has entered into operating leases on its investment properties, with lease terms ranging from one to five years.

Future minimum lease receivables under non-cancellable operating leases are as follows:

<b>As at</b>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	\$	\$
Within one year	<b>96,844</b>	47,584
In the second to fifth years inclusive	<b>236,373</b>	277,396
<b>Total future minimum lease receivables</b>	<b>333,217</b>	324,980

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**16. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of listed securities, unlisted equity securities, debentures and certificate of deposit.

**16.1 Fair value of financial instruments**

The fair value of financial instruments represents the amounts that would have been received from or paid to counterparties to settle these instruments. The carrying amount of all financial instruments classified as current approximates their fair value because of the short maturities and normal trade terms of these instruments. The fair value of other financial instruments disclosed in the financial statements are based on the Company's best estimates using present value, quoted market prices and other valuation techniques that are significantly affected by the assumptions used concerning the amounts and timing of estimated cash flows and discount rates which reflect varying degrees of risk.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1 – Quoted (unadjusted) prices for identical assets or liabilities in active markets.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including:

- ◆ Quoted prices for similar assets/liabilities in active markets;
- ◆ Quoted prices for identical or similar assets in non-active markets (few transactions, limited information, non-current prices, high variability over time);
- ◆ Inputs other than quoted prices that are observable for the asset/liability (e.g. interest rates, yield curves, volatilities, default rates, etc.); and
- ◆ Inputs that are derived principally from or corroborated by other observable market data.

Level 3 – Unobservable inputs that cannot be corroborated by observable market data.

	<b>Fair Value Measurements at Reporting Date Using</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	\$	\$	\$	\$
<b><u>As at June 30, 2019</u></b>				
Listed securities	2,568,001	-	-	2,568,001
Unlisted securities	-	-	1,595,753	1,595,753
Debentures	5,768,748	-	-	5,768,748
Certificate of deposit	-	999,790	-	999,790
	<b>8,336,749</b>	<b>999,790</b>	<b>1,595,753</b>	<b>10,932,292</b>
<b><u>As at December 31, 2018</u></b>				
Listed securities	1,628,439	-	-	1,628,439
Unlisted securities	-	197,047	1,595,753	1,792,800
Debentures	6,608,631	-	-	6,608,631
	<b>8,327,070</b>	<b>197,047</b>	<b>1,595,753</b>	<b>10,029,870</b>

**16.2 Risks arising from financial instruments and risk management**

The Group is exposed to various types of market risks, including changes in foreign exchange rates, and interest rates in the normal course of business. The Group's overall risk management program focuses on



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mitigating these risks on a cost-effective basis. The Group's policy is to use derivatives only for managing existing financial exposures but not for trading or speculative purpose.

**16.3 Exchange Rate Risk**

The Group generates revenues and incurs expenditures primarily in Canada, Hong Kong and China and is exposed to risk from changes in foreign currency rates. In addition, the Group holds financial assets and liabilities in foreign currencies that expose the Group to foreign exchange risks. A significant change in the currency exchange rates between the United States dollars relative to the Hong Kong dollars, RMB or Canadian dollars could have an effect on the Group's financial position and cash flows. The Group has not hedged its exposure to currency fluctuations.

Many foreign currency exchange transactions involving RMB, including foreign exchange transactions under the Group's capital account located in China, are subject to foreign exchange controls and require the approval of the China State Administration of Foreign Exchange. Developments relating to the Chinese's economy and actions taken by the Chinese government could cause future foreign exchange rates to vary significantly from current or historical rates. The Group cannot predict nor give any assurance of its future stability. Future fluctuations in exchange rates may adversely affect the value, translated or converted into United States dollars of the Group's net assets, net profits and any declared dividends. The Group cannot give any assurance that any future movements in the exchange rates of RMB against the United States dollars and other foreign currencies will not adversely affect its results of operations, financial condition and cash flows.

**16.4 Credit Risk**

The Group is exposed to credit risk with respect to cash and cash equivalents, other receivables, amount due from a related company and financial assets. The maximum exposure is equal to the carrying amount of these assets included on the consolidated statements of financial position. The cash equivalents are call deposits at banks or time deposit of terms less than 90 days. None of the cash equivalents are in asset backed commercial paper products. The Group has deposited the cash and cash equivalents in banks that meet minimum requirements for quality and liquidity as stipulated by the Company's Board of Directors. Other receivables mainly composed of a loan to Dragon Silver of \$3,000,000. The management reviews the financial statements provided by Dragon Silver on a monthly basis. Management believes the risk of loss to be remote.

**16.5 Liquidity Risk**

Liquidity risk is the risk that the Group may encounter difficulties in meeting obligations associated with financial liabilities. As at June 30, 2019, the Group held cash and cash equivalents of \$16,908,530 and net current assets of \$22,387,831. The Group considered that its cash and cash equivalents is more than sufficient in meeting its obligations associated with financial liabilities and fulfilling its capital commitments.

**16.6 Interest Risk**

As the Group has no significant variable interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rate.

**17. CAPITAL MANAGEMENT**

The Group's objectives of capital management are intended to safeguard the entity's ability to support the Group's normal operating requirement on an ongoing basis, continue the development, exploration and exploitation of its mineral properties, and support any expansionary plans. The capital of the Group amounted to \$74,689,785 consists of the items included in equity. The Board of Directors does not establish a quantitative return on capital criteria for management but promotes year-over-year sustainable earnings growth targets. The Group manages the capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

The Group is not subject to externally imposed capital requirements.

**18. EVENTS AFTER THE REPORTING DATE**

- 18.1 On August 1, 2019, GobiMin was granted approval by the TSX Venture Exchange to renew its Normal Course Issuer Bid ("NCIB") to repurchase up to an additional 2,491,074 common shares, representing approximately 5% the then common shares outstanding. Purchases are expected to be made in accordance with applicable regulations over a maximum period of 12 months commencing on August 8, 2019 and ending on August 7, 2020 or on such earlier date as GobiMin may complete its purchases pursuant to the normal course issuer bid or as it may otherwise determine.
- 18.2 For the period from July 1, 2019 to August 23, 2019, a total of 6,500 common shares were repurchased at an aggregate cost of \$1,357 (CAD1,836) under the NCIB. All shares repurchased will be/have been returned to treasury for cancellation.