

GobiMin Inc.

(Incorporated in Canada under the Canada Business Corporations Act)

Condensed Interim Financial Statements (unaudited)

September 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 September 30, 2019 and December 31, 2018**

(Expressed in United States Dollars)

		(Unaudited)	(Audited)
	<i>Note</i>	September 30, 2019	December 31, 2018
ASSETS		\$	\$
Current			
Cash and cash equivalents	5	21,413,310	17,077,240
Prepayments, deposits and other receivables	6	4,333,035	3,405,596
Financial assets	7	311,606	2,353,948
Total current assets		26,057,951	22,836,784
Non-current			
Property, plant and equipment	8	12,082,508	12,689,210
Investment properties		1,365,200	1,511,114
Exploration and evaluation assets	9	29,544,471	29,877,546
Right-of-use assets		414,032	-
Financial assets	7	6,567,489	7,675,922
Amount due from a related company	10	-	3,500,000
Total non-current assets		49,973,700	55,253,792
Total assets		76,031,651	78,090,576
LIABILITIES			
Current			
Other payables, receipts in advance and accrued liabilities	11	1,072,610	2,362,313
Income taxes payable		1,127,107	1,127,107
Lease liabilities		63,254	-
Total current liabilities		2,262,971	3,489,420
Non-current			
Lease liabilities		357,570	-
Total non-current liabilities		357,570	3,489,420
Total liabilities		2,620,541	3,489,420
SHAREHOLDERS' EQUITY			
Share capital	12	22,010,928	22,054,895
Reserves and retained earnings		51,302,106	52,406,671
Equity attributable to shareholders of the Company		73,313,034	74,461,566
Non-controlling interests		98,076	139,590
Total shareholders' equity		73,411,110	74,601,156
Total liabilities and shareholders' equity		76,031,651	78,090,576

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

APPROVED BY THE BOARD ON NOVEMBER 21, 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 three months and nine months ended September 30, 2019 and 2018 (Expressed in United States Dollars)

	Note	Three Months Ended		Nine Months Ended	
		September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
		\$	\$	\$	\$
Interest income		224,312	243,689	712,901	777,191
Rental income		54,703	70,720	218,295	216,002
Dividend Income		107,786	107,786	107,786	107,786
Gain on disposal of financial assets		501,609	-	527,051	1,518
Fair value gain/(loss) on financial assets at fair value through profit or loss		24,873	(70,266)	1,103,669	(1,078,846)
Gross profit		913,283	351,929	2,669,702	23,651
General and administrative expenses		(742,775)	(646,079)	(2,247,183)	(2,098,200)
Share of results of associates		-	(26)	-	(4,311)
Operating profit/(loss)		170,508	(294,176)	422,519	(2,078,860)
Gain on disposal of property, plant and equipment		-	-	-	35,881
Loss on dissolution of a subsidiary	13	-	-	(74,775)	-
Exchange loss		(120,057)	(35,214)	(110,930)	(227,227)
Finance costs		(4,328)	(1,254)	(7,450)	(13,541)
Profit/(loss) before income tax		46,123	(330,644)	229,364	(2,283,747)
Income tax		-	-	-	-
Net profit/(loss) for the period		46,123	(330,644)	229,364	(2,283,747)
Other comprehensive income/(loss), net of tax					
Other comprehensive income/(loss) to be reclassified to profit or loss in the subsequent period:					
Exchange difference released upon disposal of a subsidiary		-	-	74,775	-
Exchange differences on translation of foreign operations		(1,322,938)	(466,266)	(1,101,035)	(2,051,462)
Total comprehensive loss for the period		(1,276,815)	(796,910)	(796,896)	(4,335,209)
Profit/(loss) for the period attributable to:					
Shareholders of the Company		71,869	(297,233)	329,566	(2,188,069)
Non-controlling interests		(25,746)	(33,411)	(100,202)	(95,678)
		46,123	(330,644)	229,364	(2,283,747)
Total comprehensive loss for the period attributable to:					
Shareholders of the Company		(1,243,924)	(759,601)	(755,382)	(4,222,098)
Non-controlling interests		(32,891)	(37,309)	(41,514)	(113,111)
		(1,276,815)	(796,910)	(796,896)	(4,335,209)
Net earnings/(loss) per share					
Basic and diluted	12.7	0.001	(0.006)	0.007	(0.044)
Weighted average number of shares outstanding		Share	Share	Share	Share
Basic and diluted	12.7	49,817,689	49,996,656	49,860,931	50,002,508

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

GobiMin Inc.**Condensed Interim Statements of Changes in Equity (Unaudited)****For the nine months ended September 30, 2019 and 2018**

(Expressed in United States Dollars)

	Attributable to shareholders of the Company						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	Retained earnings		
At January 1, 2018	\$ 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	-	-	-	-	-	(2,188,069)	(95,678)	(2,283,747)
Other comprehensive loss	-	-	-	-	(2,034,029)	-	(17,433)	(2,051,462)
Total comprehensive loss	-	-	-	-	(2,034,029)	(2,188,069)	(113,111)	(4,335,209)
Payment of dividend	-	-	-	-	-	(387,227)	-	(387,227)
Shares repurchased	(5,745)	-	-	-	-	1,995	-	(3,750)
Share-based payment	-	-	1,452	-	-	-	-	1,452
At September 30, 2018	22,090,466	2,399,939	36,726	501,965	(427,919)	50,689,112	247,762	75,538,051
At January 1, 2019	22,054,895	2,399,939	37,060	501,965	(640,365)	50,108,072	139,590	74,601,156
Profit/(loss) for the period	-	-	-	-	-	329,566	(100,202)	229,364
Other comprehensive income/(loss)	-	-	-	-	(1,084,948)	-	58,688	(1,026,260)
Total comprehensive income/(loss)	-	-	-	-	(1,084,948)	329,566	(41,514)	(796,896)
Payment of dividend	-	-	-	-	-	(368,102)	-	(368,102)
Shares repurchased	(43,967)	-	-	-	-	18,919	-	(25,048)
Options forfeited	-	-	(2,647)	-	-	2,647	-	-
At September 30, 2019	22,010,928	2,399,939	34,413	501,965	(1,725,313)	50,091,102	98,076	73,411,110

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

GobiMin Inc.**Condensed Interim Statements of Cash Flows (Unaudited)****For the three months and nine months ended September 30, 2019 and 2018**

(Expressed in United States Dollars)

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	\$	\$	\$	\$
Operating activities				
Profit/(loss) before income tax	46,123	(330,644)	229,364	(2,283,747)
Adjustments for items not involving cash:				
- Depreciation	185,621	190,697	561,062	597,421
- Share-based payment	-	489	-	1,452
- Share of results of associates	-	26	-	4,311
- Gain on disposal of property, plant and equipment	-	-	-	(35,881)
- Gain on disposal of financial assets	(501,609)	-	(527,051)	(1,518)
- Fair value (gain)/loss on financial assets at fair value through profit or loss	(24,873)	70,266	(1,103,669)	1,078,846
- Loss on dissolution of a subsidiary	-	-	74,775	-
- Exchange loss	120,057	35,214	110,930	227,227
- Dividend income	(107,786)	(107,786)	(107,786)	(107,786)
- Interest income	(224,312)	(243,689)	(712,901)	(777,191)
- Interest expense	3,434	-	3,434	9,075
	(503,345)	(385,427)	(1,471,842)	(1,287,791)
Working capital adjustments:				
- Prepayments, deposits and other receivables	311,725	79,521	196,921	1,583
- Other payables, receipts in advance and accrued liabilities	63,292	150,852	(1,289,703)	(253,442)
Net cash flow used in operating activities	(128,328)	(155,054)	(2,564,624)	(1,539,650)
Financing activities				
Interest paid	(3,434)	-	(3,434)	(9,075)
Shares repurchased	(1,860)	(3,750)	(25,048)	(3,750)
Repayment of lease liabilities	(1,021)	-	(1,021)	-
Dividend paid	-	-	(368,102)	(387,227)
Repayment of bank loan	-	-	-	(1,011,326)
Net cash flow used in financing activities	(6,315)	(3,750)	(397,605)	(1,411,378)
Investing activities				
Interest received	224,312	243,689	712,901	776,035
Dividend received	107,786	107,786	107,786	107,786
Additions of property, plant and equipment	(19,319)	(3,113)	(48,226)	(11,347)
Additions of exploration and evaluation assets	(402,346)	(32,022)	(494,424)	(32,022)
Proceeds from disposal of property, plant and equipment	-	-	-	41,251
Net acquisition of unlisted investments	(221,653)	-	(24,606)	(257,400)
Net disposal/(acquisition) of listed securities	2,801,330	-	2,801,330	(193,399)
Net disposal/(addition) of debentures	1,000,000	-	2,006,540	(399,604)
Net maturity/(addition) of certificate of deposit	1,000,000	-	(1,770)	499,825
Net proceeds from disposal of equity interest in an associate	-	58,803	-	58,803
Repayment from a related company	350,578	-	2,440,033	-
Net cash flow from investing activities	4,840,688	375,143	7,499,564	589,928
Increase/(decrease) in cash and cash equivalents	4,706,045	216,339	4,537,335	(2,361,100)
Effect of foreign exchange rate changes	(201,265)	(83,846)	(201,265)	(415,675)
Cash and cash equivalents at beginning of the period	16,908,530	16,158,205	17,077,240	19,067,473
Cash and cash equivalents at end of the period	21,413,310	16,290,698	21,413,310	16,290,698

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

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Notes to Condensed Interim Financial Statements

For the quarter ended September 30, 2019

(Express in United States Dollars)

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, Montréal, Québec G3A 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 these interim periods 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 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. Save for IFRS 16, 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.

Change in Accounting Policies

IFRS 16 – Leases

The Company adopted IFRS 16 – Leases (“IFRS 16”) which replaced IAS 17 – Leases and IFRIC 4 – Determining Whether an Arrangement Contains a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applied in IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less), leases with certain variable lease payments and leases of low-value assets. As the Group has no operating lease contract as lessee with remaining lease term of more than 1 year at January 1, 2019,

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the adoption of the IFRS 16 has no impact on the Group's consolidated financial statements at December 31, 2018 and June 30, 2019.

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended December 31, 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from January 1, 2019.

Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the fixed lease payments or a change in assessment to purchase the underlying asset.

Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

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Notes to Condensed Interim Financial Statements

For the quarter ended September 30, 2019

(Express in United States Dollars)

Amounts recognized in the interim consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities in relation an office premises and the movement during the period are as follow:

	Right-of-use assets	Lease liabilities
	\$	\$
At January 1, 2019	-	-
Additions	421,844	421,844
Depreciation charge	(7,812)	-
Interest expense	-	3,434
Payments	-	(4,454)
At September 30, 2019	414,032	420,824

The lease liabilities were discounted at a discount rate of 4.9%.

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").

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

As at	September 30, 2019	December 31, 2018
	\$	\$
Segment assets		
Investment business	12,425,106	18,166,475
Mining business	34,953,674	35,933,210
Total segment assets	47,378,780	54,099,685
Unallocated	28,652,871	23,990,891
Consolidated assets	76,031,651	78,090,576
Segment liabilities		
Investment business	63,715	135,430
Mining business	845,564	1,848,023
Total segment liabilities	909,279	1,983,453
Unallocated	1,711,262	1,505,967
Consolidated liabilities	2,620,541	3,489,420

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Notes to Condensed Interim Financial Statements

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(Express in United States Dollars)

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

For the nine months ended	September 30, 2019	September 30, 2018
	\$	\$
Segment revenue and results		
Investment business	2,494,746	(227,252)
Mining business	(451,188)	(511,198)
	2,043,558	(738,450)
Other income and gains	87,232	159,994
Unallocated corporate expenses	(1,708,271)	(1,500,404)
Gain on disposal of property, plant and equipment	-	35,881
Loss on dissolution of a subsidiary	(74,775)	-
Exchange loss	(110,930)	(227,227)
Finance costs	(7,450)	(13,541)
Profit/(loss) before income tax	229,364	(2,283,747)

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents were held in following locations:

Location	September 30, 2019	December 31, 2018
	\$	\$
Canada	865,562	233,120
Hong Kong	19,785,227	13,717,374
China	762,521	3,126,746
Total	21,413,310	17,077,240

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 September 30, 2019, the prepayments, deposits and other receivables 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"), loan and interest receivable of \$1,066,574 due from China Precision Material Limited ("CPM"), a subsidiary of Loco Hong Kong Holdings Limited ("LocoHK") and interest receivables from debentures of \$76,867 (December 31, 2018: \$123,035).

The Group owned 1,500,000 shares of LocoHK which is classified as financial assets as disclosed in note 7 to the financial statements. In July 2019, CPM ceased to be a related company when Mr. Felipe Tan resigned as director of LocoHK and CPM and the amount due from CPM is reclassified from amount due from a related company to other receivables in this quarter. Please refer to note 10 to the financial statements for details of the loan terms.

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Notes to Condensed Interim Financial Statements

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(Express in United States Dollars)

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 nine months ended September 30, 2019, the Group received interest income of \$193,957 (2018: \$195,500) from loan to Dragon Silver.

7. FINANCIAL ASSETS

As at	September 30, 2019	December 31, 2018
	\$	\$
Current		
Listed securities	113,900	1,476,718
Unlisted investments	-	197,047
Debentures	197,706	680,183
	311,606	2,353,948
Non-current		
Listed securities	151,721	151,721
Unlisted investments	1,818,673	1,595,753
Debentures	4,597,095	5,928,448
	6,567,489	7,675,922
Total	6,879,095	10,029,870

As at September 30, 2019, the listed securities represented the investment in listed shares in Hong Kong and Canada. The fair value of the investment is determined with reference to quoted market price.

Unlisted investments mainly represented a 9.90% interest in Dragon Silver which is a company incorporated in Hong Kong engaged in metal trading and processing of \$1,595,753. For the nine months ended September 30, 2019, there was no change in fair value for the investment in Dragon Silver but there was fair value gain from the other unlisted investments of \$1,267 (September 30, 2018: nil).

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

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 November 4, 2019 and perpetual (December 31, 2018: November 3, 2019 and perpetual).

GobiMin Inc.**Notes to Condensed Interim Financial Statements****For the quarter ended September 30, 2019**

(Express in United States Dollars)

8. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land & buildings	Leasehold improvements	Furniture, fixture & equipment	Computer hardware & equipment	Motor vehicles	Total
Cost:	\$	\$	\$	\$	\$	\$
At January 1, 2018	15,712,195	237,107	415,726	602	890,458	17,256,088
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)
At December 31, 2018	15,386,947	239,025	421,106	571	770,829	16,818,478
Exchange difference	(221,683)	-	(13,198)	(21)	(24,892)	(259,794)
Additions	15,273	7,240	25,713	-	-	48,226
At September 30, 2019	15,180,537	246,265	433,621	550	745,937	16,606,910
Depreciation and impairment:						
At January 1, 2018	2,230,449	222,719	350,434	602	825,422	3,629,626
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
Eliminated on disposals	-	-	-	-	(80,544)	(80,544)
At December 31, 2018	2,804,420	236,315	355,310	571	732,652	4,129,268
Exchange difference	(35,755)	-	(10,969)	(21)	(23,647)	(70,392)
Depreciation for the period	454,477	1,562	8,961	-	526	465,526
At September 30, 2019	3,223,142	237,877	353,302	550	709,531	4,524,402
Net book value:						
At December 31, 2018	12,582,527	2,710	65,796	-	38,177	12,689,210
At September 30, 2019	11,957,395	8,388	80,319	-	36,406	12,082,508

As at September 30, 2019, the carrying amount of property, plant and equipment which were located in Hong Kong amounted to \$6,983,033 (December 31, 2018: \$7,255,509). The remaining property, plant and equipment were located in China.

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Notes to Condensed Interim Financial Statements

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(Express in United States Dollars)

9. EXPLORATION AND EVALUATION ASSETS

	Total
Cost:	\$
At January 1, 2018	31,533,596
Exchange difference	94,613
Disposals	(1,750,663)
At December 31, 2018	29,877,546
Cost:	\$
At January 1, 2019	29,877,546
Exchange difference	(827,499)
Additions	494,424
At September 30, 2019	29,544,471

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, it has been renewed to August 22, 2021 with original received in September 2019.

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.

10. AMOUNT DUE FROM A RELATED COMPANY

As at December 31, 2018, the amount due from a related company represented a loan of \$3,500,000 to CPM, a subsidiary of LocoHK whereas 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 outstanding balance of \$1,066,574 as at September 30, 2019 has been reclassified as other receivables as disclosed in note 6 to the financial statements.

The loan to CPM is unsecured, bears interest at the rate of 3.5% per annum and has been repaid on October 4, 2019.

11. OTHER PAYABLES, RECEIPTS IN ADVANCE AND ACCRUED LIABILITIES

As at September 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.

As at	September 30, 2019	December 31, 2018
	\$	\$
Other payables	855,335	1,830,644
Accrued liabilities	143,378	391,550
Receipts in advance	63,715	135,430
Deposit received	10,182	4,689
Total	1,072,610	2,362,313

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12. SHARE CAPITAL AND STOCK OPTIONS

12.1 Common Shares

	Number	Amount
<u>Authorized:</u>		\$
Unlimited number of common shares		
<u>Issued and outstanding:</u>		
At January 1, 2018	50,005,482	22,096,211
Shares repurchased and cancelled	(93,500)	(41,316)
At December 31, 2018	49,911,982	22,054,895
Shares repurchased and cancelled	(99,500)	(43,967)
At September 30, 2019	49,812,482	22,010,928

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 nine months ended September 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 ("NCIB")

On August 1, 2019, GobiMin was granted approval by TSX Venture Exchange to renew its normal course issuer bid to repurchase up to an additional 2,491,074 common shares, representing approximately 5% of the then common shares outstanding ("2019 NCIB"). Purchases are expected to be made in accordance with applicable regulations over a maximum period of 12 months commencing on August 8, 2019 and ended on August 7, 2020 or on such earlier date as GobiMin may complete its purchases pursuant to the 2019 NCIB or as it may otherwise determine. For the nine months ended September 30, 2019, a total of 99,500 common shares were repurchased at an aggregate cost of \$25,048 (CAD33,901), of which 90,500 common shares were repurchased under the NCIB for 2018 and the remaining 9,000 common shares were repurchased under the 2019 NCIB.

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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:

For the nine months ended	September 30, 2019		September 30, 2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of the period	280,000	\$ 0.37	280,000	\$ 0.37
Forfeited during the period	(20,000)	0.37	-	-
Outstanding, end of the period	260,000	0.37	280,000	0.37

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

Exercise Price	Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
CAD	\$		(Years)	\$		(Years)	\$
At September 30, 2019							
0.50	0.37	260,000	0.25	0.37	260,000	0.25	0.37
At December 31, 2018							
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

<u>For the three months ended</u>	<u>September 30, 2019</u>	<u>September 30, 2018</u>
Net earnings/(loss) attributable to shareholders		
Basic and diluted	\$71,869	(\$297,233)
Weighted average number of shares outstanding		
Basic and diluted	49,817,689	49,996,656
Basic and diluted earnings/(loss) per share	\$0.001	(\$0.006)
<hr/>		
<u>For the nine months ended</u>	<u>September 30, 2019</u>	<u>September 30, 2018</u>
Net earnings/(loss) attributable to shareholders		
Basic and diluted	\$329,566	(\$2,188,069)
Weighted average number of shares outstanding		
Basic and diluted	49,860,931	50,002,508
Basic and diluted earnings/(loss) per share	\$0.007	(\$0.044)

For the three months ended and nine months ended September 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 three months ended and nine months ended September 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 DISSOLUTION 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 in obtaining suitable land use rights, the subsidiary was 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.

<u>For the nine months ended</u>	<u>September 30, 2019</u>
	\$
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)
Loss on dissolution of a subsidiary	(74,775)

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14. RELATED PARTY TRANSACTIONS

14.1 Key management compensation

The remuneration of key management and directors was as follows:

For the three months ended	September 30, 2019	September 30, 2018
	\$	\$
Wages, fees and other benefits	102,840	92,436
Payment to defined contribution plans	753	756
Share-based payment	-	314
	103,593	93,506

For the nine months ended	September 30, 2019	September 30, 2018
	\$	\$
Wages, fees and other benefits	274,684	308,459
Payment to defined contribution plans	2,260	2,269
Share-based payment	-	622
	276,944	311,350

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:

Relationship	Type of transactions	For the three months ended	
		September 30, 2019	September 30, 2018
		\$	\$
Companies in which a director of the Company has equity interest	Rental income	11,427	11,907
	Share of office common expenses	1,435	1,244
A company with a common director who has controlling interest in the Company	Rental income	8,365	30,116
	Interest income	2,234	30,876
	Share of office common expenses and staff cost	-	25,420

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Relationship	Type of transactions	For the nine months ended	
		September 30, 2019	September 30, 2018
		\$	\$
Companies in which a director of the Company has equity interest	Rental income	35,503	36,119
	Share of office common expenses	3,770	3,142
A company with common director who has controlling interest in the Company	Rental income	50,193	90,348
	Interest income	61,486	91,623
	Share of office common expenses and staff cost	8,335	76,230
A company controlled by a director	Disposal of property, plant and equipment (Note)	-	41,251
Director of the Company	Purchase of property, plant and equipment	-	2,806

Note: For the nine months ended September 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:

As at September 30, 2019	Contract Date	Contracted Sum	Capital Commitments
		\$	\$
Mine design and related facilities	October 31, 2011	1,131,326	622,229
Office building renovation	March 2, 2013	1,856,772	828,398
Research on gold processing method	June 20, 2018	240,407	169,699
Total capital commitments for the Gold Project		3,228,505	1,620,326

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:

As at	September 30, 2019	December 31, 2018
	\$	\$
Within one year	71,620	47,584
In the second to fifth years inclusive	215,861	277,396
Total future minimum lease receivables	287,481	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.

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	\$	\$	\$	\$
<u>As at September 30, 2019</u>				
Listed securities	265,621	-	-	265,621
Unlisted investments	-	222,920	1,595,753	1,818,673
Debentures	4,794,801	-	-	4,794,801
	5,060,422	222,920	1,595,753	6,879,095
<u>As at December 31, 2018</u>				
Listed securities	1,628,439	-	-	1,628,439
Unlisted investments	-	197,047	1,595,753	1,792,800
Debentures	6,608,631	-	-	6,608,631
	8,327,070	197,047	1,595,753	10,029,870

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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 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, deposit paid to a related party 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 and the related company 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 September 30, 2019, the Group held cash and cash equivalents of \$21,413,310 and net current assets of \$23,794,980. 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.

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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 \$73,411,110 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 adjustments 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

For the period from October 1, 2019 to November 21, 2019, a total of 27,000 common shares were repurchased at an aggregate cost of \$5,935 (CAD8,033) under the NCIB. All shares repurchased will be/have been returned to treasury for cancellation.