

GobiMin Inc.

(Incorporated in Canada under the Canada Business Corporations Act)

Condensed Interim Financial Statements (unaudited)

March 31, 2020

(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 March 31, 2020 and December 31, 2019
(Expressed in United States Dollars)

	<i>Note</i>	March 31, 2020	December 31, 2019
ASSETS		\$	\$
Current			
Cash and cash equivalents	5	16,495,032	17,777,915
Prepayments, deposits and other receivables	6	6,591,010	4,794,314
Financial assets	7	391,454	1,208,037
Total current assets		23,477,496	23,780,266
Non-current			
Property, plant and equipment	8	9,929,130	10,184,927
Investment properties	9	6,101,792	6,283,828
Exploration and evaluation assets	10	29,506,534	30,189,063
Right-of-use assets	12	386,789	408,209
Financial assets	7	4,275,063	5,173,980
Total non-current assets		50,199,308	52,240,007
Total assets		73,676,804	76,020,273
LIABILITIES			
Current			
Other payables, receipts in advance and accrued liabilities	11	1,208,540	1,278,048
Income taxes payable		1,124,615	1,124,615
Lease liabilities	12	61,679	64,180
Total current liabilities		2,394,834	2,466,843
Non-current			
Lease liabilities	12	351,850	354,390
Total non-current liabilities		351,850	354,390
Total liabilities		2,746,684	2,821,233
SHAREHOLDERS' EQUITY			
Share capital	13	21,862,900	21,936,915
Reserves and retained earnings		49,030,572	51,195,822
Equity attributable to shareholders of the Company		70,893,472	73,132,737
Non-controlling interests		36,648	66,303
Total shareholders' equity		70,930,120	73,199,040
Total liabilities and shareholders' equity		73,676,804	76,020,273

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

APPROVED BY THE BOARD ON May 27, 2020 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 ended March 31, 2020 and 2019
(Expressed in United States Dollars)

	<i>Note</i>	Three Months Ended	
		March 31, 2020	March 31, 2019
		\$	\$
Interest income		142,437	247,838
Rental income		50,163	80,460
(Loss)/gain on disposal of financial assets		(35,885)	24,696
Fair value (loss)/gain on financial assets at fair value through profit or loss		(402,317)	961,832
Gross (loss)/profit		(245,602)	1,314,826
General and administrative expenses		(726,389)	(730,858)
Operating (loss)/profit		(971,991)	583,968
Exchange loss		(250,299)	(43)
Finance costs		(6,970)	(2,123)
Net (loss)/profit for the period		(1,229,260)	581,802
Other comprehensive (loss)/income, net of tax			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent period:			
Exchange differences on translation of foreign operations		(1,012,220)	(9)
Total comprehensive (loss)/income for the period		(2,241,480)	581,793
(Loss)/profit for the period attributable to:			
Shareholders of the Company		(1,201,200)	619,029
Non-controlling interests		(28,060)	(37,227)
		(1,229,260)	581,802
Total comprehensive (loss)/income for the period attributable to:			
Shareholders of the Company		(2,211,825)	619,020
Non-controlling interests		(29,655)	(37,227)
		(2,241,480)	581,793
Net (loss)/earnings per share			
Basic and diluted	13.7	(0.024)	0.012
Weighted average number of shares outstanding		Share	Share
Basic and diluted	13.7	49,604,455	49,911,068

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

GobiMin Inc.
Condensed Interim Statements of Changes in Equity (Unaudited)
For the three months ended March 31, 2020 and 2019
(Expressed in United States Dollars)

	Attributable to shareholders of the Company						Non-controlling interests	Total equity
	Share capital Note 13.1	Contributed surplus	Share option reserve	General reserve Note 13.3	Translation reserve Note 13.4	Retained earnings		
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	-	-	-	-	-	619,029	(37,227)	581,802
Other comprehensive loss	-	-	-	-	(9)	-	-	(9)
Total comprehensive income/(loss)	-	-	-	-	(9)	619,029	(37,227)	581,793
Share repurchased	(3,093)	-	-	-	-	1,787	-	(1,306)
At March 31, 2019	22,051,802	2,399,939	37,060	501,965	(640,374)	50,728,888	102,363	75,181,643
At January 1, 2020	21,936,915	2,399,939	-	501,965	(1,181,599)	49,475,517	66,303	73,199,040
Loss for the period	-	-	-	-	-	(1,201,200)	(28,060)	(1,229,260)
Other comprehensive loss	-	-	-	-	(1,010,625)	-	(1,595)	(1,012,220)
Total comprehensive loss	-	-	-	-	(1,010,625)	(1,201,200)	(29,655)	(2,241,480)
Share repurchased	(74,015)	-	-	-	-	46,575	-	(27,440)
At March 31, 2020	21,862,900	2,399,939	-	501,965	(2,192,224)	48,320,892	36,648	70,930,120

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

GobiMin Inc.
Condensed Interim Statements of Cash Flows (Unaudited)
For the three months ended March 31, 2020 and 2019
(Expressed in United States Dollars)

	Three Months Ended	
	March 31, 2020	March 31, 2019
	\$	\$
Operating activities		
Net (loss)/profit for the period	(1,229,260)	581,802
Adjustments for items not involving cash:		
- Depreciation	236,877	188,196
- Loss/(gain) on disposal of financial assets	35,885	(24,696)
- Fair value loss/(gain) on financial assets at fair value through profit or loss	402,317	(961,832)
- Exchange difference	250,299	43
- Interest income	(142,437)	(247,838)
- Interest expense	5,025	-
	(441,294)	(464,325)
Working capital adjustments:		
- Prepayments, deposits and other receivables	(169,566)	(96,201)
- Other payables, receipts in advance and accrued liabilities	(69,508)	(578,006)
Net cash flow used in operating activities	(680,368)	(1,138,532)
Financing activities		
Shares repurchased	(27,440)	(1,306)
Net cash flow used in financing activities	(27,440)	(1,306)
Investing activities		
Interest received	142,437	247,838
Additions of property, plant and equipment	-	(15,823)
Additions of exploration and evaluation assets	(43,444)	(46,758)
Net disposal/mature of debentures	1,486,040	1,503,290
Addition of certificate of deposit	-	(2,097,968)
Deposit to a brokerage firm	(2,000,000)	-
Disposal of equity investment	-	197,047
Net cash flow used in investing activities	(414,967)	(212,374)
Decrease in cash and cash equivalents	(1,122,775)	(1,352,212)
Effect of foreign exchange rate changes on cash	(160,108)	-
Cash and cash equivalents at beginning of the period	17,777,915	17,077,240
Cash and cash equivalents at end of the period	16,495,032	15,725,028

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

GobiMin Inc.
Notes to Condensed Interim Financial Statements
For the quarter ended March 31, 2020
(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, Montreal, Quebec H3A 3G4, Canada.

The Group is principally engaged in the investment in properties, equity, debt or other securities as well as direct ownership stakes in projects, including the development of mineral properties, mainly in the Xinjiang Uygur Autonomous Region (“Xinjiang”) of the People’s Republic of China (“China”).

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, 2019. Operating results for this interim period is 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, 2019.

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, 2019, except for those that relate to new or revised International Financial Reporting Standards (“IFRS”) effective from January 1, 2020. 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 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”).

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(a) **Segment information for assets and liabilities**

As at	March 31, 2020	December 31, 2019
	\$	\$
Segment assets		
Investment Business	17,204,081	17,340,901
Mining Business	34,326,532	35,233,683
Total segment assets	51,530,613	52,574,584
Unallocated	22,146,191	23,445,689
Consolidated assets	73,676,804	76,020,273
Segment liabilities		
Investment Business	65,962	62,804
Mining Business	836,920	883,099
Total segment liabilities	902,882	945,903
Unallocated	1,843,802	1,875,330
Consolidated liabilities	2,746,684	2,821,233

(b) **Segment information for operating results**

For the three months ended	March 31, 2020	March 31, 2019
	\$	\$
Segment revenue and results		
Investment Business	(346,208)	1,186,892
Mining Business	(123,082)	(162,571)
	(469,290)	1,024,321
Other income and gains	8,051	37,025
Unallocated corporate expenses	(510,752)	(477,378)
Exchange loss	(250,299)	(43)
Finance costs	(6,970)	(2,123)
Loss before income tax	(1,229,260)	581,802

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents were held in following locations:

Location	March 31, 2020	December 31, 2019
	\$	\$
Canada	707,514	842,486
Hong Kong	15,378,268	16,377,836
China	409,250	557,593
Total	16,495,032	17,777,915

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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 approximated their carrying values at the respective year end.

6. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

As at	March 31, 2020	December 31, 2019
	\$	\$
Prepayments	37,545	34,122
Loan	4,636,105	4,594,645
Deposits	1,793,000	37,171
Other receivables	124,360	128,376
	6,591,010	4,794,314

As at March 31, 2020, the loan balance represented a loan to Mr. Wu Donghai (“Borrower”), a controlling shareholder and director of Dragon Silver Holdings Limited (“Dragon Silver”), secured by a property owned by the Borrower in Hong Kong, bearing an interest at the rate of 3.5% per annum and was repayable on demand. No significant increase in credit risk was noted since initial recognition and the Group had assessed the credit risk of the loan and considered default possibility was minimal.

Deposits mainly represent cash balance maintain at a brokerage firm registered in Hong Kong for trading of listed securities, futures, options and indexes.

Other receivables mainly composed of interest receivables from listed debt instruments and the Group considered the default possibility was minimal.

7. FINANCIAL ASSETS

As at		March 31, 2020	December 31, 2019
		\$	\$
Current			
Listed securities	<i>(a)</i>	186,634	11,301
Debentures	<i>(b)</i>	204,820	1,196,736
		391,454	1,208,037
Non-current			
Listed securities	<i>(a)</i>	27,295	93,794
Debentures	<i>(b)</i>	2,637,310	3,439,592
Unlisted investments	<i>(c)</i>	1,610,458	1,640,594
		4,275,063	5,173,980
Total		4,666,517	6,382,017

(a) As at March 31, 2020, the listed securities represented investment in listed shares, futures and options trading worldwide (December 31, 2019: listed shares in Hong Kong and Canada). The fair value of the investment is

GobiMin Inc.**Notes to Condensed Interim Financial Statements****For the quarter ended March 31, 2020**

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determined with reference to quoted market price. For the three months ended March 31, 2020, the Group recognized a fair value loss of \$80,397 (March 31, 2019: fair value gain of \$893,151)

- (b) Debentures represent the debentures held by the Group with coupon rates ranging from 4.250% to 7.375% (December 31, 2019: 4.250% to 7.750%) per annum and maturities ending between November 4, 2020 and perpetual (December 31, 2019: January 17, 2020 and perpetual).
- (c) Unlisted investments mainly composed of a 9.90% interest in Dragon Silver which is a company incorporated in Hong Kong engaged in metal trading and processing with fair value of \$1,407,562 at March 31, 2020 (December 31, 2019: \$1,407,562).

8. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land & buildings	Leasehold improvements	Furniture, fixture & equipment	Computer hardware & equipment	Motor vehicles	Total
Cost:	\$	\$	\$	\$	\$	\$
At January 1, 2019	15,386,947	239,025	421,106	571	770,829	16,818,478
Exchange difference	(151,465)	(529)	(7,925)	(13)	(14,894)	(174,826)
Additions	15,497	7,346	23,832	-	-	46,675
Transfer to investment properties	(2,167,906)	-	-	-	-	(2,167,906)
At December 31, 2019	13,083,073	245,842	437,013	558	755,935	14,522,421
Exchange difference	(150,460)	(176)	(9,509)	(14)	(16,853)	(177,012)
At March 31, 2020	12,932,613	245,666	427,504	544	739,082	14,345,409
Depreciation:						
At January 1, 2019	2,804,420	236,315	355,310	571	732,652	4,129,268
Exchange difference	(25,096)	(523)	(6,598)	(13)	(14,151)	(46,381)
Transfer to investment properties	(368,544)	-	-	-	-	(368,544)
Depreciation for the year	608,817	1,807	11,827	-	700	623,151
At December 31, 2019	3,019,597	237,599	360,539	558	719,201	4,337,494
Exchange difference	(30,208)	(4)	(7,698)	(14)	(16,010)	(53,934)
Depreciation for the period	129,055	245	3,244	-	175	132,719
At March 31, 2020	3,118,444	237,840	356,085	544	703,366	4,416,279
Net book value:						
At December 31, 2019	10,063,476	8,243	76,474	-	36,734	10,184,927
At March 31, 2020	9,814,169	7,826	71,419	-	35,716	9,929,130

As at March 31, 2020, the carrying amount of property, plant and equipment located in Hong Kong amounted to \$5,009,328 (December 31, 2019: \$5,077,939). The remaining property, plant and equipment were located in China.

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9. INVESTMENT PROPERTIES

Cost:	\$
At January 1, 2019	2,551,387
Exchange difference	(52,670)
Additions	3,126,564
Transfer from leasehold land and buildings	2,167,906
At December 31, 2019	7,793,187
Exchange difference	(113,027)
At March 31, 2020	7,680,160
Depreciation:	
At January 1, 2019	1,040,273
Exchange difference	(18,137)
Transfer from leasehold land and buildings	368,544
Depreciation for the year	118,679
At December 31, 2019	1,509,359
Exchange difference	(23,545)
Depreciation for the period	92,554
At March 31, 2020	1,578,368
Net book value:	
At December 31, 2019	6,283,828
At March 31, 2020	6,101,792

Investment properties are commercial properties, of which \$4,329,529 (December 31, 2019: \$4,484,466) are located in China and \$1,772,263 (December 31, 2019: 1,799,362) are located in Hong Kong. Other than the investment properties of \$3,126,564 purchased in December 2019 that were vacant as at March 31, 2020, the other investment properties were leased to third parties and related parties (note 14.2) with fixed lease payments. The estimated fair value of the investment properties as at March 31, 2020 was approximately \$8,536,247 (December 31, 2019: \$9,180,367). The estimated fair value was determined by management assessment in reference to recent market prices for similar properties in the same locations and similar conditions.

10. EXPLORATION AND EVALUATION ASSETS

Cost:	\$
At January 1, 2019	29,877,546
Addition	713,387
Exchange difference	(401,870)
At December 31, 2019	30,189,063
Addition	43,444
Exchange difference	(725,973)
At March 31, 2020	29,506,534

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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 an expiry date on December 23, 2019 and renewal application has been accepted by both the Department of Land and Resources of Wuqia County and the Department of Land and Resources of Kezilesu Prefecture on March 28, 2020 and May 14, 2020 respectively. After obtained both acceptance letter, we are eligible to continue the renewal process with the Department of Land and Resources of Xinjiang Province where we already submitted the required documents electronically on March 31, 2020. The renewal application of the mining licence will be processed pending the reassessment of reserve by the Department of Land and Resources as well as payment for mining royalties based on the assessed reserve. The renewed exploration licence has been received in September 2019 with expiry date on August 22, 2021.

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.

11. OTHER PAYABLES, RECEIPTS IN ADVANCE AND ACCRUED LIABILITIES

As at March 31, 2020 and December 31, 2019, the balances of other payables, receipts in advance and accrued liabilities comprised mainly the payables 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	March 31, 2020	December 31, 2019
	\$	\$
Other payables	914,246	931,554
Accrued liabilities	218,249	273,359
Receipts in advance	65,962	62,804
Deposit received	10,083	10,331
Total	1,208,540	1,278,048

12. LEASES

(a) Right-of-Use Assets

The Group has lease contract for office premise with lease terms of 9 years. The carrying amounts of the right-of-use assets and the movements are as follows:

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Cost:	\$
At January 1, 2019	-
Additions	428,025
At December 31, 2019	428,025
Exchange difference	(10,293)
At March 31, 2020	417,732
Depreciation:	
At January 1, 2019	-
Depreciation for the year	19,816
At December 31, 2019	19,816
Exchange difference	(477)
Depreciation for the period	11,604
At March 31, 2020	30,943
Net book value:	
At December 31, 2019	408,209
At March 31, 2020	386,789

(b) Lease Liabilities

The carrying amount of lease liabilities and the movements are as follows:

	\$
Carrying amount at January 1, 2019	-
New leases	428,025
Accretion of interest recognized	8,625
Payments	(18,080)
Carrying amount at December 31, 2019	418,570
Accretion of interest recognized	5,025
Exchange difference	(10,066)
Carrying amount at March 31, 2020	413,529
Lease liabilities repayable:	
Within 1 year	61,679
After 2 years but within 5 years	207,538
After 5 years	144,312
	413,529

The effective interest rate used to calculate the lease liabilities is 4.9% per annum with reference to the Loan Prime Rate published by the People's Bank of China effective for the year 2020.

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The Group has not paid monthly rental since January 2020 and has been negotiating with the landlord for early termination of the tenancy agreement. The Group expects that the impact on the financial position of the Group resulting from the early termination is minimal.

13. SHARE CAPITAL AND STOCK OPTIONS

13.1 Common Shares

	Number	Amount
<u>Authorized:</u>		\$
Unlimited number of common shares		
<u>Issued and outstanding:</u>		
At January 1, 2019	49,911,982	22,054,895
Shares repurchased and cancelled	(267,000)	(117,980)
At December 31, 2019	49,644,982	21,936,915
Shares repurchased and cancelled	(167,500)	(74,015)
At March 31, 2020	49,477,482	21,862,900

13.2 Preferred Shares

The Company did not authorize or issue any preferred shares.

13.3 General Reserve

The general reserve represents statutory reserves of the Group's Chinese operating subsidiaries. During the three months ended March 31, 2020, there was no movement in the general reserve.

13.4 Translation Reserve

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

13.5 Normal Course Issuer Bid

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 (2018: 2,500,274) common shares, representing approximately 5% of the then common shares outstanding ("2019/2020 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 ending on August 7, 2020 or on such earlier date as GobiMin may complete its purchases pursuant to the 2019/2020 NCIB or as it may otherwise determine. For the three months ended March 31, 2020, a total of 167,500 common shares were repurchased at an aggregate cost of \$27,440 (CAD39,056). All shares repurchased have been returned to treasury for cancellation.

13.6 Stock Options

On May 26, 2005, the Company adopted a resolution cancelling all 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, 2019: 6,700,000) common shares were reserved for issuance pursuant to the exercise of options to be granted under the plan.

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

For the three months ended	March 31, 2020		March 31, 2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
		\$		\$
Outstanding, beginning of the period	-	-	280,000	0.37
Forfeited during the period	-	-	(10,000)	0.37
Outstanding, end of the period	-	-	270,000	0.37

b) **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.

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

For the three months ended	March 31, 2020	March 31, 2019
Net (loss)/earnings attributable to shareholders		
Basic and diluted	(1,201,200)	619,029
Weighted average number of shares outstanding		
Basic and diluted	49,604,455	49,911,068
Basic and diluted (loss)/earnings per share	(\$0.024)	\$0.012

For the three months ended March 31, 2020, there was no stock options outstanding and as such, there is no dilutive effect on the outstanding shares of the Company.

For the three months March 31, 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.

14. **RELATED PARTY TRANSACTIONS**

14.1 **Key management compensation**

The remuneration of key management and directors was as follows:

For the three months ended	March 31, 2020	March 31, 2019
	\$	\$
Salaries, fees and other benefits	97,467	72,069
Payment to defined contribution plans	1,464	579
	98,931	72,648

14.2 **Related party transactions**

In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties. These transactions were conducted in the normal course of the Group's business with terms mutually agreed by both parties.

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For the three months ended		March 31, 2020	March 31, 2019
Relationship	Type of transactions		
		\$	\$
Companies in which a director of the Company has equity interest	Rental income	17,159	12,038
	Share of office common expenses	4,136	903
A company with a common director who has controlling interest in the Company	Rental income	-	25,097
	Interest income	-	30,205
	Share of office common expenses and staff cost	-	4,515

15. COMMITMENTS

15.1 Capital commitments

The Group has the following capital commitment:

As at March 31, 2020	Contract Date	Contracted Sum	Capital Commitments
		\$	\$
Mine design and related facilities	October 31, 2011	1,120,297	616,163
Office building renovation	March 2, 2013	1,838,671	821,946
Research on gold processing method	June 20, 2019	238,063	98,026
Total capital commitments for the Gold Project		3,197,031	1,536,135

15.2 Operating lease commitments

The Group as Lessor

The Group, as lessor, 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	March 31, 2020	December 31, 2019
	\$	\$
Within one year	70,615	3,907
In the second to fifth years inclusive	167,111	195,350
Total future minimum lease receivables	237,726	199,257

16. FINANCIAL INSTRUMENTS

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.

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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.

	Fair Value Measurements at Reporting Date Using			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<u>As at March 31, 2020</u>				
Listed securities	213,929	-	-	213,929
Unlisted investments	-	202,896	1,407,562	1,610,458
Debentures	2,842,130	-	-	2,842,130
	3,056,059	202,896	1,407,562	4,666,517
<u>As at December 31, 2019</u>				
Listed securities	105,095	-	-	105,095
Unlisted investments	-	233,032	1,407,562	1,640,594
Debentures	4,636,328	-	-	4,636,328
	4,741,423	233,032	1,407,562	6,382,017

17. RISK MANAGEMENT

17.1 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.

a) 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 currently has not hedged its exposure to currency fluctuations. However, the Group will keep monitoring the exposure of exchange rate risk and will consider utilizing applicable derivatives to hedge against the risk when necessary.

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

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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.

b) **Credit Risk**

The Group is exposed to credit risk with respect to cash and cash equivalents, deposits paid, loan receivable, other receivables 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. Deposits paid mainly composed of deposit paid to a licensed securities firm in Hong Kong that the risk of default is considered minimal. See note 6 for additional information related to loans receivable.

c) **Liquidity Risk**

Liquidity risk is the risk that the Group may encounter difficulties in meeting obligations associated with financial liabilities. As at March 31, 2020, the Group held cash and cash equivalents of \$16,495,032 and net current assets of \$21,082,661. 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.

d) **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.

17.2 COVID-19

In March 2020, the World Health Organization declared a global pandemic related to novel coronavirus ("COVID-19") and the public health containment measures in place to limit the spread of COVID-19 have significantly reduced economic activity. The Company has assessed the impacts of the COVID-19 pandemic on the Group's working capital and assessed whether the impact of COVID-19 has led to impairment of assets not stated at fair value, including (i) properties, plant and equipment, and exploration and evaluation assets of the Gold Project; (ii) investment properties and (iii) loan and receivables.

In making this judgment, management has assessed various criteria including, but not limited to, existing laws, regulations and potential disruptions in commodity prices and capital markets. As at March 31, 2020, management has determined that its general operation of business, working capital and the value of the Company's assets are not materially impacted. Considering the existing sound liquidity position of the Group, accompany with upward trend of gold price and positive progress with respect of the on-site industrial test of the Gold Project, there is no impairment indication related to the assets of the Gold Project. For investment properties and properties, plant and equipment which mainly composed of leasehold land and building, the decline in market value is still moderate and the fair value with reference to the recent market prices of similar properties in the same locations is higher or close to the carrying amount. For loan and receivables, we have assessed the value of the secured asset of the loan which is significant to cover the net balance of the

loan while the remaining receivables mainly represented deposit at registered brokerage firm in Hong Kong which are considered as readily cashable.

We have implemented several capital preservation strategies to cope with the downturn of the economy, including but not limited to suspension of dividend distribution, strengthening cost control measures and salary reduction programme. Meanwhile, the Company is exercising caution in conducting investment activities and will explore opportunities in a proactive manner.

18. 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 \$70,930,120 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.

19. EVENTS AFTER THE REPORTING DATE

For the period from April 1, 2020 to May 27, 2020, a total of 282,500 common shares were repurchased at an aggregate cost of \$42,104 (CAD59,929) under the NCIB. All shares repurchased will be/have been returned to treasury for cancellation.