

# **GobiMin Inc.**

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

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

**September 30, 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 September 30, 2020 and December 31, 2019**

(Expressed in United States Dollars)

		(Unaudited)	(Audited)
	<i>Note</i>	September 30, 2020	December 31, 2019
<b>ASSETS</b>		\$	\$
<b>Current</b>			
Cash and cash equivalents	5	18,342,341	17,777,915
Prepayments, deposits and other receivables	6	5,027,113	4,794,314
Financial assets	7	543,405	1,208,037
<b>Total current assets</b>		<b>23,912,859</b>	<b>23,780,266</b>
<b>Non-current</b>			
Property, plant and equipment	8	9,862,011	10,184,927
Investment properties	9	5,896,066	6,283,828
Exploration and evaluation assets	10	30,426,716	30,189,063
Right-of-use assets	12	-	408,209
Financial assets	7	4,367,991	5,173,980
<b>Total non-current assets</b>		<b>50,552,784</b>	<b>52,240,007</b>
<b>Total assets</b>		<b>74,465,643</b>	<b>76,020,273</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Other payables, receipts in advance and accrued liabilities	11	1,238,635	1,278,048
Income taxes payable		1,124,615	1,124,615
Lease liabilities	12	-	64,180
<b>Total current liabilities</b>		<b>2,363,250</b>	<b>2,466,843</b>
<b>Non-current</b>			
Lease liabilities	12	-	354,390
<b>Total non-current liabilities</b>		<b>-</b>	<b>354,390</b>
<b>Total liabilities</b>		<b>2,363,250</b>	<b>2,821,233</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	13	21,738,070	21,936,915
Reserves and retained earnings		50,527,648	51,195,822
<b>Equity attributable to shareholders of the Company</b>		<b>72,265,718</b>	<b>73,132,737</b>
Non-controlling interests		(163,325)	66,303
<b>Total shareholders' equity</b>		<b>72,102,393</b>	<b>73,199,040</b>
<b>Total liabilities and shareholders' equity</b>		<b>74,465,643</b>	<b>76,020,273</b>

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

APPROVED BY THE BOARD ON NOVEMBER 25, 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 and nine months ended September 30, 2020 and 2019 (Expressed in United States Dollars)

	Note	Three Months Ended		Nine Months Ended	
		September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
		\$	\$	\$	\$
Interest income		151,705	224,312	439,662	712,901
Rental income		44,646	54,703	148,167	218,295
Dividend Income		108,250	107,786	111,809	107,786
Other income	14	27,007	-	92,364	-
Gain on disposal of financial assets		141,638	501,609	229,463	527,051
Fair value (loss)/gain on financial assets at fair value through profit or loss		55,031	24,873	(153,382)	1,103,669
<b>Gross profit</b>		<b>528,277</b>	<b>913,283</b>	<b>868,083</b>	<b>2,669,702</b>
General and administrative expenses		(809,559)	(742,775)	(2,235,364)	(2,247,183)
<b>Operating (loss)/profit</b>		<b>(281,282)</b>	<b>170,508</b>	<b>(1,367,281)</b>	<b>422,519</b>
Written-off of property, plant and equipment		(260)	-	(7,158)	-
Loss on dissolution of a subsidiary		-	-	-	(74,775)
Impairment loss on investment properties	9	(167,866)	-	(167,866)	-
Written-off of exploration and evaluation assets	10	(389,115)	-	(389,115)	-
Exchange gain/(loss)		454,547	(120,057)	255,449	(110,930)
Finance costs		(549)	(4,328)	(8,148)	(7,450)
<b>Net (loss)/profit for the period</b>		<b>(384,525)</b>	<b>46,123</b>	<b>(1,684,119)</b>	<b>229,364</b>
<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 dissolution of a subsidiary		-	-	-	74,775
Exchange difference on translation of foreign operations		1,464,231	(1,322,938)	661,096	(1,101,035)
<b>Total comprehensive (loss)/income for the period</b>		<b>1,079,706</b>	<b>(1,276,815)</b>	<b>(1,023,023)</b>	<b>(796,896)</b>
<b>(Loss)/profit for the period attributable to:</b>					
Shareholders of the Company		(221,972)	71,869	(1,453,338)	329,566
Non-controlling interests		(162,553)	(25,746)	(230,781)	(100,202)
		<b>(384,525)</b>	<b>46,123</b>	<b>(1,684,119)</b>	<b>229,364</b>
<b>Total comprehensive (loss)/income for the period attributable to:</b>					
Shareholders of the Company		1,239,808	(1,243,924)	(793,395)	(755,382)
Non-controlling interests		(160,102)	(32,891)	(229,628)	(41,514)
		<b>1,079,706</b>	<b>(1,276,815)</b>	<b>(1,023,023)</b>	<b>(796,896)</b>
<b>(Loss)/earnings per share</b>					
Basic and diluted	13.7	(0.005)	0.001	(0.029)	0.007
<b>Weighted average number of shares outstanding</b>		<b>Share</b>	<b>Share</b>	<b>Share</b>	<b>Share</b>
Basic and diluted	13.7	49,194,982	49,817,689	49,349,989	49,860,931

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, 2020 and 2019**

(Expressed in United States Dollars)

	Attributable to shareholders of the Company					Retained earnings	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			
<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	-	-	-	-	-	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	-	-
<b>At September 30, 2019</b>	<b>22,010,928</b>	<b>2,399,939</b>	<b>34,413</b>	<b>501,965</b>	<b>(1,725,313)</b>	<b>50,091,102</b>	<b>98,076</b>	<b>73,411,110</b>
<b>At January 1, 2020</b>	<b>21,936,915</b>	<b>2,399,939</b>	<b>-</b>	<b>501,965</b>	<b>(1,181,599)</b>	<b>49,475,517</b>	<b>66,303</b>	<b>73,199,040</b>
Loss for the period	-	-	-	-	-	(1,453,338)	(230,781)	(1,684,119)
Other comprehensive income	-	-	-	-	659,943	-	1,153	661,096
Total comprehensive income/(loss)	-	-	-	-	659,943	(1,453,338)	(229,628)	(1,023,023)
Shares repurchased	(198,845)	-	-	-	-	125,221	-	(73,624)
<b>At September 30, 2020</b>	<b>21,738,070</b>	<b>2,399,939</b>	<b>-</b>	<b>501,965</b>	<b>(521,656)</b>	<b>48,147,400</b>	<b>(163,325)</b>	<b>72,102,393</b>

*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, 2020 and 2019**

(Expressed in United States Dollars)

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>	September 30,	<b>September 30,</b>	September 30,
	<b>2020</b>	2019	<b>2020</b>	2019
	\$	\$	\$	\$
<b>Operating activities</b>				
(Loss)/profit before income tax	<b>(384,525)</b>	46,123	<b>(1,684,119)</b>	229,364
Adjustments for items not involving cash:				
- Depreciation	<b>239,661</b>	185,621	<b>702,916</b>	561,062
- Written-off of property, plant and equipment	<b>260</b>	-	<b>7,158</b>	-
- Gain on disposal of financial assets	<b>(141,638)</b>	(501,609)	<b>(229,463)</b>	(527,051)
- Fair value loss/(gain) on financial assets at fair value through profit or loss	<b>(55,031)</b>	(24,873)	<b>153,382</b>	(1,103,669)
- Loss on dissolution of a subsidiary	-	-	-	74,775
- Impairment loss on investment properties	<b>167,866</b>	-	<b>167,866</b>	-
- Written-off of exploration and evaluation assets	<b>389,115</b>	-	<b>389,115</b>	-
- Exchange difference	<b>(454,547)</b>	120,057	<b>(255,449)</b>	110,930
- Dividend income	<b>(108,250)</b>	(107,786)	<b>(111,809)</b>	(107,786)
- Interest income	<b>(151,705)</b>	(224,312)	<b>(439,662)</b>	(712,901)
- Interest expense	<b>190</b>	3,434	<b>5,238</b>	3,434
	<b>(498,604)</b>	(503,345)	<b>(1,294,827)</b>	(1,471,842)
Working capital adjustments:				
- Prepayments, deposits and other receivables	<b>326,147</b>	311,725	<b>111,171</b>	196,921
- Other payables, receipts in advance and accrued liabilities	<b>91,689</b>	63,292	<b>(39,413)</b>	(1,289,703)
<b>Net cash flow used in operating activities</b>	<b>(80,768)</b>	(128,328)	<b>(1,223,069)</b>	(2,564,624)
<b>Financing activities</b>				
Interest paid	-	(3,434)	-	(3,434)
Shares repurchased	<b>(1,499)</b>	(1,860)	<b>(73,624)</b>	(25,048)
Repayment of lease liabilities	-	(1,021)	-	(1,021)
Dividend paid	-	-	-	(368,102)
<b>Net cash flow used in financing activities</b>	<b>(1,499)</b>	(6,315)	<b>(73,624)</b>	(397,605)
<b>Investing activities</b>				
Interest received	<b>151,705</b>	224,312	<b>439,662</b>	712,901
Dividend received	<b>4,261</b>	107,786	<b>4,261</b>	107,786
Additions of property, plant and equipment	<b>(1,463)</b>	(19,319)	<b>(1,463)</b>	(48,226)
Additions of exploration and evaluation assets	<b>(53,867)</b>	(402,346)	<b>(151,978)</b>	(494,424)
Net acquisition of unlisted investments	-	(221,653)	-	(24,606)
Net disposal of listed securities	<b>293,700</b>	2,801,330	<b>54,545</b>	2,801,330
Net disposal and maturity of debentures	-	1,000,000	<b>1,486,040</b>	2,006,540
Net maturity/(addition) of certificate of deposit	-	1,000,000	-	(1,770)
Repayment from a related company	-	350,578	-	2,440,033
<b>Net cash flow from investing activities</b>	<b>394,336</b>	4,840,688	<b>1,831,067</b>	7,499,564
<b>Increase in cash and cash equivalents</b>	<b>312,069</b>	4,706,045	<b>534,374</b>	4,537,335
<b>Effect of foreign exchange rate changes</b>	<b>143,829</b>	(201,265)	<b>30,052</b>	(201,265)
<b>Cash and cash equivalents at beginning of the period</b>	<b>17,886,443</b>	16,908,530	<b>17,777,915</b>	17,077,240
<b>Cash and cash equivalents at end of the period</b>	<b>18,342,341</b>	21,413,310	<b>18,342,341</b>	21,413,310

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

# **GobiMin Inc.**

## **Notes to Condensed Interim Financial Statements**

**For the quarter ended September 30, 2020**

(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, Montréal, Québec H3A 3G4, Canada.

The Group is principally engaged in the investment in investment 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 these interim periods are not necessarily indicative of the results that may be expected for the full financial year ending December 31, 2020.

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 related 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 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 September 30, 2020

(Express in United States Dollars)

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

<b>As at</b>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
	\$	\$
<b>Segment assets</b>		
Investment business	14,963,309	17,340,902
Mining business	35,535,406	35,233,683
<b>Total segment assets</b>	<b>50,498,715</b>	<b>52,574,585</b>
Unallocated	23,966,928	23,455,688
<b>Consolidated assets</b>	<b>74,465,643</b>	<b>76,020,273</b>
<b>Segment liabilities</b>		
Investment business	23,344	62,804
Mining business	870,231	883,099
<b>Total segment liabilities</b>	<b>893,575</b>	<b>945,903</b>
Unallocated	1,469,675	1,875,330
<b>Consolidated liabilities</b>	<b>2,363,250</b>	<b>2,821,233</b>

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

<b>For the nine months ended</b>	<b>September 30, 2020</b>	<b>September 30, 2019</b>
	\$	\$
<b>Segment revenue and results</b>		
Investment business	478,618	2,494,746
Mining business	(837,933)	(451,188)
	<b>(359,315)</b>	<b>2,043,558</b>
Other income and gains	104,112	87,232
Unallocated corporate expenses	(1,501,193)	(1,708,271)
Written-off of property, plant and equipment	(7,158)	-
Loss on dissolution of a subsidiary	-	(74,775)
Impairment loss on investment properties	(167,866)	-
Exchange gain/(loss)	255,449	(110,930)
Finance costs	(8,148)	(7,450)
<b>(Loss)/profit before income tax</b>	<b>(1,684,119)</b>	<b>229,364</b>

## 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents were held in following locations:

<b>Location</b>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
	\$	\$
Canada	531,128	842,486
Hong Kong	17,158,584	16,377,836
China	652,629	557,593
<b>Total</b>	<b>18,342,341</b>	<b>17,777,915</b>

# GobiMin Inc.

## Notes to Condensed Interim Financial Statements

For the quarter ended September 30, 2020

(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 balance located in Hong Kong included \$2,054,545 deposit placed with a brokerage firm (December 31, 2019: nil). The balance located in Canada included \$53,196 deposit placed with a brokerage firm (December 31, 2019: \$69,524).

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, 2020	December 31, 2019
	\$	\$
Prepayments	47,456	34,122
Loan	4,719,481	4,594,645
Deposits	18,476	37,171
Other receivables	241,700	128,376
	<b>5,027,113</b>	<b>4,794,314</b>

As at September 30, 2020, the loan balance represented a loan to Mr. Wu Donghai ("Borrower") 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. The management had assessed the credit risk of the loan and no provision of expected credit loss is considered necessary.

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		September 30, 2020	December 31, 2019
		\$	\$
<b>Current</b>			
Listed securities	(a)	143,944	11,301
Debentures	(b)	399,461	1,196,736
		<b>543,405</b>	<b>1,208,037</b>
<b>Non-current</b>			
Listed securities	(a)	57,792	93,794
Debentures	(b)	2,667,400	3,439,592
Unlisted investments	(c)	1,642,799	1,640,594
		<b>4,367,991</b>	<b>5,173,980</b>
<b>Total</b>		<b>4,911,396</b>	<b>6,382,017</b>

- (a) As at September 30, 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 determined with reference to quoted market price. For the nine months ended September 30, 2020, the Group recognized a fair value loss of \$76,029 (September 30, 2019: fair value gain of \$931,853).



## GobiMin Inc.

### Notes to Condensed Interim Financial Statements

For the quarter ended September 30, 2020

(Express in United States Dollars)

- (b) Debentures represented 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). For the nine months ended September 30, 2020, the Group recognized a fair value loss of \$86,957 (September 30, 2019: fair value gain of \$173,275).
- (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 September 30, 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
<b>Cost:</b>	\$	\$	\$	\$	\$	\$
<b>At January 1, 2019</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>
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)
<b>At December 31, 2019</b>	<b>13,083,073</b>	<b>245,842</b>	<b>437,013</b>	<b>558</b>	<b>755,935</b>	<b>14,522,421</b>
Exchange difference	<b>108,799</b>	<b>128</b>	<b>6,876</b>	<b>10</b>	<b>12,186</b>	<b>127,999</b>
Additions	-	-	<b>1,463</b>	-	-	<b>1,463</b>
Written-off	-	(7,474)	-	-	-	(7,474)
<b>At September 30, 2020</b>	<b>13,191,872</b>	<b>238,496</b>	<b>445,352</b>	<b>568</b>	<b>768,121</b>	<b>14,644,409</b>
<b>Depreciation:</b>						
<b>At January 1, 2019</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>
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
<b>At December 31, 2019</b>	<b>3,019,597</b>	<b>237,599</b>	<b>360,539</b>	<b>558</b>	<b>719,201</b>	<b>4,337,494</b>
Exchange difference	<b>21,844</b>	<b>2</b>	<b>5,566</b>	<b>10</b>	<b>11,579</b>	<b>39,001</b>
Depreciation for the period	<b>394,923</b>	<b>626</b>	<b>10,145</b>	-	<b>525</b>	<b>406,219</b>
Written-off	-	(316)	-	-	-	(316)
<b>At September 30, 2020</b>	<b>3,436,364</b>	<b>237,911</b>	<b>376,250</b>	<b>568</b>	<b>731,305</b>	<b>4,782,398</b>
<b>Net book value:</b>						
<b>At December 31, 2019</b>	<b>10,063,476</b>	<b>8,243</b>	<b>76,474</b>	<b>-</b>	<b>36,734</b>	<b>10,184,927</b>
<b>At September 30, 2020</b>	<b>9,755,508</b>	<b>585</b>	<b>69,102</b>	<b>-</b>	<b>36,816</b>	<b>9,862,011</b>

As at September 30, 2020, the carrying amount of property, plant and equipment which located in Hong Kong amounted to \$4,872,107 (December 31, 2019: \$5,077,939). The remaining property, plant and equipment were located in China.

## GobiMin Inc.

### Notes to Condensed Interim Financial Statements

For the quarter ended September 30, 2020

(Express in United States Dollars)

#### 9. INVESTMENT PROPERTIES

<b>Cost:</b>	\$
At January 1, 2019	2,551,387
Exchange difference	(52,670)
Additions	3,126,564
Transfer from leasehold land and buildings	2,167,906
<b>At December 31, 2019</b>	<b>7,793,187</b>
Exchange difference	81,731
<b>At September 30, 2020</b>	<b>7,874,918</b>
<b>Depreciation and impairment:</b>	
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
<b>At December 31, 2019</b>	<b>1,509,359</b>
Exchange difference	17,026
Depreciation for the period	284,601
Impairment loss recognized	167,866
<b>At September 30, 2020</b>	<b>1,978,852</b>
<b>Net book value:</b>	
At December 31, 2019	6,283,828
<b>At September 30, 2020</b>	<b>5,896,066</b>

As at September 30, 2020, investment properties are commercial properties, of which \$4,178,000 (December 31, 2019: \$4,484,466) are located in China and \$1,718,066 (December 31, 2019: 1,799,362) are located in Hong Kong. Certain investment properties were leased to third parties and related parties (note 15.2) with fixed lease payments while some remain vacant. The estimated fair value of the investment properties as at September 30, 2020 was approximately \$6,486,000 (December 31, 2019: \$9,180,367). The carrying amount of investment properties in China of \$4,345,866 was lower than the estimated fair value of \$4,178,000 and therefore an impairment loss on investment properties of \$167,866 has been recognized during the period ended September 30, 2020 (2019: nil). The estimated fair value was determined by management assessment with reference to recent market prices for similar properties in the same locations and similar conditions.

# GobiMin Inc.

## Notes to Condensed Interim Financial Statements

For the quarter ended September 30, 2020

(Express in United States Dollars)

### 10. EXPLORATION AND EVALUATION ASSETS

	<b>Total</b>
<b>Cost:</b>	<b>\$</b>
At January 1, 2019	<b>29,877,546</b>
Additions	713,387
Exchange difference	(401,870)
<b>At December 31, 2019</b>	<b>30,189,063</b>
Exchange difference	<b>524,958</b>
Additions	<b>101,810</b>
Written-off	<b>(389,115)</b>
<b>At September 30, 2020</b>	<b>30,426,716</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. The exploration licence has an expiry date on August 22, 2021. 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. To continue the renewal process with the Department of Land and Resources of Xinjiang, we submitted the required geological documents electronically in March 2020 and the land rehabilitation report in early July 2020. Comment on the land rehabilitation report has been received from the Department of Land and Resources of Xinjiang in November 2020 and the revised report will be submitted by the end of 2020. The renewal application of the mining licence will be processed pending the assessment of reserve by the Department of Land and Resources as well as payment for the related fee based on the assessment.

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. During the period ended September 30, 2020, certain related research and development cost of \$389,115 (2019: nil) was considered not recoverable and was written-off.

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

As at September 30, 2020 and December 31, 2019, the balances of other payables, receipts in advance and accrued liabilities comprised mainly the payable related to the construction work of the exploration work, mine design and related facilities of the Gold Project and accrual of office expenses.

<b>As at</b>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
	<b>\$</b>	<b>\$</b>
Other payables	<b>945,611</b>	931,554
Accrued liabilities	<b>243,402</b>	273,359
Receipts in advance	<b>28,600</b>	62,804
Deposit received	<b>21,022</b>	10,331
<b>Total</b>	<b>1,238,635</b>	1,278,048

## GobiMin Inc.

### Notes to Condensed Interim Financial Statements

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#### 12. LEASES

##### (a) Right-of-Use Assets

The Group entered a lease contract for office premise with lease terms of 9 years in 2019. On June 11, 2020, the lease contract was terminated and the balance of right-of-use assets and lease liabilities was charged to profit and loss in the current period. The carrying amounts of the right-of-use assets and the movements are as follows:

<b>Cost:</b>	\$
<b>At January 1, 2019</b>	-
Additions	428,025
<b>At December 31, 2019</b>	<b>428,025</b>
Exchange difference	7,443
Written-off upon termination of lease	(435,468)
<b>At September 30, 2020</b>	<b>-</b>
<b>Depreciation:</b>	
<b>At January 1, 2019</b>	-
Depreciation for the year	19,816
<b>At December 31, 2019</b>	<b>19,816</b>
Exchange difference	345
Depreciation for the period	12,096
Written-off upon termination of lease	(32,257)
<b>At September 30, 2020</b>	<b>-</b>
<b>Net book value:</b>	
<b>At December 31, 2019</b>	<b>408,209</b>
<b>At September 30, 2020</b>	<b>-</b>

##### (b) Lease Liabilities

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

	\$
<b>Carrying amount at January 1, 2019</b>	-
New lease	428,025
Accretion of interest recognized	8,625
Payments	(18,080)
<b>Carrying amount at December 31, 2019</b>	<b>418,570</b>
Exchange difference	7,279
Accretion of interest recognized	5,238
Written-off upon termination of lease	(431,087)
<b>Carrying amount at September 30, 2020</b>	<b>-</b>

# GobiMin Inc.

## Notes to Condensed Interim Financial Statements

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

### 13. SHARE CAPITAL AND STOCK OPTIONS

#### 13.1 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, 2019</b>	<b>49,911,982</b>	<b>22,054,895</b>
Shares repurchased and cancelled	(267,000)	(117,980)
<b>At December 31, 2019</b>	<b>49,644,982</b>	<b>21,936,915</b>
Shares repurchased and cancelled	(450,000)	(198,845)
<b>At September 30, 2020</b>	<b>49,194,982</b>	<b>21,738,070</b>

#### 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 nine months ended September 30, 2020, there was no movement in the general reserve.

#### 13.4 Translation Reserve

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

#### 13.5 Normal Course Issuer Bid ("NCIB")

On August 1, 2020, 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 ("2020 NCIB"). Purchases were made in accordance with applicable regulations over a maximum period of 12 months commenced on August 8, 2019 and ended on August 7, 2020. Upon the end of 2020 NCIB on August 7, 2020, a total of 450,000 common shares were repurchased at an aggregate cost of \$73,624 (CAD98,985). 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 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, 2019: 6,700,000) common shares were reserved for issuance pursuant to the exercise of options to be granted under the plan.

# GobiMin Inc.

## Notes to Condensed Interim Financial Statements

For the quarter ended September 30, 2020

(Express in United States Dollars)

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

For the nine months ended	September 30, 2020		September 30, 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	-	-	(20,000)	0.37
<b>Outstanding, end of the period</b>	<b>-</b>	<b>-</b>	<b>260,000</b>	<b>0.37</b>

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	September 30, 2020	September 30, 2019
<b>Net (loss)/earnings attributable to shareholders</b>		
Basic and diluted	(\$221,972)	\$71,869
<b>Weighted average number of shares outstanding</b>		
Basic and diluted	49,194,982	49,817,689
<b>Basic and diluted (loss)/earnings per share</b>	<b>(\$0.005)</b>	<b>\$0.001</b>
<b>For the nine months ended</b>	<b>September 30, 2020</b>	<b>September 30, 2019</b>
<b>Net (loss)/earnings attributable to shareholders</b>		
Basic and diluted	(\$1,453,338)	\$329,566
<b>Weighted average number of shares outstanding</b>		
Basic and diluted	49,349,989	49,860,931
<b>Basic and diluted (loss)/earnings per share</b>	<b>(\$0.029)</b>	<b>\$0.007</b>

For the three months ended and nine months ended September 30, 2020, there was no diluting event existed.

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 was higher than the average market price of the shares for the period.

14. **OTHER INCOME**

For the three months and nine months ended September 30, 2020, the Group received from the Hong Kong Government \$25,657 (2019: nil) and \$68,651 (2019: nil) respectively as other income. It represented the wage subsidies received under the Employment Support Scheme launched by the Hong Kong Government to provide financial support to employers to retain their employees.

# GobiMin Inc.

## Notes to Condensed Interim Financial Statements

For the quarter ended September 30, 2020

(Express in United States Dollars)

### 15. RELATED PARTY TRANSACTIONS

#### 15.1 Key management compensation

The remuneration of key management and directors was as follows:

<b>For the three months ended</b>	<b>September 30, 2020</b>	September 30, 2019
	\$	\$
Wages, fees and other benefits	115,067	102,840
Payment to defined contribution plans	746	753
Share-based payment	-	-
	<b>115,813</b>	<b>103,593</b>

  

<b>For the nine months ended</b>	<b>September 30, 2020</b>	September 30, 2019
	\$	\$
Wages, fees and other benefits	329,825	274,684
Payment to defined contribution plans	3,262	2,260
Share-based payment	-	-
	<b>333,087</b>	<b>276,944</b>

#### 15.2 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>September 30, 2020</b>	September 30, 2019
		\$	\$
Companies in which a director of the Company has equity interest	Rental income	17,821	11,427
	Share of office common expenses	3,765	1,435
A company with a common director who has controlling interest in the Company	Rental income	-	8,365
	Interest income	-	2,234
	Share of office common expenses and staff cost	-	-

  

<b>Relationship</b>	<b>Type of transactions</b>	<b>For the nine months ended</b>	
		<b>September 30, 2020</b>	September 30, 2019
		\$	\$
Companies in which a director of the Company has equity interest	Rental income	52,190	35,503
	Share of office common expenses	11,671	3,770
A company with common director who has controlling interest in the Company	Rental income	-	50,193
	Interest income	-	61,486
	Share of office common expenses and staff cost	-	8,335

# GobiMin Inc.

## Notes to Condensed Interim Financial Statements

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### 16. COMMITMENTS

#### 16.1 Capital commitments

The Group has the following capital commitment:

<u>As at September 30, 2020</u>	<u>Contract Date</u>	<u>Contracted Sum</u>	<u>Capital Commitments</u>
		\$	\$
Mine design and related facilities	October 31, 2011	1,167,862	642,324
Office building renovation	March 2, 2013	1,916,737	856,844
Research on gold processing method	June 20, 2018	248,171	102,188
<b>Total capital commitments for the Gold Project</b>		<b>3,332,770</b>	<b>1,601,356</b>

#### 16.2 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:

<u>As at</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>
	\$	\$
Within one year	139,974	71,620
In the second to fifth years inclusive	339,313	215,861
<b>Total future minimum lease receivables</b>	<b>479,287</b>	<b>287,481</b>

### 17. 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.

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);



# GobiMin Inc.

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- ◆ 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>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b><u>As at September 30, 2020</u></b>				
Listed securities	201,736	-	-	201,736
Unlisted investments	-	235,237	1,407,562	1,642,799
Debentures	3,066,861	-	-	3,066,861
	<b>3,268,597</b>	<b>235,237</b>	<b>1,407,562</b>	<b>4,911,396</b>
<b><u>As at December 31, 2019</u></b>				
Listed securities	105,095	-	-	105,095
Unlisted investments	-	233,032	1,407,562	1,640,594
Debentures	4,636,328	-	-	4,636,328
	<b>4,741,423</b>	<b>233,032</b>	<b>1,407,562</b>	<b>6,382,017</b>

## 18. RISK MANAGEMENT

### 18.1 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 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.

# GobiMin Inc.

## Notes to Condensed Interim Financial Statements

For the quarter ended September 30, 2020

(Express in United States Dollars)

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(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 September 30, 2020, the Group held cash and cash equivalents of \$18,342,341 and net current assets of \$21,549,609. 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.

### 18.2 **Impact of COVID-19**

During the period under review, COVID-19 pandemic has been raising uncertainty about the global supply chains and how quickly things will return to normal. Although data indicated that the global economy should produce a rebound in the third quarter and poised to begin a recovery, the latest lockdowns showed that the recovery was slowing markedly, which could exacerbate medium-term economic scarring. To date there have been significant wide-spread stock market fluctuations. COVID-19 is threatening the supply chains and logistics setup of the Group, thus causing unprecedented impact on our normal business activities. The Group's operations may be adversely affected by unstable employment if great portions of our workforce, especially technical workers, are confined to their homes by government order or cannot return to workplace by restrictions on travel.

As at September 30, 2020, the fair value of investment properties with reference to the recent market prices of similar properties in the same locations was higher or close to the carrying amount except for the investment properties in China which recognised an impairment loss of \$167,866 for the period ended September 30, 2020.

Given the importance of cash flow in times like this, we have developed treasury strategies for cash management as part of our overall business risk plans, including but not limited to suspension of dividend distribution, strengthening cost control measures and salary reduction programme. Meanwhile, the Company continues to work on timely adjustment on investment plans in light of the current conditions and will explore opportunities in a proactive manner.

# **GobiMin Inc.**

## **Notes to Condensed Interim Financial Statements**

**For the quarter ended September 30, 2020**

(Express in United States Dollars)

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### **19. 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 \$72,102,393 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.