# GobiMin Inc.
*(Incorporated in Canada under the Canada Business Corporations Act)*

## Audited Consolidated Financial Statements

## December 31, 2020 and 2019
*(Expressed in United States Dollars except where otherwise noted)*

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# INDEPENDENT AUDITOR'S REPORT

**To the shareholders of GobiMin Inc.**

## Opinion

We have audited the consolidated financial statements of GobiMin Inc. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2020 and December 31, 2019 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and December 31, 2019 and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2020 and December 31, 2019 and its financial performance and its cash flows for the years ended December 31, 2020 and December 31, 2019 in accordance with International Financial Reporting Standards ("IFRSs").

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other Information

Management is responsible for the other information. The other information comprises:

- The information, other than the consolidated financial statements and our auditor's report thereon, included in the GobiMin Inc. Annual Report 2020, and
- The information included in the Management's Discussion and Analysis of Financial Results for the year ended December 31, 2020.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Annual Report 2020 and the Management's Discussion and Analysis of Financial Results for the year ended December 31, 2020 prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Jeanny Gu.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
April 27, 2021

# GobiMin Inc.
**Consolidated Statements of Financial Position**
**As at December 31, 2020 and 2019**
(Expressed in United States Dollars)

| | *Note* | **December 31, 2020** | December 31, 2019 |
|---|---|---|---|
| **ASSETS** | | **$** | $ |
| **Current** | | | |
| Cash and cash equivalents | *7* | **19,470,884** | 17,777,915 |
| Prepayments, deposits and other receivables | *8* | **4,043,852** | 4,794,314 |
| Financial assets | *9* | **327,132** | 1,208,037 |
| Total current assets | | **23,841,868** | 23,780,266 |
| | | | |
| **Non-current** | | | |
| Property, plant and equipment | *10* | **9,986,993** | 10,184,927 |
| Investment properties | *11* | **5,002,652** | 6,283,828 |
| Exploration and evaluation assets | *12* | **31,949,079** | 30,189,063 |
| Right-of-use assets | *13* | **-** | 408,209 |
| Financial assets | *9* | **4,203,939** | 5,173,980 |
| Total non-current assets | | **51,142,663** | 52,240,007 |
| | | | |
| **Total assets** | | **74,984,531** | 76,020,273 |
| | | | |
| **LIABILITIES** | | | |
| **Current** | | | |
| Other payables, receipts in advance and accrued liabilities | *14* | **1,406,323** | 1,278,048 |
| Income taxes payable | | **1,129,462** | 1,124,615 |
| Lease liabilities | *13* | **-** | 64,180 |
| Total current liabilities | | **2,535,785** | 2,466,843 |
| | | | |
| **Non-current** | | | |
| Lease liabilities | *13* | **-** | 354,390 |
| Total non-current liabilities | | **-** | 354,390 |
| | | | |
| **Total liabilities** | | **2,535,785** | 2,821,233 |
| | | | |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | *15* | **21,738,071** | 21,936,915 |
| Reserves and retained earnings | | **50,950,522** | 51,195,822 |
| **Equity attributable to shareholders of the Company** | | **72,688,593** | 73,132,737 |
| Non-controlling interests | *16* | **(239,847)** | 66,303 |
| | | | |
| **Total shareholders' equity** | | **72,448,746** | 73,199,040 |
| | | | |
| **Total liabilities and shareholders' equity** | | **74,984,531** | 76,020,273 |

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

APPROVED BY THE BOARD ON APRIL 27, 2021 AND SIGNED ON ITS BEHALF BY:

**Felipe Tan**
Director

**Hubert Marleau**
Director

# GobiMin Inc.
**Consolidated Statements of Comprehensive Income**
**For the Years Ended December 31, 2020 and 2019**
(Expressed in United States Dollars)

| | *Note* | **December 31, 2020** | December 31, 2019 |
|---|---|---|---|
| | | **$** | $ |
| Interest income | | **588,903** | 915,909 |
| Rental income | | **189,780** | 276,129 |
| Dividend income | | **112,174** | 107,548 |
| Other income | *17* | **118,121** | 3,321 |
| Gain on disposal of financial assets | | **265,566** | 565,473 |
| Fair value (loss)/gain on financial assets at fair value through profit or loss | *9* | **(106,415)** | 896,801 |
| **Gross profit** | | **1,168,129** | 2,765,181 |
| General and administrative expenses | *18* | **(3,464,750)** | (3,151,997) |
| Impairment loss on loan receivable | *8* | **(693,523)** | - |
| Impairment loss on investment properties | *11* | **(1,135,209)** | - |
| Exchange gain/(loss) | | **793,633** | (3,959) |
| **Operating loss** | | **(3,331,720)** | (390,775) |
| Write-off of property, plant and equipment | | **(7,104)** | - |
| Loss on dissolution of a subsidiary | | **-** | (74,599) |
| Finance costs | *19* | **(10,640)** | (13,302) |
| **Net loss for the year** | | **(3,349,464)** | (478,676) |
| **Other comprehensive income/(loss), net of tax** | | | |
| Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent year: | | | |
| Exchange differences released upon dissolution of a subsidiary | | **-** | 74,599 |
| Exchange differences on translation of foreign operations | | **2,676,915** | (554,240) |
| **Total comprehensive loss for the year** | | **(672,549)** | (958,317) |
| **Loss for the year attributable to:** | | | |
| Shareholders of the Company | | **(3,057,480)** | (343,796) |
| Non-controlling interests | *16* | **(291,984)** | (134,880) |
| | | **(3,349,464)** | (478,676) |
| **Total comprehensive loss for the year attributable to:** | | | |
| Shareholders of the Company | | **(366,399)** | (885,030) |
| Non-controlling interests | | **(306,150)** | (73,287) |
| | | **(672,549)** | (958,317) |
| **Net loss per share** | | | |
| Basic and diluted | *15.7* | **(0.062)** | (0.007) |
| **Weighted average number of shares outstanding** | | | |
| Basic and diluted | *15.7* | **49,311,026** | 49,835,534 |

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

# GobiMin Inc.
**Consolidated Statements of Changes in Equity**
**For the Years Ended December 31, 2020 and 2019**
(Expressed in United States Dollars)

| | Attributable to shareholders of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Share capital** *Note 15.1* | **Contributed surplus** | **Share option reserve** | **General reserve** *Note 15.3* | **Translation reserve** *Note 15.4* | **Retained earnings** | **Non-controlling interests** *Note 16* | **Total equity** |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| **At January 1, 2019** | **22,054,895** | **2,399,939** | **37,060** | **501,965** | **(640,365)** | **50,108,072** | **139,590** | **74,601,156** |
| Net loss for the year | - | - | - | - | - | (343,796) | (134,880) | (478,676) |
| Other comprehensive income/(loss) | - | - | - | - | (541,234) | - | 61,593 | (479,641) |
| Total comprehensive loss | - | - | - | - | (541,234) | (343,796) | (73,287) | (958,317) |
| Dividend paid (Note 23) | - | - | - | - | - | (382,716) | - | (382,716) |
| Shares repurchased (Note 15.1) | (117,980) | - | - | - | - | 56,897 | - | (61,083) |
| Options forfeited/expired | - | - | (37,060) | - | - | 37,060 | - | - |
| **At December 31, 2019** | **21,936,915** | **2,399,939** | **-** | **501,965** | **(1,181,599)** | **49,475,517** | **66,303** | **73,199,040** |
| **At January 1, 2020** | **21,936,915** | **2,399,939** | **-** | **501,965** | **(1,181,599)** | **49,475,517** | **66,303** | **73,199,040** |
| Net loss for the year | **-** | **-** | **-** | **-** | **-** | **(3,057,480)** | **(291,984)** | **(3,349,464)** |
| Other comprehensive income/(loss) | **-** | **-** | **-** | **-** | **2,691,081** | **-** | **(14,166)** | **2,676,915** |
| Total comprehensive (loss)/income | **-** | **-** | **-** | **-** | **2,691,081** | **(3,057,480)** | **(306,150)** | **(672,549)** |
| Shares repurchased (Note 15.1) | **(198,844)** | **-** | **-** | **-** | **-** | **121,099** | **-** | **(77,745)** |
| **At December 31, 2020** | **21,738,071** | **2,399,939** | **-** | **501,965** | **1,509,482** | **46,539,136** | **(239,847)** | **72,448,746** |

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

# GobiMin Inc.
**Consolidated Statements of Cash Flows**
**For the Years Ended December 31, 2020 and 2019**
(Expressed in United States Dollars)

| | **December 31, 2020** | December 31, 2019 |
|---|---|---|
| | $ | $ |
| **Operating activities** | | |
| Net loss for the year | **(3,349,464)** | (478,676) |
| Adjustments for items not involving cash: | | |
| - Depreciation | **930,716** | 761,646 |
| - Gain on disposal of financial assets | **(265,566)** | (565,473) |
| - Fair value (gain)/loss on financial assets at fair value through profit or loss | **106,415** | (896,801) |
| - Write-off of property, plant and equipment | **7,104** | - |
| - Loss on dissolution of a subsidiary | **-** | 74,599 |
| - Impairment loss on loan receivable | **693,523** | - |
| - Impairment loss on investment properties | **1,135,209** | - |
| - Exchange (gain)/loss | **(793,633)** | 3,959 |
| - Dividend income | **(112,174)** | (107,548) |
| - Interest income | **(588,903)** | (915,909) |
| - Interest expense | **6,101** | 8,625 |
| | **(2,230,672)** | (2,115,578) |
| Working capital adjustments: | | |
| - Prepayments, deposits and other receivables | **411,955** | 322,703 |
| - Other payables, receipts in advance and accrued liabilities | **132,219** | (1,086,757) |
| **Net cash flow used in operating activities** | **(1,686,498)** | (2,879,632) |
| **Financing activities** | | |
| Interest paid | **-** | (8,625) |
| Shares repurchased | **(77,745)** | (61,083) |
| Repayment of lease liabilities | **-** | (9,455) |
| Dividend paid | **-** | (382,716) |
| **Net cash flow used in financing activities** | **(77,745)** | (461,879) |
| **Investing activities** | | |
| Interest received | **588,903** | 915,909 |
| Dividend received | **112,174** | 107,548 |
| Additions of property, plant and equipment | **(1,534)** | (46,675) |
| Additions of exploration and evaluation assets | **(151,256)** | (713,387) |
| Additions of investment properties | **-** | (3,126,564) |
| Net disposal of listed securities | **143,936** | 2,938,506 |
| Net purchase of unlisted investments | **-** | (33,405) |
| Net disposal and maturity of debentures | **1,887,242** | 2,206,540 |
| Net payment of certificate of deposit | **-** | (1,766) |
| Loan secured by a property | **-** | (4,585,077) |
| Repayment of loan from an investee | **-** | 3,000,000 |
| Repayment of loan from a related company | **-** | 3,500,000 |
| **Net cash flow from investing activities** | **2,579,465** | 4,161,629 |
| **Increase in cash and cash equivalents** | **815,222** | 820,118 |
| **Effect of foreign exchange rate changes on cash** | **877,747** | (119,443) |
| **Cash and cash equivalents at beginning of the year** | **17,777,915** | 17,077,240 |
| **Cash and cash equivalents at end of the year** | **19,470,884** | 17,777,915 |

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

(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").

As at December 31, 2020, particulars of the major subsidiaries of the Group are as follows:

| Company name | Place of incorporation | Issued & paid-up capital | Attributable interest held by the Company | Principal activities |
|---|---|---|---|---|
| Alexis Investments Limited | Hong Kong, China | HK$1 | 100% | Provision of business services and investment holding |
| Alexis Resources Limited | British Virgin Islands | US$10,000 | 100% | Investment holding |
| GobiMin Investments Limited | British Virgin Islands | US$1,000 | 100% | Investment holding |
| Fine Asia Development Limited | Hong Kong, China | HK$100 | 100% | Provision of business services and investment holding |
| GobiMin Mineral Limited | Hong Kong, China | HK$100 | 100% | Property holding and leasing |
| Karon Limited | Hong Kong, China | HK$1 | 100% | Provision of business services and investment holding |
| 新疆偉福礦業有限公司 Xinjiang Weifu Mining Limited | Xinjiang, China | RMB230,000,000 | 100% | Investment holding |
| 新疆戈壁礦業有限公司 Xinjiang Gebi Mining Limited (1) | Xinjiang, China | RMB30,000,000 | 100% | Property holding and leasing |
| 新疆同源礦業有限公司 Xinjiang Tongyuan Minerals Limited (1) | Xinjiang, China | RMB50,000,000 | 70% | Exploration and development of gold property |
| 珠海横琴戈壁輝亞咨詢有限公司 Zhuhai Hengqin Gebi Huiya Consultancy Limited (1) | Guangdong, China | RMB20,000,000 | 100% | Provision of consultancy services |
| 深圳市戈壁輝亞咨詢有限公司 Shenzhen Gebi Huiya Consultancy Limited (1) | Guangdong, China | RMB10,000,000 | 100% | Provision of consultancy services and property holding |

*Note: (1) Unofficial English name translated from Chinese registered name of the company.*

## 2. BASIS OF PREPARATION

### (a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board ("IASB") and Interpretations (collectively "IFRSs"). The policies set out below were consistently applied to all the years presented unless otherwise stated.

The preparation of the consolidated financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires management of the Group to exercise judgement in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the consolidated financial statements and their effect are disclosed in note 5.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on April 27, 2021.

### (b) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, with the exception of items that IFRS requires to be carried at fair value, as described in the accounting policies and notes below.

### (c) Basis of Consolidation

Subsidiaries are entities controlled by the Group. Control exists when all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date that control commences until the date that control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

### (d) Functional and Presentation Currency

The functional currency of GobiMin is Canadian dollars. The functional currency of certain British Virgin Islands subsidiaries is United States dollars. The functional currency of Hong Kong and the remaining British Virgin Islands subsidiaries is Hong Kong dollars. The functional currency of the subsidiaries in China is Chinese Renminbi ("RMB"). The consolidated financial statements are presented in United States dollars.

(Express in United States Dollars)

## 3. CHANGES IN ACCOUNTING POLICIES

### (a) New Standards, Interpretations and Amendments Effective from January 1, 2020

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's consolidated financial statements.

| | |
|---|---|
| Amendments to IFRS 3 | *Definition of a Business* |
| Amendments to IFRS 9, IAS 39 and IFRS 7 | *Interest Rate Benchmark Reform* |
| Amendment to IFRS 16 | *Covid-19-Related Rent Concessions (early adopted)* |
| Amendments to IAS 1 and IAS 8 | *Definition of Material* |

The adoption of the *Conception Framework for the Financial Reporting 2018* and the revised IFRSs did not have any significant impact on the financial position and performance of the Group.

### (b) New Standards, Interpretations and Amendments Not Yet Effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early. The most significant of these are:

| | |
|---|---|
| Amendments to IFRS 3 | *Reference to the Conceptual Framework*[2] |
| Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16 | *Interest Rate Benchmark Reform – Phase 2*[1] |
| Amendments to IFRS 10 and IAS 28 (2011) | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4] |
| IFRS 17 | *Insurance Contracts*[3] |
| Amendments to IFRS 17 | *Insurance Contracts*[3, 6] |
| Amendments to IAS 1 | *Classification of Liabilities as Current or Non-current*[3, 5] |
| Amendments to IAS 16 | *Property, Plant and Equipment: Proceeds before Intended Use*[2] |
| Amendments to IAS 37 | *Onerous Contracts – Cost of Fulfiling a Contract*[2] |
| Annual Improvements to IFRSs 2018-2020 | *Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*[2] |

[1] Effective for annual periods beginning on or after January 1, 2021
[2] Effective for annual periods beginning on or after January 1, 2022
[3] Effective for annual periods beginning on or after January 1, 2023
[4] No mandatory effective date yet determined but available for adoption
[5] As a consequence of the amendments to IAS 1, Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding working with no change in conclusion
[6] As a consequence of the amendments to IAS 17 issued in October 2020, IAS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before January 1, 2023

The Group expects that these amendments will not have any significant impact on the Group's financial statements.

(Express in United States Dollars)

## 4. SIGNIFICANT ACCOUNTING POLICIES

### (a) Cash and Cash Equivalents

Cash and cash equivalents consist of cash, demand deposits and highly-liquid short term investments with maturities of 90 days or less since acquisition.

### (b) Property, Plant and Equipment

On initial recognition, property, plant and equipment is valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Group, including borrowing costs. Property, plant and equipment are subsequently measured at cost less accumulated depreciation and accumulated impairment. Property, plant and equipment is depreciated on a straight-line basis over the estimated useful life of the asset with an estimated residual value of 0 - 5%. The annual depreciation rates are as follows:

| | |
|---|---|
| Leasehold land and buildings: | 4% - 5% |
| Leasehold improvement: | 19% - 33.33% |
| Furniture, fixture and equipment: | 19% - 33.33% |
| Computer hardware and equipment: | 19% - 33.33% |
| Motor vehicles: | 19% - 25% |

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment and other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

### (c) Investment Properties

Investment properties are properties held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment properties are stated at cost less accumulated depreciation and accumulated impairment, if any. Depreciation is charged so as to write off the cost of investment properties net of expected residual value over the estimated useful live of 20 years using straight-line method. The useful live, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

### (d) Exploration and Evaluation Assets

Exploration and evaluation assets are recognized at cost on initial recognition when the licence to explore the property has been acquired. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment. Exploration and evaluation assets include the cost of mining and exploration rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognized exploration and evaluation assets are reclassified as mining structures and mineral properties under property, plant and equipment. The Group assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Those exploration and evaluation expenditure costs, in excess of estimated recoverable amount, are written off to profit or loss.

**(e) <u>Leases</u>**

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). 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. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) 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 (including in-substance 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 its incremental borrowing rate at the lease commencement date because 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 the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

*Group as a lessor*
When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

**(f) <u>Financial Assets</u>**
*Initial recognition and measurement*
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss.

The cash and cash equivalents, prepayments, deposits and other receivables of the Group are measured at amortized cost and the listed securities, debentures and unlisted investments of the Group are measured at fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

*Subsequent measurement*
The subsequent measurement of financial assets depends on their classification as follows:

*Financial assets at amortized cost*
Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and loss are recognized in the statement of profit or loss when the asset is derecognized, modified or impaired.

*Financial assets at fair value through profit or loss*
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are recognized in the consolidated statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

**(g) Derecognition of financial assets**
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the

Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**(h) Impairment of Financial Assets**

The Group recognizes an allowance for expected credit losses ("ECLs") for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expected to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). For those credit exposures that are considered credit impaired, a loss allowance is required for credit losses expected over the remaining life of the exposure, with interest income recognized on the balance net of allowance.

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effect, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

**(i) Financial liabilities**

*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, amortized cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of liabilities at amortized cost, net of directly attributable transaction costs.

The Group's financial liabilities include other payables, receipts in advance and accrued liabilities classified as amortized cost.

*Subsequent measurement*

*Financial liabilities at amortized cost*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the statement of profit or loss.

**(j) Derecognition of financial liabilities**

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

**(k) Share Capital**

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(l) Provisions**

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

**(m) Income Taxes**

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in shareholders' equity.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to income tax payable in respect of previous years.

Deferred income tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting income nor taxable income. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred income tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred income tax assets are reviewed at each reporting dates and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**(n) Government grants**

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

**(o) Revenue Recognition**

Rental income is recognized on a straight line basis over the term of the lease.

Dividend income is recognized when the right to receive payment is established.

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

**(p) Foreign Currency Translation**

Transactions entered into by Group entities in currencies other than their functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and loss are recognized in other comprehensive income, in which case, the exchange differences are also recognized in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity as translation reserve (attributed to non-controlling interests as appropriate).

**(q) Earnings Per Share**

Basic earnings per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year.

Diluted earnings per share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

## 5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group’s consolidated financial statements requires management to makes judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

In the process of applying the Group's accounting policies, management has made the following judgements and estimations, which have the most significant effect on the amounts recognized in the financial statements:

**(a) Exploration and Evaluation Expenditures**

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Group, which may be based on assumptions about future events or circumstances. Judgments made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the Group may not recover the expenditure, the amount capitalized is written down to its recoverable amount in the year the new information becomes available. Although there was minimal spending in the exploration and evaluation activities during the year, the Company undertook various substantive activities to further the project, including activities associated with the renewal of its mining licence and retention of its exploration licence and activities associated with advancing the interest of investors to develop the Gold Project. Accordingly, the Company is of the view that there are no indicators of impairment.

**(b) Income Taxes**

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognizes liabilities and contingencies for anticipated tax audit issues based on the Group's current understanding of the applicable tax law. For matters where it is probable that an adjustment will be made, the Group records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome from the amount included in the tax liabilities.

**(c) Functional Currency**

The determination of the functional currency for the Company's subsidiaries and associates is a significant judgment. The determination of functional currency requires the Company to assess the primary economic environment in which each of the entities operates and affects how the Company translates foreign currency balances and transactions.

**(d) Power to Exercise Control, Joint Control or Significant Influence**

Significant judgment is required in determining whether the Company has the power to exercise control, joint control or significant influence over another entity. In making this decision, the Company reviews the degree of influence it has to govern the relevant activities of another entity, taking into consideration the Company's equity interest, voting interest, ability to appoint senior management and officers and the Company's exposure to variable returns from the entity.

**(e) Impairment of Non-Financial Assets (Other Than Goodwill)**

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. Judgment is required in establishing whether there are indicators of impairment related to these assets such as changes in market price, the extent or manner in which it is being used or in its physical condition, operations and business environment.

(Express in United States Dollars)

### (f) Fair Value of Investment Properties

Where indicators of impairment exist, the fair value of the investment properties as at the end of the reporting period were estimated by the management with reference to property valuation conducted by independent professional valuer. Such valuations were based on certain assumptions which are subject to uncertainty and might differ significantly from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of the reporting period.

### (g) Fair Value of Unlisted investment

As disclosed in note 9.3, the Group invested in certain unlisted investment as at 31 December 2020 which are carried at fair value of $1,285,950. The fair value of such unlisted investments was estimated by management with reference to valuation conducted by independent professional valuers. The fair value of the unlisted investment was measure using income approach with option-pricing method and the option-pricing model is based on volatilities of market comparable companies and value of the unlisted investment.

## 6. 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").

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

| As at | December 31, 2020 | December 31, 2019 |
|---|---|---|
| | **$** | $ |
| **Segment assets** | | |
| Investment business | **13,493,046** | 17,340,901 |
| Mining business | **37,050,694** | 35,233,683 |
| Total segment assets | **50,543,740** | 52,574,584 |
| Unallocated | **24,440,791** | 23,445,689 |
| **Consolidated assets** | **74,984,531** | 76,020,273 |

| As at | December 31, 2020 | December 31, 2019 |
|---|---|---|
| | **$** | $ |
| **Segment liabilities** | | |
| Investment business | **35,348** | 62,804 |
| Mining business | **937,135** | 883,099 |
| Total segment liabilities | **972,483** | 945,903 |
| Unallocated | **1,563,302** | 1,875,330 |
| **Consolidated liabilities** | **2,535,785** | 2,821,233 |

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

| For the year ended | December 31, 2020 | December 31, 2019 |
|---|---|---|
| | $ | $ |
| **Segment revenue and results** | | |
| Investment business | **(1,170,566)** | 2,550,253 |
| Mining business | **(1,047,880)** | (629,234) |
| | **(2,218,446)** | 1,921,019 |
| Other income and gains | **130,977** | 94,652 |
| Unallocated corporate expenses | **(2,037,884)** | (2,402,487) |
| Write-off of property, plant and equipment | **(7,104)** | - |
| Loss on dissolution of a subsidiary | **-** | (74,599) |
| Exchange loss | **793,633** | (3,959) |
| Finance costs | **(10,640)** | (13,302) |
| **Loss before income tax** | **(3,349,464)** | (478,676) |

## 7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents were held in the following locations:

| Location | December 31, 2020 | December 31, 2019 |
|---|---|---|
| | **$** | $ |
| Canada | **553,729** | 842,486 |
| Hong Kong | **18,385,755** | 16,377,836 |
| China | **531,400** | 557,593 |
| **Total** | **19,470,884** | 17,777,915 |

As at December 31, 2020, cash and cash equivalents located in Hong Kong included cash balance of approximately $13.27 million (RMB86.68 million) (2019: $3.40 million (RMB23.71 million)) denominated in RMB. The cash equivalents are call deposits at banks or time deposit of terms less than 90 days. The balance located in Hong Kong also included $2,139,408 deposit placed with a brokerage firm (December 31, 2019: nil). None of the cash equivalents are in asset backed commercial paper products.

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 remaining cash and cash equivalents balances are held in Hong Kong Dollar, United States Dollar and Canadian Dollar currencies. The fair market values of cash and cash equivalents approximated their carrying values at the respective year end.

(Express in United States Dollars)

## 8. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| For the year ended | December 31, 2020 | December 31, 2019 |
|---|---|---|
| | $ | $ |
| Prepayments | **41,903** | 34,122 |
| Deposits | **18,483** | 37,171 |
| Loan | **3,920,658** | 4,594,645 |
| Other receivables | **62,808** | 128,376 |
| | **4,043,852** | 4,794,314 |

As at December 31, 2020, the loan balance represented a loan 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 December 10, 2020 or on demand by the Group whichever was earlier. On December 10, 2020, the Group and the borrower mutually agreed to extend the repayment date to December 10, 2021. The management considered that this is an indication of increase in credit risk of the loan. Hence with reference to property valuation conducted by independent professional valuer on the pledged property, the Group recognized an impairment loss of $693,523 on loan receivable (December 31, 2019: nil).

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

The movements in the loss allowance for impairment of loan are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| | $ | $ |
| At beginning of year | **-** | - |
| Impairment loss | **693,523** | - |
| **At end of year** | **693,523** | - |

## 9. FINANCIAL ASSETS

| As at | *Note* | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| | | **$** | $ |
| **Current** | | | |
| Listed securities | *9.1* | **127,344** | 11,301 |
| Debentures | *9.2* | **199,788** | 1,196,736 |
| | | **327,132** | 1,208,037 |
| | | **$** | $ |
| **Non-current** | | | |
| Listed securities | *9.1* | **119,875** | 93,794 |
| Debentures | *9.2* | **2,541,154** | 3,439,592 |
| Unlisted investments | *9.3* | **1,542,910** | 1,640,594 |
| | | **4,203,939** | 5,173,980 |
| **Total** | | **4,531,071** | 6,382,017 |

### 9.1 Listed Securities

As at December 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 determined with reference to quoted market price. For the year ended December 31, 2020, the Group recognized a fair value gain of $16,087 (2019: $869,566).

### 9.2 Debentures

Debentures represented the debentures held by the Group with coupon rates ranging from 4.250% to 7.375% (2019: 4.250% to 7.750%) per annum and maturities ending between May 31, 2021 and perpetual (2019: January 17, 2020 and perpetual). Debentures are classified as financial assets at fair value through profit or loss. The fair value of the investment is determined with reference to their quoted price in active market. For the year ended December 31, 2020, the Group recognized a fair value loss on debentures of $12,660 (2019: fair value gain of $209,317).

### 9.3 Unlisted Investments

Unlisted investments mainly composed of a 9.90% interest in Dragon Silver Holdings Limited ("Dragon Silver") which is a company incorporated in Hong Kong engaged in metal trading and processing with fair value of $1,285,950 at December 31, 2020 (2019: $1,407,562). Pursuant to the subscription agreement dated December 29, 2017, the major shareholder of Dragon Silver ( "Guarantor") and the Group entered into a deed of put option which provides the Group with the right to sell all 670,000 shares to the Guarantor at the original acquisition cost of $1,120,978 (HK$8,710,000) between the fourth and fifth anniversary dates of the deed of put option. In addition, the Guarantor agreed to irrevocably warrant and guarantee to the Group that (i) the audited net profit after tax of Dragon Silver shall not be less than $1,926,233 (HK$15,000,000) for each of the financial years ending from June 30, 2018 to 2022 (the "Relevant Years"); and (ii) the amount of dividends declared and paid by Dragon Silver during each of the Relevant Years shall not be less than $0.16 (HK$1.25) per share (the "Dividend Guarantee"). If the dividend per share declared and paid by Dragon Silver is less than the Dividend Guarantee, the Guarantor shall compensate the Group the sum being calculated as the shortfall ("Dividend Compensation Amount"). Due to unstable economic environment, Dragon Silver failed to attain the guarantee profit of $1,926,233. On April 17, 2020, the Group agreed with Dragon Silver to waive the profit guarantee for the years ended June 30, 2019 and 2020. For the year ended June 30, 2020, Dragon Silver has not declared and paid any dividend to the Group. In October 2020, the Guarantor paid to the Group the Dividend Compensation Amount of $107,899 for the financial year ended June 30, 2020. The Group recognized a fair value loss on investment in Dragon Silver of $127,546 (2019: $184,662) and fair value gain of other unlisted investment of $17,704 (2019: $2,580) for the year ended December 31, 2020.

(Express in United States Dollars)

## 10. 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 | **447,352** | **1,100** | **26,595** | **40** | **47,055** | **522,142** |
| Additions | **-** | **-** | **1,534** | **-** | **-** | **1,534** |
| Write-off | **-** | **(7,418)** | **-** | **-** | **-** | **(7,418)** |
| **At December 31, 2020** | **13,530,425** | **239,524** | **465,142** | **598** | **802,990** | **15,038,679** |
| **Depreciation and impairment:** | | | | | | |
| **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 | **105,970** | **1,026** | **22,290** | **40** | **44,709** | **174,035** |
| Depreciation for the year | **525,525** | **786** | **13,457** | **-** | **703** | **540,471** |
| Write-off | **-** | **(314)** | **-** | **-** | **-** | **(314)** |
| **At December 31, 2020** | **3,651,092** | **239,097** | **396,286** | **598** | **764,613** | **5,051,686** |
| **Net book value:** | | | | | | |
| **At December 31, 2019** | **10,063,476** | **8,243** | **76,474** | **-** | **36,734** | **10,184,927** |
| **At December 31, 2020** | **9,879,333** | **427** | **68,856** | **-** | **38,377** | **9,986,993** |

As at December 31, 2020, the carrying amount of property, plant and equipment located in Hong Kong amounted to $4,824,200 (2019: $5,077,939). The remaining property, plant and equipment were located in China.

During the year ended December 31, 2019, the intended use of certain owner-occupied property was changed that it is used solely for generating rental income and for capital appreciation. The transferred property was leased out during the year. Accordingly, the cost and the related accumulated depreciation was transferred to investment properties.

(Express in United States Dollars)

## 11. 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 | **327,323** |
| **At December 31, 2020** | **8,120,510** |
| **Depreciation and impairment:** | |
| **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 | **95,049** |
| Depreciation for the year | **378,241** |
| Impairment loss recognized | **1,135,209** |
| **At December 31, 2020** | **3,117,858** |
| **Net book value:** | |
| **At December 31, 2019** | **6,283,828** |
| **At December 31, 2020** | **5,002,652** |

As at December 31, 2020, investment properties are commercial properties, of which $3,304,396 (2019: $4,484,466) are located in China and $1,698,256 (2019: $1,799,362) are located in Hong Kong. Certain investment properties were leased to third parties and related parties (note 21.2) with fixed lease payments while some remain vacant. The estimated fair value of the investment properties as at December 31, 2020 was approximately $7,704,898 (2019: $9,180,367). The carrying amount of certain investment properties in China was $3,106,794 which was higher than the estimated fair value of $1,971,585 and therefore an impairment loss on investment properties of $1,135,209 has been recognized during the year ended December 31, 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.

(Express in United States Dollars)

## 12. EXPLORATION AND EVALUATION ASSETS

| **Cost:** | $ |
|---|---|
| **At January 1, 2019** | **29,877,546** |
| Exchange difference | (401,870) |
| Addition | 713,387 |
| **At December 31, 2019** | **30,189,063** |

| **Cost:** | $ |
|---|---|
| **At January 1, 2020** | **30,189,063** |
| Exchange difference | **1,608,760** |
| Addition | **151,256** |
| **At December 31, 2020** | **31,949,079** |

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 expired on December 23, 2019 and the renewal process involved multiple approval levels. The application procedures were delayed attributable to the work piled in government authorities during the COVID-19 pandemic and additional time required for finalizing the resources assessment report on the Gold Project prepared by an independent valuer. As at December 31, 2020, approval from the Department of Natural Resources of both the county and prefecture levels were received. As at the date of this report, the renewal application was approved by the Department of Natural Resources of Xinjiang Uyghur Autonomous Region after submission of related geological documents and the land rehabilitation report. The renewal application of the mining licence will be processed pending the determination of the reserve assessment amount and 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.

(Express in United States Dollars)

## 13. LEASES

(a) Right-of-Use Assets

The Group had lease contract for office premises with a lease term of 9 years. On June 11, 2020, the lease contract was terminated due to the cessation of a potential project in Zhuhai, China 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:

| | |
|---|---|
| **Cost:** | $ |
| **At January 1, 2019** | **-** |
| Additions | 428,025 |
| **At December 31, 2019** | **428,025** |
| Exchange difference | **28,594** |
| Termination of lease | **(456,619)** |
| **At December 31, 2020** | **-** |
| **Depreciation:** | |
| **At January 1, 2019** | **-** |
| Depreciation for the year | 19,816 |
| **At December 31, 2019** | **19,816** |
| Exchange difference | **2,004** |
| Depreciation for the year | **12,004** |
| Termination of lease | **(33,824)** |
| **At December 31, 2020** | **-** |
| **Net book value:** | |
| **At December 31, 2019** | **408,209** |
| **At December 31, 2020** | **-** |

(b) Lease Liabilities

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

| | |
|---|---|
| | $ |
| Carrying amount at January 1, 2019 | **-** |
| New leases | 428,025 |
| Accretion of interest recognized during the year | 8,625 |
| Payments | (18,080) |
| **Carrying amount at December 31, 2019** | **418,570** |
| Exchange difference | **28,257** |
| Accretion of interest recognized during the year | **5,198** |
| Termination of lease | **(452,025)** |
| **Carrying amount at December 31, 2020** | **-** |

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.

(Express in United States Dollars)

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

As at December 31, 2020, 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** | **December 31, 2020** | December 31, 2019 |
|---|---|---|
| | **$** | $ |
| Other payables | **984,048** | 931,554 |
| Accrued liabilities | **361,058** | 273,359 |
| Receipts in advance | **35,348** | 62,804 |
| Deposit received | **25,869** | 10,331 |
| **Total** | **1,406,323** | 1,278,048 |

## 15. SHARE CAPITAL AND STOCK OPTIONS

### 15.1 Common Shares

| | Number | Amount |
|---|---|---|
| **Authorized:** | | $ |
| Unlimited number of common shares | | |
| | | |
| **Issued and outstanding:** | | |
| **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 | **(450,000)** | **(198,844)** |
| **At December 31, 2020** | **49,194,982** | **21,738,071** |

### 15.2 Preferred Shares

The Company did not authorize or issue any preferred share.

### 15.3 General Reserve

The general reserve represents statutory reserves of the Group’s Chinese operating subsidiaries. During 2020, there was no movement in the general reserve.

### 15.4 Translation Reserve

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

(Express in United States Dollars)

### 15.5 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 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. GobiMin did not renew its normal course issuer bid upon the end of 2020 NCIB on August 7, 2020, and a total of 450,000 common shares were repurchased at an aggregate cost of $77,745 (CAD98,985) under 2020 NCIB. All shares repurchased have been returned to treasury for cancellation.

### 15.6 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 (2019: 6,700,000) common shares were reserved for issuance pursuant to the exercise of options to be granted under the plan.

**Status of the Outstanding Employee Stock Options:**

| | **2020** | | 2019 | |
|---|---|---|---|---|
| | **Number of Options** | **Weighted Average Exercise Price** | Number of Options | Weighted Average Exercise Price |
| | | **$** | | $ |
| **Outstanding, beginning of the year** | **-** | **-** | 280,000 | 0.37 |
| Forfeited | - | - | (280,000) | 0.37 |
| **Outstanding, end of the year** | **-** | **-** | - | - |

### 15.7 Basic and Diluted Loss Per Share

| **For the year ended** | **December 31, 2020** | December 31, 2019 |
|---|---|---|
| **Net loss attributable to shareholders** | | |
| Basic and diluted | **($3,057,480)** | ($343,796) |
| **Weighted average number of shares outstanding** | | |
| Basic and diluted | **49,311,026** | 49,835,534 |
| **Basic and diluted loss per share** | **($0.062)** | ($0.007) |

There was no stock option outstanding as at December 31, 2019 and 2020.

(Express in United States Dollars)

## 16. NON-CONTROLLING INTERESTS

Non-controlling interests represented the 30% (2019: 30%) equity interest in Xinjiang Tongyuan Minerals Limited ("Tongyuan") not held by the Group.

| **As at** | **December 31, 2020** | December 31, 2019 |
|---|---|---|
| | **$** | $ |
| **Non-controlling interest** | **(239,847)** | 66,303 |

The summarized financial information of Tongyuan is as follows:

| **For the year ended** | **December 31, 2020** | December 31, 2019 |
|---|---|---|
| | **$** | $ |
| Revenue | **-** | - |
| Total expenses and comprehensive loss | **973,278** | 449,600 |
| **Loss for the year allocated to non-controlling interest** | **291,984** | 134,880 |

| **As at** | **December 31, 2020** | December 31, 2019 |
|---|---|---|
| | **$** | $ |
| Current assets | **124,897** | 99,747 |
| Non-current assets | **36,857,197** | 35,031,456 |
| Current liabilities | **(2,219,158)** | (857,300) |
| Non-current liabilities | **(35,562,425)** | (34,052,894) |
| **Net (liabilities)/assets** | **(799,489)** | 221,009 |

| **For the year ended** | **December 31, 2020** | December 31, 2019 |
|---|---|---|
| | **$** | $ |
| Net cash flow used in operating activities | **(477,561)** | (619,329) |
| Net cash flow used in investing activities | **(45,922)** | (195,111) |
| Net cash flow from financing activities | **542,007** | 334,326 |
| **Net increase/(decrease) in cash and cash equivalents** | **18,524** | (480,114) |

## 17. OTHER INCOME

| **For the year ended** | **December 31, 2020** | December 31, 2019 |
|---|---|---|
| | **$** | $ |
| Employment Support Scheme from government | **87,872** | - |
| Other income | **30,249** | 3,321 |
| | **118,121** | 3,321 |

On May 12, 2020, the Hong Kong Government announced the launch of the Employment Support Scheme to provide financial support to employers to retain their employees and the Group received $87,872 in 2020 (2019: nil).

(Express in United States Dollars)

## 18. NATURE OF EXPENSES

### 18.1 Employee Costs (including remuneration of key management and directors as stated in note 21.1)

| For the year ended | December 31, 2020 | December 31, 2019 |
|---|---|---|
| | $ | $ |
| Wages and other benefits | **1,282,112** | 1,226,160 |
| Payment to defined contribution plans | **25,151** | 25,331 |
| **Total employee costs** | **1,307,263** | 1,251,491 |

### 18.2 Depreciation

| For the year ended | December 31, 2020 | December 31, 2019 |
|---|---|---|
| | $ | $ |
| Depreciation | **930,716** | 761,646 |

## 19. FINANCE COSTS

| For the year ended | December 31, 2020 | December 31, 2019 |
|---|---|---|
| | $ | $ |
| Finance charge under lease liabilities | **5,198** | 8,625 |
| Interest expenses with brokerage firm | **903** | - |
| Bank charges | **4,539** | 4,677 |
| **Total finance costs** | **10,640** | 13,302 |

## 20. INCOME TAX

The Group's provision for income taxes reported differs from the amounts computed by applying the cumulative Canadian federal and provincial income tax rates to the profit before income tax as a result of the following:

| For the year ended | December 31, 2020 | December 31, 2019 |
|---|---|---|
| | $ | $ |
| Loss before income tax | **(3,349,465)** | (478,676) |
| Statutory tax rates | **26.5%** | 26.5% |
| | | |
| Tax recovery at statutory tax rates | **(887,608)** | (126,849) |
| Tax rate differential | **332,119** | (317,786) |
| Non-taxable revenues | **(194,153)** | (146,370) |
| Non-deductible expenses and other differences | **(23,030)** | 194,936 |
| Operating loss not set up as deferred tax asset | **793,980** | 432,899 |
| Tax effect of tax loss utilized | **(21,308)** | (36,830) |
| **Income tax expense** | **-** | - |

As at December 31, 2020, the Canadian company has unused tax loss of $2,047,075 (2019: $2,092,278) available for offset of future profits which is subject to the final approval of respective tax authorities. The Group was required to include certain inter-company loans into income for Canadian tax purposes resulting in a reduction of tax loss carry forwards. When these loans are subsequently repaid, they will be deductible against income at that time. Furthermore, property income from controlled foreign affiliates is reported as earnings on an accrued basis for income tax purposes. This also contributes to a reduction in tax loss carried forward. As at December 31, 2020, no deferred tax asset has been recognized in respect of the unused tax loss due to the unpredictability of future profit streams. The following table summarized the unrecognized tax loss by year of expiry:

(Express in United States Dollars)

**Unrecognized Tax Loss:**

| For the year ended | December 31, 2020 | December 31, 2019 |
|---|---|---|
| **Year of expiry** | **$** | $ |
| - December 31, 2037 | **1,989,530** | 2,035,704 |
| - December 31, 2038 | **57,545** | 56,574 |
| **Total** | **2,047,075** | 2,092,278 |

## 21. RELATED PARTY TRANSACTIONS

### 21.1 Key Management Compensation

The remuneration of key management and directors was as follows:

| For the year ended | December 31, 2020 | December 31, 2019 |
|---|---|---|
| | **$** | $ |
| Salaries, fees and other benefits | **471,272** | 411,728 |
| Payment to defined contribution plans | **4,031** | 2,855 |
| Share-based payment | **-** | - |
| | **475,303** | 414,583 |

### 21.2 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.

| For the year ended | | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| **Related party relationship** | **Type of transactions** | **$** | $ |
| Companies in which a director of the Company has equity interest | Rental income | **85,614** | 47,614 |
| | Share of office common expenses | **15,540** | 5,156 |
| A company with common director who has controlling interest in the Company* | Rental income | **-** | 50,082 |
| | Interest income | **-** | 61,350 |
| | Share of office common expenses and staff cost | **-** | 8,316 |

* *In July 2019, Mr. Felipe Tan resigned as director of the concerned company which therefore ceased to be a related party of the Group.*

(Express in United States Dollars)

## 22. COMMITMENTS

### 22.1 Capital Commitments

The Group has the following capital commitments:

| As at December 31, 2020 | Contract Date | Contracted Sum | Commitments |
|---|---|---|---|
| | | $ | $ |
| Mine design and related facilities | October 31, 2011 | 1,224,587 | **673,523** |
| Office building renovation | March 2, 2013 | 2,009,835 | **898,461** |
| Research on gold processing method | June 20, 2020 | 260,225 | **61,229** |
| **Total capital commitments for the Gold Project** | | 3,494,647 | **1,633,213** |

### 22.2 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 | December 31, 2020 | December 31, 2019 |
|---|---|---|
| | $ | $ |
| Within one year | **92,303** | 3,907 |
| In the second to fifth years inclusive | **321,913** | 195,350 |
| **Total future minimum lease receivables** | **414,216** | 199,257 |

## 23. DIVIDEND PAID

No dividend was paid in 2020 as the directors did not recommend the payment of any dividend for the year ended December 31, 2019.

In June 2019, GobiMin paid an annual dividend of CAD0.01 per share for a total amount of $382,716 for the year ended December 31, 2018.

## 24. FINANCIAL INSTRUMENTS

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 risks associated with the financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

### 24.1 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.

(Express in United States Dollars)

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 of Financial Assets at Reporting Date | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **$** | **$** | **$** | **$** |
| **As at December 31, 2020** | | | | |
| Listed securities | **247,219** | **-** | **-** | **247,219** |
| Unlisted investments | **-** | **256,960** | **1,285,950** | **1,542,910** |
| Debentures | **2,740,942** | **-** | **-** | **2,740,942** |
| | **2,988,161** | **256,960** | **1,285,950** | **4,531,071** |
| **As at December 31, 2019** | | | | |
| 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 |

### 24.2 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 China 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.

(Express in United States Dollars)

The following table indicates the approximate change in the Group's loss after income tax and retained profits and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period. The sensitivity analysis includes balances between group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower.

| | **2020** | | | 2019 | | |
|---|---|---|---|---|---|---|
| The Group | Increase (decrease) in foreign exchange rate | Increase (decrease) in loss for the year and retained profits | Effect on other components of equity | Increase (decrease) in foreign exchange rate | Increase (decrease) in profit for the year and retained profits | Effect on other components of equity |
| | | US$ | US$ | | US$ | US$ |
| RMB | **5%** | **62,557** | **2,681,145** | 5% | 27,331 | 2,169,387 |
| | **(5%)** | **(62,557)** | **(2,681,145)** | (5%) | (27,331) | (2,169,387) |
| CAD | **1%** | **2,031** | **8,312** | 1% | 4,137 | 11,037 |
| | **(1%)** | **(2,031)** | **(8,312)** | (1%) | (4,137) | (11,037) |

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities; exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. In this respect, it is assumed that the pegged rate between the Hong Kong dollars and the United States dollars would be materially unaffected by any changes in movement in value of the United States dollars against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' profit (loss) for the year and equity measured in the respective functional currencies, translated into United States dollars at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis is performed on the same basis for 2019.

## 24.3 Credit Risk

The Group is exposed to credit risk with respect to cash and cash equivalents, 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, time deposit of terms less than 90 days and cash deposit with registered brokerage firms in Hong Kong. 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. See note 8 for additional information related to loans receivable.

### 24.4 Liquidity Risk

Liquidity risk is the risk that the Group may encounter difficulties in meeting obligations associated with financial liabilities. As at December 31, 2020, the Group held cash and cash equivalents of $19,470,884 and net current assets of $21,306,083. 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.

### 24.5 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.

### 24.6 Impact of COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

As a result of the COVID-19 outbreak, the normal spring resumption of on-site industrial test on applying bio-tech methodology on extraction of metals of Gold Project has been delayed from the original planned February 2020 to April 2020. Attributable to the several re-emergence of infections in Xinjiang, the mine site had to implement closed-off management and the whole city was locked down. The pre-oxidation process of the industrial test therefore has not been completed in the year. Furthermore, restrictions on inter-provincial transportation have been enforced by the government off and on during the year, affecting the delivery of our ore samples to the Institute in Beijing for testing. Therefore, it is anticipated that the industrial test will not be completed until the end of 2021.

The Group further considered that since the COVID-19 outbreak, there has not been significant declines in the values of its level 1 financial instruments held by the Group by reference to the relevant economic indices for Hong Kong and the PRC.  The Group also noted that there has been no indication of an increase in risks associated with its cash balances held in Hong Kong and the PRC. However, there continues to be uncertainties around the long-term impact of the COVID-19 outbreak, due to the acceleration of infection cases worldwide. The board and the management of the Group will continue to closely monitor economic situation and take the necessary steps to protect interest of our shareholders, as well as ensure the orderly operation of our company and the continuity of our operations during this challenging time.

As at December 31, 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 $1,135,209 for the year ended December 31, 2020 (2019: nil).

For the loan receivable, the management considered the credit risk of the loan increased significantly since its initial recognition as the loan has been further extended for 1 year from the original due on December 10, 2020 to December 10, 2021. Valuation on the pledged property has been performed by individual professional valuer and an impairment loss on loan receivable of $693,523 was recognised for the year ended December 31, 2020.

## 25. 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 $72,448,746 and consisted 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.