

**GobiMin Inc.**

Incorporated in Canada under the Canada Business Corporations Act

Condensed Interim Financial Statements (Unaudited)

March 31, 2012

(Expressed in United States Dollars except where otherwise noted)

Notice to readers:

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

**GobiMin Inc.**  
**Condensed Interim Statement of Financial Position (Unaudited)**  
**As at March 31, 2012**  
(Expressed in United States Dollars)

	March 31, 2012	December 31, 2011
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents (Note 5)	51,631,409	62,305,634
Prepayments, deposits and other receivables (Note 6)	18,921,443	19,341,000
Amounts due from associates (Note 7)	14,553,016	5,511,765
<b>Total current assets</b>	<b>85,105,868</b>	<b>87,158,399</b>
<b>Non-current</b>		
Property, plant and equipment (Note 10)	1,665,218	1,185,256
Investment properties (Note 11)	2,538,255	2,571,094
Exploration and evaluation assets (Note 12)	11,619,168	11,718,902
Interest in a jointly-controlled entity (Note 13)	856,539	857,696
Interests in associates (Note 14)	2,252,723	2,113,541
Other financial assets (Note 15)	14,103,561	14,106,188
Amounts due from related parties (Note 8)	920,461	920,461
<b>Total non-current assets</b>	<b>33,955,925</b>	<b>33,473,138</b>
<b>Total assets</b>	<b>119,061,793</b>	<b>120,631,537</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Other payables, receipts in advance and accrued liabilities (Note 17)	27,193,872	28,250,606
Deferred gain on disposal of an associate (Note 16)	5,682,689	5,682,689
<b>Total current liabilities</b>	<b>32,876,561</b>	<b>33,933,295</b>
<b>Non-Current</b>		
Other payables, receipts in advance and accrued liabilities (Note 17)	67,593	82,842
<b>Total non-current liabilities</b>	<b>67,593</b>	<b>82,842</b>
<b>Total liabilities</b>	<b>32,944,154</b>	<b>34,016,137</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 19)	27,137,656	27,461,311
Reserves	57,257,490	57,342,166
<b>Equity attributable to shareholders of the Company</b>	<b>84,395,146</b>	<b>84,803,477</b>
Non-controlling interests (Note 20)	1,722,493	1,811,923
<b>Total shareholders' equity</b>	<b>86,117,639</b>	<b>86,615,400</b>
<b>Total liabilities and shareholders' equity</b>	<b>119,061,793</b>	<b>120,631,537</b>

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

APPROVED BY THE BOARD ON MAY 24, 2012 AND SIGNED ON ITS BEHALF BY:

(Signed)  
**Felipe Tan**  
Director

(Signed)  
**Hubert Marleau**  
Director

**GobiMin Inc.**  
**Condensed Interim Statement of Comprehensive Income (Unaudited)**  
**For the quarter ended March 31, 2012**  
(Expressed in United States Dollars)

	<b>Three Months Ended March 31, 2012</b>	Three Months Ended March 31, 2011
	\$	\$
Revenue	-	-
Cost of sales	-	-
Depreciation	-	-
Selling and distribution cost	-	-
<b>Gross profit</b>		-
Other revenue and gains (Note 21)	<b>553,029</b>	144,485
General and administrative expenses	<b>(970,983)</b>	(778,840)
Share-based compensation	<b>(104,329)</b>	(56,236)
Share of results of a jointly-controlled entity (Note 13)	<b>(1,158)</b>	(18)
Share of results of associates (Note 14)	<b>265,308</b>	(60,154)
<b>Operating loss</b>	<b>(258,133)</b>	(750,763)
Exchange loss	<b>(16,838)</b>	(9,717)
Finance costs (Note 22)	<b>(3,464)</b>	(3,649)
<b>Loss before income tax</b>	<b>(278,435)</b>	(764,129)
Income tax	-	-
<b>Loss for the period</b>	<b>(278,435)</b>	(764,129)
<b>Other comprehensive income, net of tax</b>		
Foreign currency translation differences	-	539
<b>Total comprehensive loss for the period</b>	<b>(278,435)</b>	(763,590)
<b>Loss for the period attributable to:</b>		
Shareholders of the Company	<b>(189,005)</b>	(705,993)
Non-controlling interests (Note 20)	<b>(89,430)</b>	(58,136)
	<b>(278,435)</b>	(764,129)
<b>Total comprehensive losses for the period attributable to:</b>		
Shareholders of the Company	<b>(189,005)</b>	(705,454)
Non-controlling interests (Note 20)	<b>(89,430)</b>	(58,136)
	<b>(278,435)</b>	(763,590)
<b>Net losses per share (Note 19(g))</b>		
Basic	<b>(0.003)</b>	(0.011)
Diluted	<b>(0.003)</b>	(0.011)
<b>Weighted average number of shares outstanding (Note 19(g))</b>	<b>Share</b>	<b>Share</b>
Basic	<b>62,459,988</b>	65,602,948
Diluted	<b>62,400,234</b>	65,602,948

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

**GobiMin Inc.**  
**Condensed Interim Statement of Changes in Equity (Unaudited)**  
**For the quarter ended March 31, 2012**  
(Expressed in United States Dollars)

	Attributed to shareholders of the Company							Non-controlling interests Note 20	Total equity
	Share capital Note 19 (a)	Contributed surplus	Share option reserve	General reserve Note 19 (c)	Translation reserve Note 19 (d)	Retained earnings			
	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Balance as at January 1, 2011</b>	28,874,192	2,596,106	1,148,611	7,666	1,561,563	48,952,863	2,074,543	85,215,544	
Loss for the period	-	-	-	-	-	(705,993)	(58,136)	(764,129)	
Foreign currency translation differences	-	-	-	-	(14)	-	-	(14)	
Total comprehensive loss	-	-	-	-	(14)	(705,993)	(58,136)	(764,143)	
Shares repurchased	(771,776)	-	-	-	-	-	-	(771,776)	
Options cancelled	-	-	(553)	-	-	553	-	-	
Share-based compensation	-	-	56,236	-	-	-	-	56,236	
<b>Balance as at March 31, 2011</b>	<b>28,102,416</b>	<b>2,596,106</b>	<b>1,204,294</b>	<b>7,666</b>	<b>1,561,549</b>	<b>48,247,423</b>	<b>2,016,407</b>	<b>83,735,861</b>	
<b>Balance as at January 1, 2012</b>	<b>27,461,311</b>	<b>2,468,142</b>	<b>701,260</b>	<b>7,666</b>	<b>3,395,392</b>	<b>50,769,706</b>	<b>1,811,923</b>	<b>86,615,400</b>	
Loss for the period	-	-	-	-	-	(189,005)	(89,430)	(278,435)	
Foreign currency translation differences	-	-	-	-	-	-	-	-	
Total comprehensive loss	-	-	-	-	-	(189,005)	(89,430)	(278,435)	
Shares repurchased	(323,655)	-	-	-	-	-	-	(323,655)	
Options cancelled	-	-	(1,891)	-	-	1,891	-	-	
Share-based compensation	-	-	104,329	-	-	-	-	104,329	
<b>Balance as at March 31, 2012</b>	<b>27,137,656</b>	<b>2,468,142</b>	<b>803,698</b>	<b>7,666</b>	<b>3,395,392</b>	<b>50,582,592</b>	<b>1,722,493</b>	<b>86,117,639</b>	

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

**GobiMin Inc.**  
**Condensed Interim Statement of Cash Flows (Unaudited)**  
**For the quarter ended March 31, 2012**  
(Expressed in United States Dollars)

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
	\$	\$
<b>Operating activities</b>		
Loss for the period	(278,435)	(764,129)
Adjustments for items not involving cash:		
- Depreciation	100,758	90,737
- Share-based compensation	104,329	56,236
- Share of results of a jointly-controlled entity	1,158	18
- Share of results of associates	(265,308)	60,154
- Interest income	(233,947)	(84,977)
- Interest expense	1,472	3,464
- Exchange difference	16,838	203,258
- Gain on disposal of property, plant and equipment	(275,033)	-
	<b>(828,168)</b>	<b>(435,239)</b>
Change in non-cash working capital items:		
- Silver bullion	-	9,549,402
- Prepayments, deposits and other receivables	405,344	(62,744)
- Amounts due from associates	(9,041,251)	(20,295,315)
- Amounts due from related parties	-	(18,159)
- Other payables, receipts in advance and accrued liabilities	(1,056,820)	(445,773)
<b>Net cash used in operating activities</b>	<b>(10,520,895)</b>	<b>(11,707,828)</b>
<b>Financing activities</b>		
Interest paid	(1,472)	(3,464)
Shares repurchased	(323,655)	(771,776)
Repayment of obligations under finance lease	(15,163)	(5,981)
<b>Net cash used in financing activities</b>	<b>(340,290)</b>	<b>(781,221)</b>
<b>Investing activities</b>		
Interest received	233,947	84,977
Dividend received	126,126	-
Additions of property, plant and equipment	(616,292)	(19,684)
Additions of exploration and evaluation assets	(4,819)	-
Proceeds from disposal of property, plant and equipment	447,998	-
<b>Net cash generated from investing activities</b>	<b>186,960</b>	<b>65,293</b>
<b>Decrease in cash and cash equivalents</b>	<b>(10,674,225)</b>	<b>(12,423,756)</b>
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>	<b>-</b>	<b>(1,560)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>62,305,634</b>	<b>37,442,778</b>
<b>Cash and cash equivalents at end of period</b>	<b>51,631,409</b>	<b>25,017,462</b>

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

**GobiMin Inc.**  
**Notes to Condensed Interim Financial Statements**  
**For the quarter ended March 31, 2012**  
(Expressed in United States Dollars)

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**1. CORPORATE INFORMATION**

GobiMin Inc. (the “Company” or “GobiMin”) 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-V, as a Tier 2 mining issuer. Its registered office is situated at Suite 1250, 120 Adelaide Street West, Toronto, Ontario M5H 1T1, Canada.

The Company together with its subsidiaries (collectively the “Group”) is engaged in the development, exploration and exploitation of mineral properties mainly in the Xinjiang Uygur Autonomous Region (“Xinjiang”) of the People’s Republic of China (“China”).

**2. BASIS OF PRESENTATION**

These condensed Interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”), with disclosure and accounting policies consistent with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied in these condensed interim financial statements are consistent with the policies disclosed in Notes 2 and 3 of the consolidated financial statements for the year ended December 31, 2011, except for the change referred to in Note 4 below. Accounting principles for interim consolidated financial statements do not conform in all respects to the disclosures required for annual consolidated financial statements and, accordingly, these condensed interim financial statements should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2011. In the opinion of management, all adjustments considered necessary for the fair presentation of results for the periods presented have been reflected in these unaudited interim financial statements. These adjustments consist only of normal recurring adjustments. Operating results for these interim periods are not necessarily indicative of the results that may be expected for the full financial year ending December 31, 2012.

**4. FUTURE CHANGES IN SIGNIFICANT ACCOUNTING POLICIES**

At the date of authorisation of these condensed interim financial statements, the following standards and interpretations, potentially relevant to the Group’s financial statements, were issued but not yet effective and have not been early adopted by the Group.

<b>Conceptual Framework for Financial Reporting</b>	<b>Issue Date</b>	<b>Effective Date</b>
<b>IFRS 9</b> - Financial Instruments: Amendments to provide guidance on the classification and reclassification of financial liabilities, their measurement and the presentation of gains and losses on financial liabilities designated at fair value through profit and loss.	October 2010 & Updated on November 2011	Annual periods beginning on or after January 1, 2015
<b>IAS 12</b> - Income Taxes - Amendments regarding Deferred Tax: Recovery of Underlying Assets to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model.	December 2010	Annual periods beginning on or after July 1, 2012

**GobiMin Inc.**  
**Notes to Condensed Interim Financial Statements**  
**For the quarter ended March 31, 2012**  
(Expressed in United States Dollars)

<b>Conceptual Framework for Financial Reporting</b>	<b>Issue Date</b>	<b>Effective Date</b>
<b>IFRS 10</b> - Consolidated Financial Statements: This standard replaces the current IAS 27 Consolidated and Separate Financial Statements. The standard identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company.	May 2011	Annual periods beginning on or after January 1, 2013
<b>IFRS 12</b> - Disclosure of Interests in Other Entities: This standard requires disclosures relating to an entity's interests in subsidiaries.	May 2011	Annual periods beginning on or after January 1, 2013
<b>IFRS 13</b> - Fair Value Measurements: This standard defines fair value, provides guidance on its determination and introduces consistent requirements for disclosures on fair value measurements.	May 2011	Annual periods beginning on or after January 1, 2013
<b>Amendments to IAS 1</b> - Presentation of Items of Other Comprehensive Income: The amendment provides guidance on the presentation of items contained in other comprehensive income ("OCI") and their classification within OCI.	May 2011	Annual periods beginning on or after January 1, 2013
<b>IAS 28</b> - Investments in Associates and Joint Ventures: This standard describes the application of the equity method to investments. The amendment includes the application of equity method in joint ventures in addition to associates.	May 2011	Annual periods beginning on or after January 1, 2013
<b>IFRS 11</b> - Joint Arrangements: This standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities.	September 2011	Annual periods beginning on or after January 1, 2013
<b>IFRIC 20</b> – Stripping Costs in the Production Phase of a Surface Mine establishes when the costs incurred to remove mine waste materials to gain access to mineral ore deposits during the production phase of a surface mine should lead to the recognition of an asset and how that asset should be measured.	November 2011	Annual periods beginning on or after January 1, 2013

**5. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents held in different locations:

<b>Bank location</b>	<b>Denominated Currency</b>	<b>March 31, 2012</b>	<b>December 31, 2011</b>
		\$	\$
Canada	CAD	324,771	87,226
Hong Kong	HKD	17,472,686	27,709,519
China	RMB	33,833,952	34,508,889
<b>Total</b>		<b>51,631,409</b>	<b>62,305,634</b>

**GobiMin Inc.**  
**Notes to Condensed Interim Financial Statements**  
**For the quarter ended March 31, 2012**  
(Expressed in United States Dollars)

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The RMB 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 Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

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

As at March 31, 2012, other than the prepayment of expenses, deposits for exploration or construction services and rental deposit, the balance of prepayments, deposits and other receivables are mainly contributed by the following:

- (a) A deposit of \$6,352,638 (RMB40,000,000) (December 31, 2011: \$6,352,638) has been paid by Tongyuan as deposit for obtaining the exploration and mining licences of Sawayaerdun Gold Property (see Note 18).
- (b) Pursuant to the share transfer agreement dated July 14, 2010, GobiMin disposed of 32% equity interest in the Yanxi Copper Property on July 22, 2010, while retaining an 8% indirect unlisted equity interest in the Yanxi Copper Property. The Group shall receive the remaining balance of the consideration in the form of convertible bonds of \$11,454,311 (HKD89,000,000) (December 31, 2011: \$11,454,311) upon fulfilment of the various conditions set out in the share transfer agreement and the supplemental agreements thereof and the successful granting of the mining licence for the Yanxi Copper Property. Such remaining convertible bonds to be received are classified as other receivables (see also Note 16).

**7. AMOUNTS DUE FROM ASSOCIATES**

The amounts due from associates are an advance to China Precision of \$14,553,016 (December 31, 2011: \$5,157,729) in which the Group has an indirect equity interest of 48.02%. Such advance is unsecured, bears interest at the rate of 2% per annum and is without fixed repayment terms. The remaining balance of \$354,036 as at December 31, 2011 represented the interest of \$354,012 payable by China Precision and the current account with CPM Silver Limited which are unsecured, interest-free and without fixed repayment terms.

**8. AMOUNTS DUE FROM RELATED PARTIES**

- (a) Amounts due from related parties of \$419,719 (December 31, 2011: \$419,719) pertain to receivables from Xinjiang Tongxing Minerals Ltd. ("Tongxing") for Chinese exploration services on its exploration projects.
- (b) Tongyuan has paid a deposit of \$500,742 (December 31, 2011: \$500,742) to its non-controlling shareholder for exploration services to the Sawayaerdun Gold Project.

The balances with related parties were unsecured, interest-free and without fixed repayment term.

**9. RELATED PARTY TRANSACTIONS**

**(a) Key management compensation**

The remuneration of key management and directors is as follows:



**GobiMin Inc.**  
**Notes to Condensed Interim Financial Statements**  
**For the quarter ended March 31, 2012**  
(Expressed in United States Dollars)

<b>For the three months ended</b>	<b>March 31, 2012</b>	<b>March 31, 2011</b>
	\$	\$
Fees and other emoluments	<b>118,122</b>	109,413
Share-based compensation	<b>93,741</b>	35,572
	<b>211,863</b>	144,985

**(b) Related party transactions**

In addition to the transactions detailed elsewhere in these financial statements, the Group entered into the following transactions with related companies:

<b>For the three months ended</b>	<b>March 31, 2012</b>	<b>March 31, 2011</b>
<b><u>Related party relationship</u></b>	<b>\$</b>	<b>\$</b>
<b><u>Type of transactions</u></b>		
Company controlled by a director	<b>6,353</b>	6,353
An associate	<b>53,191</b>	61,474
An associate	<b>126,126</b>	-

**(c) Advances to other related parties**

Advances made by the Group to related parties were disclosed as amounts due from associates and related parties in Notes 7 and 8 respectively.

Other than the aforementioned, there were no other significant related party transactions requiring disclosure in the financial statements.

**10. PROPERTY, PLANT AND EQUIPMENT**

	<b>Leasehold land &amp; building</b>	<b>Leasehold improvements</b>	<b>Furniture, fixture &amp; equipment</b>	<b>Computer hardware &amp; equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$
<b>Cost:</b>						
<b>Balance at January 1, 2011</b>	423,786	121,135	306,993	637	847,074	1,699,625
Exchange differences	23,135	-	13,496	29	29,140	65,800
Additions	4,007	-	53,288	-	150,972	208,267
Disposals	-	-	(872)	-	(184,014)	(184,886)
<b>Balance at December 31, 2011</b>	<b>450,928</b>	<b>121,135</b>	<b>372,905</b>	<b>666</b>	<b>843,172</b>	<b>1,788,806</b>
Reclassification from exploration and evaluation assets	104,553	-	-	-	-	104,553
Additions	-	-	-	-	616,292	616,292
Disposals	-	-	-	-	(373,322)	(373,322)
<b>Balance at March 31, 2012</b>	<b>555,481</b>	<b>121,135</b>	<b>372,905</b>	<b>666</b>	<b>1,086,142</b>	<b>2,136,329</b>
<b>Depreciation and impairment losses:</b>						
<b>Balance at January 1, 2011</b>	10,319	104,311	43,484	127	388,748	546,989
Exchange differences	482	-	1,253	6	9,720	11,461
Depreciation for the year	24,383	16,824	47,533	133	138,896	227,769
Disposals	-	-	(215)	-	(182,454)	(182,669)
<b>Balance at December 31, 2011</b>	<b>35,184</b>	<b>121,135</b>	<b>92,055</b>	<b>266</b>	<b>354,910</b>	<b>603,550</b>

**GobiMin Inc.**  
**Notes to Condensed Interim Financial Statements**  
**For the quarter ended March 31, 2012**  
(Expressed in United States Dollars)

	Leasehold land & building	Leasehold improvements	Furniture, fixture & equipment	Computer hardware & equipment	Motor vehicles	Total
	\$	\$	\$	\$	\$	\$
Depreciation for the period	7,797	-	13,069	22	47,031	67,919
Disposals	-	-	-		(200,358)	(200,358)
<b>Balance at March 31, 2012</b>	<b>42,981</b>	<b>121,135</b>	<b>105,124</b>	<b>288</b>	<b>201,583</b>	<b>471,111</b>
<b>Net book value:</b>						
<b>At January 1, 2011</b>	<b>413,467</b>	<b>16,824</b>	<b>263,509</b>	<b>510</b>	<b>458,326</b>	<b>1,152,636</b>
<b>At December 31, 2011</b>	<b>415,744</b>	<b>-</b>	<b>280,850</b>	<b>400</b>	<b>488,262</b>	<b>1,185,256</b>
<b>At March 31, 2012</b>	<b>512,500</b>	<b>-</b>	<b>267,781</b>	<b>378</b>	<b>884,559</b>	<b>1,665,218</b>

At 31 March 2012, the net carrying amount of property, plant and equipment of the Group includes motor vehicles of \$151,572 (December 31, 2011: \$164,674) held under finance leases. None of the leases includes contingent rentals. During the quarter ended March 31, 2012, no additions to motor vehicles of the Group was financed by new finance leases (December 31, 2011: 140,026).

**11. INVESTMENT PROPERTIES**

<b>Cost:</b>	\$
<b>Balance at January 1, 2011</b>	2,593,585
Exchange differences	144,305
Additions	27,756
<b>Balance at December 31, 2011 and March 31, 2012</b>	<b>2,765,646</b>
<b>Depreciation and impairment losses:</b>	
<b>Balance at January 1, 2011</b>	61,593
Exchange differences	2,872
Depreciation for the year	130,087
<b>Balance at December 31, 2011</b>	<b>194,552</b>
Depreciation for the period	32,839
<b>Balance at March 31, 2012</b>	<b>227,391</b>
<b>Net book value:</b>	
<b>At January 1, 2011</b>	<b>2,531,992</b>
<b>At December 31, 2011</b>	<b>2,571,094</b>
<b>At March 31, 2012</b>	<b>2,538,255</b>

Investment properties comprised commercial properties in China that are leased to third parties and related parties (Note 9(b)). Investment properties are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Investment properties are depreciated on a straight-line basis over 20 years. The Group's investment properties are located in China and are under a remaining lease term of 39 years.

**GobiMin Inc.**  
**Notes to Condensed Interim Financial Statements**  
**For the quarter ended March 31, 2012**  
(Expressed in United States Dollars)

The estimated fair value of the Group's investment properties at March 31, 2012 was approximately \$4,269,019 (December 2011: \$4,269,019). The estimated fair value has been arrived at based on management assessment by reference to recent market prices for similar properties in the same locations and conditions.

**12. EXPLORATION AND EVALUATION ASSETS**

	Mining rights Note (a)	Others Note (b)	Total
<b>Cost:</b>	\$	\$	\$
<b>Balance at January 1, 2011</b>	1,037,717	1,138,031	2,175,748
Exchange differences	48,409	53,078	101,487
Additions	-	9,441,667	9,441,667
<b>Balance at December 31, 2011</b>	<b>1,086,126</b>	<b>10,632,776</b>	<b>11,718,902</b>
Additions	-	4,819	4,819
Reclassification to property, plant and equipment	-	(104,553)	(104,553)
<b>Balance at March 31, 2012</b>	<b>1,086,126</b>	<b>10,533,042</b>	<b>11,619,168</b>

**Depreciation and impairment losses:**

**Balance at January 1, 2011, December 31, 2011 and  
March 31, 2012**

- - -

**Net carrying amount:**

<b>At January 1, 2011</b>	<b>1,037,717</b>	<b>1,138,031</b>	<b>2,175,748</b>
<b>At December 31, 2011</b>	<b>1,086,126</b>	<b>10,632,776</b>	<b>11,718,902</b>
<b>At March 31, 2012</b>	<b>1,086,126</b>	<b>10,533,042</b>	<b>11,619,168</b>

*Note:*

- (a) Represents the mining rights of Sawayaerdun Gold Project which is located 200 km northwest of the city of Kashi, western Xinjiang, China. The mining licence was granted for an initial period of 8 years. As at December 31, 2011, the remaining valid period of the mining licence was 7 years.
- (b) Represents the geological and geophysical costs, mine site and facilities construction, drilling and exploration expenses for the Sawayaerdun Gold Project.

**13. INTEREST IN A JOINTLY-CONTROLLED ENTITY**

<b>As at</b>	<b>March 31, 2012</b>	December 31, 2011
	\$	\$
Share of net assets	<b>856,539</b>	857,696

The summarized financial information in respect of the Group's jointly-controlled entity is as follows:

<b>As at</b>	<b>March 31, 2012</b>	December 31, 2011
	\$	\$
Current assets	<b>1,693,485</b>	1,707,862
Non-current assets	<b>19,895</b>	19,984
Current liabilities	<b>(302)</b>	(12,454)
Non-current liabilities	-	-
<b>Net assets</b>	<b>1,713,078</b>	1,715,392

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<b>For the three months ended</b>	<b>March 31, 2012</b>	March 31, 2011
	\$	\$
Income	4,585	114
Expenses	(6,899)	(150)
Loss before income tax	(2,314)	(36)
Income tax	-	-
Loss for the period	(2,314)	(36)
<b>Group's share of results of a jointly-controlled entity for the period</b>	<b>(1,158)</b>	<b>(18)</b>

Detail of the jointly-controlled entity, which is a limited liability company, as at March 31, 2012 was as follows:

<b>Company name</b>	<b>Place of incorporation</b>	<b>Total issued and paid-up capital</b>	<b>Attributable interest held by the Company</b>	<b>Principal activities</b>
新疆興亞礦業有限公司 Xinjiang Xinya Minerals Ltd. <sup>1</sup>	Xinjiang, China	RMB10,000,000	50%	Exploration of lead and zinc

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

**14. INTERESTS IN ASSOCIATES**

<b>As at</b>	<b>March 31, 2012</b>	December 31, 2011
	\$	\$
Share of net assets	2,252,723	2,113,541

<b>As at</b>	<b>March 31, 2012</b>	December 31, 2011
	\$	\$
Total assets	44,741,976	23,199,655
Total liabilities	(39,432,191)	(18,180,303)
Net assets	5,309,785	5,019,352

<b>For the three months ended</b>	<b>March 31, 2012</b>	March 31, 2011
	\$	\$
Revenue	9,844,980	42,787,586
Profit/(loss) for the period	553,087	(128,322)
<b>Group's share of results of associates for the period</b>	<b>265,308</b>	<b>(60,154)</b>

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Particulars of associates as at March 31, 2012:

<b>Company name</b>	<b>Place of incorporation</b>	<b>Total issued and paid-up capital</b>	<b>Attributable interest held by the Company</b>	<b>Principal activities</b>
China Precision Material Limited	Hong Kong, China	HKD10,000,000	48.02%	Trading of Silver
CPM Silver Limited	Hong Kong, China	HKD10,000	48.02%	Processing of Silver
United Bridge Limited	Hong Kong, China	HKD10,000	48.02%	Investment
新疆同安礦業有限公司 Xinjiang Tongan Minerals Ltd. <sup>1</sup>	Xinjiang, China	RMB5,000,000	40.00%	Exploration of gold and copper
新疆天宏礦業有限公司 Xinjiang Tianhong Minerals Ltd. <sup>1</sup>	Xinjiang, China	RMB10,000,000	40.00%	Exploration of nickel and copper
新疆同德礦業有限公司 Xinjiang Tongde Minerals Ltd. <sup>1</sup>	Xinjiang, China	RMB10,000,000	40.00%	Exploration of nickel and copper

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

**15. OTHER FINANCIAL ASSETS**

<b>As at</b>		<b>March 31, 2012</b>	<b>December 31, 2011</b>
		\$	\$
Convertible bonds	(a)	<b>13,068,740</b>	13,068,740
Held-to-maturity listed debentures	(b)	<b>829,420</b>	829,420
Available-for-sale financial asset	(c)	<b>205,401</b>	208,028
<b>Total</b>		<b>14,103,561</b>	14,106,188

**(a) Convertible bonds**

Represents the convertible bonds with principal amount of \$14.2 million (HKD110,000,000) issued by China Daye Non-Ferrous Metals Mining Limited (“China Daye”) as partial payment of the consideration for the disposal of the 32% equity interest in the Yanxi Copper Property as mentioned in Note 16. The convertible bonds are stated at \$13,068,740 (December 31, 2011: \$13,068,740) based on the fair value as determined by an independent professional valuer as at year end.

**(b) Held-to-maturity listed debentures**

Represents the held-to-maturity listed debentures held by the Group at quarter end and year end.

**(c) Available-for-sale financial asset**

The Group formerly owned a 40% indirect equity interest in Tongxing which is engaged in exploration and development of the Yanxi Copper Property. The Group has completed the disposal of a 32% equity interest in the Yanxi Copper Property on July 22, 2010 and the remaining 8% indirect unlisted equity interest in Tongxing is classified as available-for-sale financial asset. Since the equity interest in Tongxing does not have a quoted market price in an active market and its fair value cannot be reliably measured, it is measured at cost less any identified impairment loss (see also Note 16).

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For the three months ended March 31, 2012, the Group recorded an impairment loss of \$2,628 included in general and administrative expenses (December 31, 2011: \$15,146) for the available-for-sale financial asset.

**16. DEFERRED GAIN ON DISPOSAL OF AN ASSOCIATE**

Pursuant to the share transfer agreement dated July 14, 2010 and the supplemental agreements dated December 30, 2010 and August 30, 2011, the Group disposed of its 32% equity interest in the Yanxi Copper Property on July 22, 2010 while retaining an 8% indirect unlisted equity interest. The Group received the cash consideration of \$7,722,007 (HKD60,000,000) and the first lot of convertible bonds with principal amount of \$14,157,014 (HKD110,000,000). The application for mining licence of the Yanxi Copper Property is in progress. After the mining licence of the Yanxi Copper Property is granted, the Group shall receive the final lot of convertible bonds.

The buyer is entitled, at its sole discretion, to extend (1) the repayment date of the convertible bonds from July 22, 2012 to June 30, 2013 without extension of the period of the related rights of conversion; or (2) the maturity date of the convertible bonds from July 22, 2012 to June 30, 2013 including the deadline for conversion, subject to approval of The Stock Exchange of Hong Kong Limited and shareholders of the buyer (if necessary).

Should the mining licence not be granted by May 31, 2012, the Group guarantees to refund to the buyer all the consideration received and in return, the buyer shall transfer the interest in the Yanxi Copper Property back to the Group.

The application for the mining licence is at the final stage. However, as the mining licence may not be granted by May 31, 2012, the Group is in discussion with the buyer to review the related terms and arrangements.

The deferred gain on disposal of the 32% equity interest in the Yanxi Copper Property of \$5.7 million represents the cash received of \$7.7 million, convertible bonds received of \$14.2 million (see Note 15), convertible bonds receivable of \$11.5 million (see Note 6), netted off against the share of net assets as at June 21, 2010 of \$0.9 million and those payables and accrued liabilities of \$26.8 million as set out in Note 17.

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

As at March 31, 2012, the balance of other payables, receipts in advance and accrued liabilities are mainly contributed by the payable for the mining licence fee, tax, stamp duty and related payments of \$26.8 million arising on the disposal of the Yanxi Copper Property.

The Group's other payables, receipts in advance and accrued liabilities included obligation under finance leases of \$112,664 (December 31, 2011: \$127,737). Future lease payments are due as follows:

<b>As at March 31, 2012</b>	<b>Minimum lease payments</b>	<b>Interest</b>	<b>Present value</b>
	\$	\$	\$
Within one year	<b>49,494</b>	<b>4,423</b>	<b>45,071</b>
In the second to fifth years inclusive	<b>70,052</b>	<b>2,459</b>	<b>67,593</b>
<b>Total</b>	<b>119,546</b>	<b>6,882</b>	<b>112,664</b>

<b>As at December 31, 2011</b>	<b>Minimum lease payments</b>	<b>Interest</b>	<b>Present value</b>
	\$	\$	\$
Within one year	49,555	4,660	44,895
In the second to fifth years inclusive	86,535	3,693	82,842
<b>Total</b>	<b>136,090</b>	<b>8,353</b>	<b>127,737</b>

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<b>As at</b>	<b>March 31, 2012</b>	December 31, 2011
	\$	\$
Current liabilities	<b>45,071</b>	44,895
Non-current liabilities	<b>67,593</b>	82,842
<b>Total present value of future lease payments</b>	<b>112,664</b>	127,737

**18. COMMITMENTS**

**(a) Capital commitments**

As at March 31, 2012, there are capital commitments of approximately \$2,119,721 (December 31, 2011: \$2,119,721) that the Group had contracted, but not provided for.

- (i) On September 10, 2009, Tongyuan, the 70% owned subsidiary of GobiMin, was formed for the development of the Sawayaerdun Gold Project in Xinjiang, China. The consideration for acquiring the exploration and mining licences of the Sawayaerdun Gold Property is \$7,226,126 (RMB45,500,000) and Tongyuan has paid a deposit of \$6,352,638 (RMB40,000,000) as at March 31, 2012. The remaining commitment of \$873,488 (RMB5,500,000) will be paid based on the progress on the transfer of the exploration licence to Tongyuan.
- (ii) On April 7, 2010, Tongyuan entered into an agreement for exploration service relating to the Sawayaerdun Gold Project. The contracted amount is \$730,553 (RMB4,600,000) and Tongyuan has paid a deposit of \$500,742 (RMB3,152,970) as at March 31, 2012. The remaining commitment is \$229,811 (RMB1,447,030).
- (iii) On October 31, 2011, Tongyuan entered into an agreement for the mine design and related facilities of the Sawayaerdun Gold Project. The contracted amount is \$1,270,528 (RMB8,000,000) and Tongyuan has paid a deposit of \$254,106 (RMB1,600,000) as at March 31, 2012. The remaining commitment is \$1,016,422 (RMB6,400,000).

**(b) Operating lease commitments**

(i) The Group as lessor

The Group has entered into commercial property leases on its investment properties, with leases negotiated for terms ranging from one to five years.

At the end of reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

<b>As at</b>	<b>March 31, 2012</b>	December 31, 2011
	\$	\$
Within one year	<b>100,822</b>	67,177
In the second to fifth years inclusive	<b>283,810</b>	240,164
<b>Total future minimum lease receivables</b>	<b>384,632</b>	307,341

(ii) The Group as lessee

The Group has entered into commercial property leases on certain office premises, with leases negotiated for terms of three to nine years.

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At the end of reporting period, the Group had total future minimum lease payable under non-cancellable operating leases with its tenants falling due as follows:

As at	March 31, 2012	December 31, 2011
	\$	\$
Within one year	239,879	239,132
In the second to fifth years inclusive	276,606	346,458
After five years	14,865	9,720
<b>Total future minimum lease payable</b>	<b>531,350</b>	<b>595,310</b>

**19. SHARE CAPITAL AND STOCK OPTIONS**

**(a) Common Shares**

	Number	Amount
<b>Authorised:</b>		\$
Unlimited number of common shares		
<b>Issued and outstanding:</b>		
<b>Balance, January 1, 2011</b>	65,890,837	28,874,192
Shares repurchased and cancelled	(3,294,541)	(1,412,881)
<b>Balance, December 31, 2011</b>	62,596,296	27,461,311
Shares repurchased and cancelled	<b>(423,000)</b>	<b>(323,655)</b>
<b>Balance, March 31, 2012</b>	<b>62,173,296</b>	<b>27,137,656</b>

**(b) Preferred Shares**

The Company did not issue or authorise any preferred shares.

**(c) General Reserve**

There was no movement in reserves for the three months ended March 31, 2012.

**(d) Translation Reserve**

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

**(e) Normal Course Issuer Bid**

On January 20, 2012, GobiMin renewed its normal course issuer bid to repurchase on the TSX Venture Exchange up to an additional 3,129,814 common shares, representing approximately 5% of the then common shares outstanding. Purchases are made in accordance with applicable regulations over a maximum period of 12 months ending January 31, 2013. During the three months ended March 31, 2012, a total of 423,000 common shares were repurchased at an aggregate cost of \$323,655 (CAD329,163). All shares repurchased are returned to treasury for cancellation.

**(f) 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 number of 6,700,000 (2010: 6,700,000) common shares were reserved for issuance pursuant to the exercise of options to be granted under the plan.



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**Status of the outstanding employee stock options and changes during the period:**

	<b>Three months ended March 31, 2012</b>		Three months ended March 31, 2011	
	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>	Number of Options	Weighted Average Exercise Price
<b>Outstanding, beginning of period</b>	<b>3,159,000</b>	<b>\$ 0.87</b>	2,519,400	1.14
Forfeited	<b>(6,400)</b>	<b>0.66</b>	(3,400)	1.06
<b>Outstanding, end of period</b>	<b>3,152,600</b>	<b>0.87</b>	2,516,000	1.14

**Summary of the employee stock options outstanding and exercisable as at March 31, 2012:**

Exercise Price	Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
CAD	\$		(Years)	\$		(Years)	\$
3.60	3.61	196,000	0.34	3.61	196,000	0.34	3.61
1.10	1.06	97,000	1.42	1.06	77,600	1.42	1.06
0.79	0.76	1,000,000	1.25	0.76	600,000	1.25	0.76
0.79	0.76	294,600	3.25	0.76	118,800	3.25	0.76
0.60	0.60	1,300,000	2.75	0.60	-	2.75	0.60
0.60	0.60	100,000	0.75	0.60	100,000	0.75	0.60
0.60	0.60	165,000	4.75	0.60	-	4.75	0.60
		<b>3,152,600</b>	<b>2.17</b>	<b>0.87</b>	<b>1,092,400</b>	<b>1.27</b>	<b>1.28</b>

- (i) The weighted average remaining contractual life for the share options exercisable as at March 31, 2012 is 1.27 years.
- (ii) The weighted average remaining contractual life for the share options outstanding as at March 31, 2012 is 2.17 years.
- (iii) The range of exercise price for options outstanding as at March 31, 2012 was \$0.60 to \$3.61.

**Share-Based Compensation**

The Company determines fair value of the employee stock options using the Black-Scholes option pricing model. In determining the fair value of these employee stock options, the following assumptions were used:

	<b>March 31, 2012</b>	December 31, 2011
Risk free interest rate:	<b>0.12%-0.88%</b>	0.12%-0.88%
Expected life:	<b>1-5 years</b>	1-5 years
Expected volatility:	<b>53%</b>	53%

The expected life of the stock options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumptions that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome either.

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**(g) Basic and Diluted Losses Per Share**

<b>For the three months ended</b>	<b>March 31, 2012</b>	March 31, 2011
<b>Net losses available to shareholders</b>		
Basic and diluted	(\$189,005)	(\$705,993)
<b>Weighted average number of shares outstanding</b>		
Basic	62,459,988	65,602,948
Effect of dilutive stock options and warrants	(59,754)	-
Diluted	62,400,234	65,602,948
<b>Basic losses per share</b>	<b>(\$0.003)</b>	(\$0.011)
<b>Diluted losses per share</b>	<b>(\$0.003)</b>	(\$0.011)

**20. NON-CONTROLLING INTERESTS**

Non-controlling interests represent the 30% (2010: 30%) equity interest in Tongyuan not held by the Group.

**21. OTHER REVENUE AND GAINS**

<b>For the three months ended</b>	<b>March 31, 2012</b>	March 31, 2011
	\$	\$
Interest income	233,947	84,977
Rental income	44,049	59,508
Gain on disposal of property, plant and equipment	275,033	-
<b>Total other revenue and gains</b>	<b>553,029</b>	144,485

**22. FINANCE COSTS**

<b>For the three months ended</b>	<b>March 31, 2012</b>	March 31, 2011
	\$	\$
Finance charge under finance leases	1,472	3,464
Bank charges	1,992	185
<b>Total finance costs</b>	<b>3,464</b>	3,649

**23. SEGMENTED INFORMATION**

The Group conducted its business as a single operating segment, being the development, exploration and exploitation of mineral properties. It has engaged in the development of the Sawayaerdun Gold Project and other exploration projects. All mineral property interests and capital assets were located in China.

**24. FINANCIAL INSTRUMENTS**

All financial instruments are classified into a defined category, namely, held-to-maturity investments, held-for-trading financial assets, loans and receivables, available-for-sale financial assets, and other financial liabilities.

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**(a) 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.

**(b) Risks arising from financial instruments and risk management**

The Group is exposed to various types of market risks, including changes in foreign exchange rates, and interest rates in the normal course of business. The Group's overall risk management program focuses on mitigating these risks on a cost-effective basis. The Group's policy is to use derivatives only for managing existing financial exposures but not for trading or speculative purpose.

**(c) 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 as well as 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, are subject to foreign exchange controls and require the approval of the PRC State Administration of Foreign Exchange. Developments relating to the PRC's economy and actions taken by the PRC 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 Renminbi against the United States dollars and other foreign currencies will not adversely affect its results of operations, financial condition and cash flows.

As at March 31, 2012 with other variables unchanged, a 1% strengthening (weakening) of the Chinese RMB against the Canadian dollar would have increased (decreased) net loss and other comprehensive loss both by \$0.002 million.

**(d) Credit Risk**

The Group is exposed to credit risk with respect to cash equivalents, other receivables, amounts due from investee companies, amounts due from related parties and other financial assets. Save for the convertible bonds and held-to-maturity listed debentures which are stated at its fair value and amortised cost respectively, the carrying amount of these assets included on the consolidated statements of financial position represents the maximum credit exposure. There is a concentration of credit risk arising from the convertible bonds received on disposal of the Yanxi Copper Property stated at \$13,068,740 as at March 31, 2012. Management believes that the risk of credit loss on the convertible bonds is minimal as the issuer of the convertible bonds is a Hong Kong listed company. The cash equivalents are call deposits at banks or time deposit of terms less than 90 days. None of the cash equivalents were in asset backed commercial paper products. The Group has deposited the cash equivalents in banks that meet minimum requirements for quality and liquidity as stipulated by the Company's Board of Directors. Management believes the risk of loss to be remote.

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**(e) Liquidity Risk**

Liquidity risk is the risk that the Group may encounter difficulties in meeting obligations associated with financial liabilities. As at March 31, 2012, the Group was holding cash and cash equivalents of \$51,631,409. The Group has determined that the cash and cash equivalents from previous financings will be more than sufficient to fund its requirements for investments in working capital and capital assets. Out of the Group's other payables, receipts in advance and accrued liabilities, there are financial liabilities of \$18,901,817 (December 31, 2011: \$19,797,416) which are due within one year and \$67,593 (December 31, 2011: \$82,842) which are due more than one year but less than 2 years.

**(f) 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.

**(g) Financial instrument**

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

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

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

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

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

	<b>Fair Value Measurements at Reporting Data Using</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	\$	\$	\$	\$
<b><u>March 31, 2012</u></b>				
Convertible bonds	-	13,068,740	-	13,068,740
Held-to-maturity listed debentures	829,420	-	-	829,420
	<b>829,420</b>	<b>13,068,740</b>	<b>-</b>	<b>13,898,160</b>
<b><u>December 31, 2011</u></b>				
Convertible bonds	-	13,068,740	-	13,068,740
Held-to-maturity listed debentures	829,420	-	-	829,420
	829,420	13,068,740	-	13,898,160

There is no transfer between level 1 and level 2 of the fair value hierarchy during both periods.

**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

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\$86,117,639 consists of the items included in shareholders' 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.

**26. ECONOMIC DEPENDENCE**

The Group conducts its business as a single operating segment, being the development, exploration and exploitation of mineral properties. All mineral property interests and capital assets are located in China.

**27. EVENTS AFTER THE REPORTING DATE**

- (a) For the period from 1 April 2012 to May 24, 2012, a total of 606,000 common shares were repurchased at an aggregate cost of \$424,663 (CAD431,889). All shares repurchased will be returned to treasury for cancellation.
- (b) On April 17, 2012, GobiMin declared an annual dividend of \$0.01 (CAD0.01) per share in accordance with its dividend policy and the 2011 performance. The dividend will be payable on May 24, 2012 to shareholders of record on May 10, 2012.

**GobiMin Inc.**

Incorporated in Canada under the Canada Business Corporations Act

Management's Discussion and Analysis of Financial Results

March 31, 2012

(Expressed in United States Dollars except where otherwise noted)

**GobiMin Inc.**  
**Management's Discussion and Analysis of Financial Results**  
**For the quarter ended March 31, 2012**  
(Expressed in United States Dollars)  
May 24, 2012

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The following discussion and analysis of the condensed operating results and financial condition of GobiMin Inc. for the quarter ended March 31, 2012 should be read in conjunction with its condensed interim financial statements for the quarter ended March 31, 2012 prepared in accordance with International Financial Reporting Standards ("IFRS") and its audited consolidated financial statements for the year ended December 31, 2011 prepared in accordance with IFRS.

This Management's Discussion and Analysis was prepared on May 24, 2012. Additional information relating to the Company is available on the SEDAR website at [www.sedar.com](http://www.sedar.com) under GobiMin Inc.

*Certain statements included in this discussion constitute forward-looking statements. Such forward-looking statements can often, but not always, be identified by the use of words such as "can", "could", "believe", "propose", "anticipate", "intend", "consider", "estimate", "expect", or other variations of such expressions, or forward-looking statements may declare that certain measures, events or results "can", "could" or "will" be taken or occur or be attained. Such forward-looking statements involve known and unknown risks and uncertainties as well as other factors that could cause actual results, performances or achievements of the Company to differ materially from the future results, performances or achievements implied or suggested in such forward-looking statements. Such risks, uncertainties and other factors include but are not limited to the risk factors discussed under the heading "Risk Factors" below. Accordingly, shareholders are cautioned not to put undue reliance on forward-looking statements. These forward-looking statements are made as of the date of this discussion and the Company disclaims any obligations to update any forward-looking statements in order to account for any events or circumstances that might occur after the date that such forward-looking statements were established.*

## **1. Corporate Overview**

GobiMin Inc. (the "Company" or "GobiMin"), together with its subsidiaries (collectively referred to herein as the "Group"), is engaged in the development, exploration and exploitation of mineral properties, mainly in the Xinjiang Uygur Autonomous Region ("Xinjiang") of the People's Republic of China ("China").

GobiMin holds an equity interest of 70% in a company incorporated in China to develop and operate the Sawayaerdun Gold Project located in Xinjiang. At a lower grade threshold of 0.5 grams/tonne gold, its Zone IV is estimated to contain Indicated resources of about 2,300,000 oz gold and Inferred resources of about 1,900,000 oz gold per the NI 43-101 technical report prepared by a Qualified Person as defined in NI 43-101, Mr. Philip A. Jones, issued in April 2012.

GobiMin also holds an equity interest of 48.02% in China Precision Material Limited ("China Precision"), which is principally engaged in metal trading, predominately silver and operates a small processing workshop.

In addition, GobiMin owns 40-50% equity interests in 4 companies incorporated in China to engage in base metals exploration, including nickel, copper, and gold, in Xinjiang, and an 8% equity interest in the Yanxi Copper Property.

## **2. Highlights**

### **(a) Corporate Highlights**

- ✧ Completed the new NI 43-101 compliant resource estimates on Zone I and Zone IV of the Sawayaerdun Gold Project
- ✧ Extension of the deadline for obtaining the mining license of Yanxi Copper Deposit to May 31, 2012
- ✧ Continuing the exploration of other mineral projects in Xinjiang, China
- ✧ Actively searching for high quality mining and exploration projects

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**(b) Financial Highlights**

	<b>Three months ended March 31, 2012</b>	Twelve months ended December 31, 2011	Three months ended March 31, 2011
	\$	\$	\$
Revenue	-	-	-
Other revenue and gains	<b>0.6 million</b>	0.9 million	0.1 million
Share of results of associates and a jointly- controlled entity	<b>0.3 million</b>	0.5 million	(0.1 million)
Gain on disposal of an associate	-	8.8 million	-
Change in fair value on other financial assets	-	(2.7 million)	-
(Loss)/profit for the period/year	<b>(0.3 million)</b>	2.5 million	(0.8 million)
LBITDA <sup>(1)</sup>	<b>(0.6 million)</b>	(3.8 million)	(0.7 million)
Basic and diluted (losses)/earnings per share	<b>(0.003)</b>	0.05	(0.012)
LBITDA per share <sup>(1)</sup>	<b>(0.009)</b>	(0.06)	(0.011)
Cash and cash equivalents	<b>51.6 million</b>	62.3 million	25.0 million
Cash and cash equivalents per share	<b>0.83</b>	1.00	0.39
Working capital	<b>52.2 million</b>	53.2 million	49.7 million
Total non-current financial liabilities	<b>68,000</b>	83,000	-
Total assets	<b>119.1 million</b>	120.6 million	117.2 million

Note:

(1) As non-IFRS measurements, LBITDA (losses before interest income and expense, income taxes, depreciation and amortisation), LBITDA per share and cash and cash equivalents per share do not comply with IFRS and, therefore, the amounts presented in the above table may not be comparable to similar data presented by other companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

**3. Business Summary and Development**

**3.1 Gold Project in Xinjiang**

Through a wholly owned subsidiary, the Company owns a 70% equity interest in Xinjiang Tongyuan Minerals Ltd. ("Tongyuan") which is developing and operating the Sawayaerdun Gold Project in Xinjiang, China.

**(a) Update**

In April 2012, GobiMin retained Mr. Philip A. Jones, B App Sc, AusIMM, AIG, a Qualified Person as defined in NI 43-101, to review the 92 drilling results of the 2011 exploration program and update the NI 43-101 compliant resource estimate. The NI 43-101 compliant technical report can be viewed at [www.sedar.com](http://www.sedar.com). At a lower cutoff grade of 0.5 grams/tonne gold, Zone IV and Zone I are estimated to contain indicated resources of approximately 2.30 million ounces (72 tonnes) gold content with an average grade of 1.3 grams/tonne and inferred resources of approximately 1.9 million ounces (61.25 tonnes) gold content with an average grade of 0.8 grams/tonne.

GobiMin announced the new NI 43-101 compliant resource estimate in April 2012. According to the comments of Mr. Philip A. Jones, the assay results have confirmed that the mineralized structure is mapped over a strike length of over 6,500 m and at depth.



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**(b) Commitments**

The remaining commitment of \$873,488 (RMB5,500,000) to complete the acquisition of the exploration and mining licences of the Sawayaerdun Gold Property will be paid in due course, subject to the progress on the transfer of the exploration licence to Tongyuan.

The Company also has a remaining commitment of \$1,246,233 (RMB7,847,030) for the further development of the Sawayaerdun Gold Property including the exploration service, the Chinese feasibility and design of mine and related facilities.

**(c) Plan for 2012**

In order to facilitate the plan and design of the projected mine, GobiMin will continue to implement in-fill drilling programs and other exploration programs to further ascertain the mineralised structure with detailed information including shape, scale, distribution and ores features. GobiMin aims to complete approximately 30,000 meters in drilling programs in 2012, which commenced in April 2012.

Along with the above planned drilling programs, GobiMin will continue to pursue the infrastructure construction programs for the mine site.

**3.2 Silver Operation**

GobiMin holds an equity interest of 48.02% in China Precision which engages in metal trading and processing, predominantly in silver.

**(a) Background**

China Precision has established a small processing workshop in Hong Kong since August 2010 for processing the silver and refining silver into bars and granules with 99.99% purity for sale to industrial customers.

**(b) Update**

The Group has made advances to China Precision from time to time to finance its silver inventory. As at March 31, 2012, amounts due from China Precision to the Group amounted to \$14.6 million while China Precision had a silver inventory of 13.3 tonnes with a market value of \$13.7 million. The Group recorded interest income of \$53,191 on these advances for the three months ended March 31, 2012. China Precision had a net profit of about \$0.55 million for the three months ended March 31, 2012, with GobiMin's share amounting to \$0.26 million compared with \$0.1 million for the three months ended March 31, 2011.

**3.3 Base Metal Exploration Projects in Xinjiang**

**(a) Four Exploration Companies**

GobiMin has invested a total of \$3,652,767 (RMB23,000,000) as capital in five exploration companies in Xinjiang since 2007, including an investment in the Yanxi Copper Property disposed of in 2010. Other than the Yanxi Copper Property, GobiMin currently owns equity interests in four exploration companies in Xinjiang, China for nickel, copper, and gold.

Among the exploration projects of these four companies, three projects showed good indications of copper mineralisation. GobiMin will continue the exploration programs for those three projects, which are located in

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Nileke and Hejing, Xinjiang. The total cost of investment in the four exploration companies amounted to \$2,382,239 (RMB15,000,000) while the equity investment up to March 31, 2012 amounted to \$2,338,015 (RMB14,721,540).

**(b) Yanxi Copper Property**

**(i) Background**

GobiMin formerly owned a 40% indirect equity interest in another exploration company, Xinjiang Tongxing Minerals Limited ("Tongxing"), which is engaged in exploration and development of the Yanxi Copper Property in Xinjiang, China. The Group entered into a Share Transfer Agreement with China Daye Non-Ferrous Metals Mining Limited ("China Daye") on July 14, 2010 regarding the disposal of 80% of its equity interest in Tongxing. The transaction was completed on July 22, 2010 and GobiMin received all the cash consideration and a first lot of convertible bonds ("CB"). GobiMin currently retains an 8% indirect unlisted equity interest in the Yanxi Copper Property.

Pursuant to the supplemental agreements entered into on December 30, 2010 and August 30, 2011, the consideration is reduced to \$33.4 million (HKD259,000,000) due to the construction of a railway across the Yanxi Copper Property that has a negative impact on the minable quantity. The deadline for obtaining the mining licence of the Yanxi Copper Property (the "Yanxi Mining Licence") was extended to January 31, 2012. China Daye may, at its sole discretion, extend (1) the repayment date of the CB from July 22, 2012 to June 30, 2013 without extension of the period of the related rights of conversion; or (2) the maturity date of the CB from July 22, 2012 to June 30, 2013 including the deadline for conversion, subject to approval of The Stock Exchange of Hong Kong Limited and shareholders of China Daye (if necessary).

In addition to applying for the Yanxi Mining Licence, the Group will also be responsible for applying for a mining licence (the "New Mining Licence") for an area which is adjacent to the Yanxi Copper Property (the "New Area"). The New Mining Licence should be obtained on or before June 30, 2014. The Group will be entitled to receive the CB up to \$2.7 million (HKD21,000,000) and an additional cash consideration based on the resource estimate of the New Area, subject to a maximum of \$13.6 million (HKD106,000,000), of which 50% will be paid upon the Group providing the resources estimate report and the remaining 50% will be used to settle the licensing fee of the New Area with the balance paid to the Group upon obtaining the New Mining Licence.

The final and total consideration for the disposal of the 80% indirect equity interest in Tongxing will accordingly be capped to \$47.0 million (HKD365,000,000). Based on the reduced consideration of \$33.4 million (HKD259,000,000), the Group should have an estimated deferred gain of \$5.7 million for its disposal of the 32% equity interest in Tongxing, netting off the amount payable for the mining licence fee, tax, stamp duty and related payments of \$26.8 million.

**(ii) Update**

On January 30, 2012, the Group entered into a third supplemental agreement with China Daye for a further extension to May 31, 2012 of the deadline for obtaining the Yanxi Mining Licence. Pursuant to the third supplemental agreement, the date of repayment of the outstanding principal of the CB is extended from June 30, 2013 to October 31, 2013. The application for the Yanxi Mining Licence is at the final stage. However, as the Yanxi Mining Licence may not be granted by May 31, 2012, the Group is in discussion with the buyer to review the related terms and arrangements.

It is expected that upon obtaining the Yanxi Mining Licence, the Group would realize an estimated gain of about \$5.7 million for its disposal of the 32% equity interest in Tongxing, with a further potential gain to be ascertained and realized after finalizing the New Mining Licence and the related exploration work.

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**3.4 Normal Course Issuer Bid**

On January 20, 2012, GobiMin renewed its normal course issuer bid to repurchase up to an additional 3,129,814 common shares over a maximum period of 12 months ending January 31, 2013. During the quarter ended March 31, 2012, a total of 423,000 common shares were repurchased at an aggregate cost of \$323,655 (CAD329,163). For the period from April 1, 2012 to May 24, 2012, a total of 606,000 common shares were repurchased at an aggregate cost of \$424,663 (CAD431,889). All shares repurchased were returned to treasury for cancellation.

Management believes that the repurchase by the Company of its own shares can maximise shareholder value and is in the best interest of the Company and its shareholders. A copy of the related Notice of Intention to Make a Normal Course Issuer Bid for 2012 shall be provided to shareholders upon receipt of written request to the Company at its registered office.

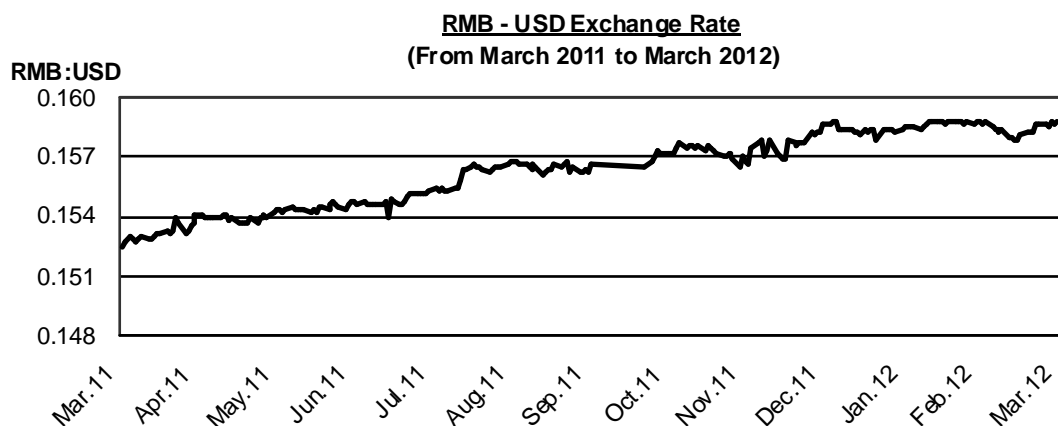
**3.5 Working Capital**

As at March 31, 2012, the Group has a working capital of about \$52.2 million (December 31, 2011: \$53.2 million), after netting off its current liabilities of \$32.9 million (December 31, 2011: \$33.9 million). The working capital is sufficient to support the development of the existing projects and operations, including the Sawayaerdun Gold Project, in the foreseeable future.

**4. Key Economic Trends**

**(a) China Economy**

Since GobiMin's operations are mostly conducted in China, the condition of the Chinese economy is a key factor on the Group's business. The currency fluctuation will have an impact on the Group's cost structure as the Group reports in U.S. dollars. For the year ended March 31, 2012, the Chinese currency Renminbi ("RMB") appreciated by 4.16% against the U.S. dollar comparing with the exchange rate on March 31, 2011.

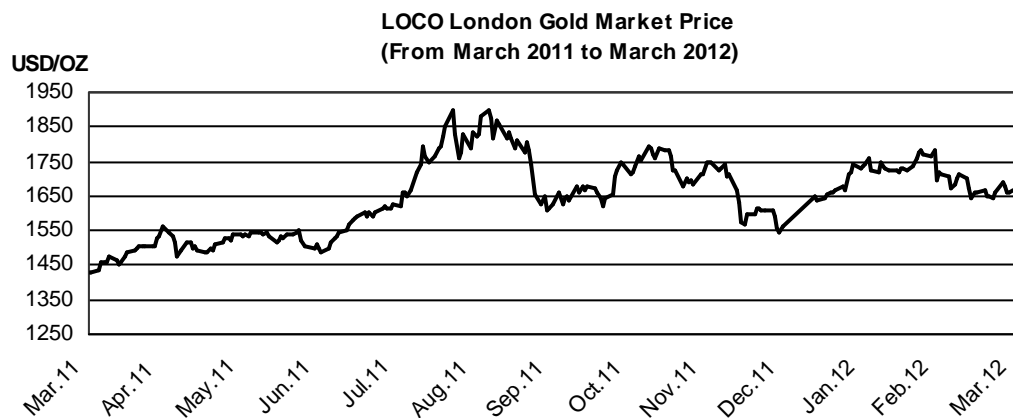


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**(b) Gold Market**

Although the Sawayaerdun Gold Project is at the exploration stage, the gold market price has an influence on the project value. As at March 31, 2012, the gold price has increased by around 16.47% against the price on March 31, 2011.



**5. Significant Accounting Policies and Estimates**

The Group's significant accounting policies are described in Note 3 to the Company's consolidated financial statements for the year ended December 31, 2011. The preparation of condensed financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported results. Changes to these estimates could materially impact the condensed financial statements. The policies and estimates made by the Group that are considered to be most critical are described below.

**(a) Revenue Recognition**

Interest income from financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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

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

**(b) Exploration and Evaluation Assets**

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment losses. 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 recognised exploration and evaluation assets are reclassified as mining structures and mineral properties under property, plant and equipment. These assets are assessed for impairment annually and before reclassification.

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(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, use in the production or supply of goods or services or for administrative purposes. Investment properties are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Depreciation is charged so as to write off the cost of investment properties net of expected residual value over the estimated useful lives using straight-line method. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

Investment properties are derecognised upon disposal or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated profit or loss in the year in which the property is derecognised.

(d) **Depreciation of Property, Plant and Equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes all expenditures that are directly attributable to the acquisition of the asset. Borrowing costs on qualifying assets are capitalised until the asset is capable of carrying out its intended use. Other 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 & building:	4.75%
Leasehold improvements:	19% - 33.33%
Furniture, fixture and equipment:	19% - 33.33%
Computer hardware & equipment:	19% - 33.33%
Motor vehicles:	19% - 25%

(e) **Rehabilitation Provision**

The Group is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Group records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

All the mine sites of the Group are in desert area in Northern China and management believes that the liability after the mine site retirement is immaterial. The amount of the liability will be subject to re-measurement at each reporting period. It is possible that the Group's estimates of its ultimate mine site rehabilitation liabilities could change as a result of changes in regulations, the extent of environmental remediation required, the means of reclamation or the cost estimates. Changes in estimates are accounted for prospectively from the period the estimate is revised.

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The Group has not recorded a liability for its rehabilitation provision.

**(f) Interests in Associates and a Jointly-Controlled Entity**

Investments in shares or equity of incorporated companies, in which the Group's ownership is greater than 20% but no more than 50% and wherever significant influence is present, are accounted for by the equity method. The Group accounts for its investment on an equity basis, which is carried at cost, adjusted for the Group's proportionate share of the undistributed earnings and losses and reserves.

**(g) Financial Instruments**

Financial assets and financial liabilities, including derivatives, are recognised when the Group becomes a party to the contractual provisions of the financial instrument. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial assets and liabilities.

Financial assets held-for-trading are measured at fair value with changes in those fair values recognised in earnings. Loans and receivables, and other financial liabilities are measured at amortised cost and are amortised using the effective interest method. Available-for-sale financial assets, designated based on the criteria that management does not hold these for the purposes of trading, are presented as investments and measured at cost less any identified impairment loss as they are unlisted investments and the fair value of which cannot be reliably measured.

**(h) Related Parties**

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a jointly-controlled entity in which the Group is a venturer;
- (iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

**6. New Accounting Standards**

Standards issued but not yet effective up to the date of issuance of these condensed financial statements are listed below. The Group intends to adopt these standards when they become effective.

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#### **(a) IFRS 9 Financial Instruments: Classification and Measurement**

IFRS 9 was issued in October 2010. This standard is the first step in the process to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classifying and measuring assets and liabilities, which may affect the Group's accounting for its financial assets. IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted. The Group is currently evaluating the impact of adoption of this new standard on its financial statements.

#### **(b) IAS 12 Income Taxes**

IAS 12 was issued in December 2010. This standard introduces amendments regarding Deferred Tax and provides a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. The standard is not applicable until July 1, 2012. The Group is currently evaluating the impact of adoption of this new standard on its financial statements.

#### **(c) IFRS 10 Consolidated Financial Statements**

This standard replaces the current IAS 27 Consolidated and Separate Financial Statements. The standard identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The Group will start the application of IFRS 10 in the financial statements effective from January 1, 2013. The Group does not expect any impact to the financial statements as a result of adopting this standard.

#### **(d) IFRS 12 Disclosure of Interests in Other Entities**

This standard requires disclosures relating to an entity's interests in subsidiaries. The Group will start the application of IFRS 12 in the financial statements effective from January 1, 2013. The Group does not expect any impact on the financial statements as a result of adopting this standard.

#### **(e) IFRS 13 Fair Value Measurements**

This standard defines fair value, provides guidance on its determination and introduces consistent requirements for disclosures on fair value measurements. The Group will start the application of IFRS 13 in the financial statements effective from January 1, 2013. The Group shall evaluate its impact on the financial statements.

#### **(f) Amendments to IAS 1 Presentation of Items of Other Comprehensive Income**

The amendment provides guidance on the presentation of items contained in other comprehensive income ("OCI") and their classification within OCI. The Group will start the application of this amendment in the financial statements effective from January 1, 2013. The Group does not expect any impact to the financial statements as a result of adopting this standard.

#### **(g) IAS 28 Investments in Associates and Joint Ventures**

This standard describes the application of the equity method to investments. The amendment includes the application of equity method in joint ventures in addition to associates. The Group will start the application of this amendment in the financial statements effective from January 1, 2013. The Group is in the process of making an assessment of the impact of IAS 28 but is not yet in a position to state whether this new standard and amendments would have significant impact on the financial statements.

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**(h) IFRS 11 Joint Arrangements**

This standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. Management anticipates that this standard will be adopted in the Group's financial statements for the period beginning January 1, 2013. The Group is in the process of making an assessment of the impact of IFRS 11 but is not yet in a position to state whether this new standard and amendments would have significant impact on the financial statements.

**(i) IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine**

This standard provides guidance on the accounting for the costs of stripping activity in the production phase of surface mining when two benefits accrue to the entity from the stripping activity: useable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. IFRIC 20 must be applied starting January 1, 2013. We are currently assessing the impact of adopting IFRIC 20 on our financial statements.

**7. Selected Quarterly Information**

<b>As at / For the three months ended</b>	<b>March 31, 2012</b>	December 31, 2011	September 30, 2011	June 30, 2011
		\$	\$	\$
Revenue	-	-	-	-
(Loss)/profit	<b>(278,435)</b>	(3,787,801)	7,977,321	(908,115)
Basic and diluted (losses)/earnings per share	<b>(0.003)</b>	(0.060)	0.126	(0.014)
Cash and cash equivalents	<b>51,631,409</b>	62,305,634	62,963,423	39,808,289
Total assets	<b>119,061,793</b>	120,631,537	123,474,296	113,677,185

<b>As at / For the three months ended</b>	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010
		\$	\$	\$
Revenue	-	-	-	-
Loss	(764,129)	(1,207,889)	(828,242)	(148,547)
Basic and diluted losses per share	(0.012)	(0.018)	(0.012)	(0.002)
Cash and cash equivalents	25,017,462	37,442,778	46,085,867	47,497,967
Total assets	117,196,502	119,127,939	122,051,423	87,880,171

Both 2011 and 2010 financial information were prepared in accordance with IFRS.

For the three months ended March 31, 2012, the Group reported net losses of \$278,435 (Q1 2011: \$764,129) which mainly comprised the general and administrative expenses of \$970,983 (Q1 2011: \$778,840) and share-based compensation expenses of \$104,329 (Q1 2011: \$56,236) netting off other revenue and gains of \$553,029 (Q1 2011: \$144,485) and share of profits of associates of \$265,308 (Q1 2011: losses of 60,154). During this quarter, the Group recorded net cash outflow of \$10.7 million (Q1 2011: \$12.4 million). It was mainly the combined effect of \$9.0 million advance to China Precision for the silver operation; the payment for the Sawayaerdun Gold Project of \$1.1 million and for the office expenses of \$0.6 million. The total assets decreased by \$1,569,744 to \$119,061,793 in this quarter which is mainly due to the payment of \$1.1 million to settle the amounts payable for the Sawayaerdun Gold Project.



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**8. Results of Operations**

**(a) Revenue**

No revenue (Q1 2011: Nil) from operations has been recorded in this quarter.

Other revenue and gains in this quarter were \$553,029 (Q1 2011: \$144,485) including interest income of \$233,947 (Q1 2011: \$84,977) and rental income from the office building in Xinjiang of \$44,049 (Q1 2011: \$59,508). The remaining portion mainly represented gain on sales of motor vehicles of \$275,033 during 2012.

**(b) General and Administrative Expenses**

General and administrative expenses incurred in this quarter were \$970,983 (Q1 2011: \$778,840). The increase in expenses in this quarter mainly represents increased pre-operating expenses of \$160,000 incurred for the Sawayaerdun Gold Project. Other expenses mainly include office rental, staff cost and legal and professional fees.

The amortised portion of the total share-based compensation in Q1 2012 amounted to \$104,329 (Q1 2011: \$56,236).

**(c) Losses Per Share**

The basic and diluted losses per share for this quarter were \$0.003 (Q1 2011: \$0.011).

**(d) LBITDA**

In this quarter, the losses before interest income and expense, income taxes, depreciation and amortisation ("LBITDA"), a non-IFRS performance measure, were \$582,328 as compared to \$702,133 in Q1 2011. The following table presents the calculation of LBITDA for the period indicated:

<b>For the three months ended</b>	<b>March 31, 2012</b>	<b>March 31, 2011</b>
	<b>\$</b>	<b>\$</b>
Loss for the period	<b>(278,435)</b>	(764,129)
Interest income	<b>(233,947)</b>	(84,977)
Depreciation in general and administration expenses	<b>100,758</b>	90,737
Share-based compensation	<b>104,329</b>	56,236
Gain on disposal of property, plant and equipment	<b>(275,033)</b>	-
<b>LBITDA <sup>(1)</sup></b>	<b>(582,328)</b>	(702,133)
<b>LBITDA per share <sup>(2)</sup></b>	<b>(0.009)</b>	(0.011)

Note:

(1) As non-IFRS measurements, **LBITDA** and **LBITDA per share** do not comply with IFRS and, therefore, the amounts presented in the above table may not be comparable to similar data presented by other companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

(2) Based on weighted average number of shares outstanding, a non-IFRS measure.

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(e) **Annual Dividend**

On April 17, 2012, the Company declared an annual dividend of \$0.01(CAD0.01) per share in accordance with its dividend policy and the 2011 annual performance. The dividend is payable on May 24, 2012 to shareholders of record on May 10, 2012.

**9. Liquidity and Capital Resources**

The following table summarises the Group's consolidated cash flows and cash on hand:

As at	March 31, 2012	December 31, 2011
	\$	\$
Cash and cash equivalents	<b>51,631,409</b>	62,305,634
Working capital <sup>(1)</sup>	<b>52,229,307</b>	53,225,104

For the three months ended	March 31, 2012	March 31, 2011
	\$	\$
Net cash used in operating activities	<b>(10,520,895)</b>	(11,707,828)
Net cash used in financing activities	<b>(340,290)</b>	(781,221)
Net cash generated from investing activities	<b>186,960</b>	65,293

*Note:*

(1) Working capital is a non-IFRS measurement, which is the difference between current assets and current liabilities.

(a) **Operating Activities**

In this quarter, net cash outflow from operating activities was \$10,520,895 (Q1 2011: cash outflow of \$11,707,828), mainly representing the advance made to China Precision of \$9.0 million and settlement of the payable of construction work for the Sawayaerdun Gold Project of \$1.1 million in 2012.

(b) **Financing Activities**

Financing activities used cash flow of \$340,290 in this quarter (Q1 2011: \$781,221). The cash outflow this quarter mainly represents the payment for shares repurchase of \$323,655 (Q1 2011: \$771,776).

(c) **Investing Activities**

The cash inflow from investing activities was \$186,960 in this quarter (Q1 2011: \$65,293). The cash inflow in this quarter mainly represents the interest income received of \$233,947 (Q1 2011: \$84,977) together with the dividend received from China Precision of \$126,126 (Q1 2011: \$Nil) netting off payment for the net additions to property, plant and equipment of \$173,113 (Q1 2011: \$19,684).

**10. Statements of Financial Position**

(a) **Cash and Cash Equivalents**

The Group had approximately \$51.6 million in cash and cash equivalents as at March 31, 2012, compared to \$62.3 million as at December 31, 2011. The decrease of \$10.7 million was mainly the combined effect of \$9.0

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million in additional advances to China Precision for the silver operation; the payment for the Sawayaerdun Gold Project of \$1.1 million and the cash outflow for the office expenses of \$0.6 million.

**(b) Exploration and Evaluation assets**

For the three months ended March 31, 2011, there are \$4,819 additions in exploration and evaluation assets which were incurred in the development of the Sawayaerdun Gold Project. On the other hand, mine site and facilities construction of \$104,553 were reclassified from exploration and evaluation assets to property, plant and equipment.

**(c) Deferred Gain on Disposal of an Associate**

Pursuant to the share transfer agreement dated July 14, 2010 and the supplemental agreements dated December 30, 2010, August 30, 2011 and January 30, 2012, an 80% equity interest in the Yanxi Copper Property was disposed to China Daye on July 22, 2010 for a total consideration of \$33,333,333 (HKD259,000,000). Among the equity interest disposed, 32% was held by GobiMin and the remaining 48% was held by two local partners. After the disposal, the Group retains an 8% indirect unlisted equity interest. The Group has received the cash consideration of \$7,722,007 (HKD60,000,000) and a first lot of convertible bonds of \$14,157,014 (HKD110,000,000). The application for the mining licence of the Yanxi Copper Property is in the process. After the mining licence of the Yanxi Copper Property is granted, the Group shall receive the final lot of convertible bonds.

The buyer is entitled, at its sole discretion, to extend (1) the repayment date of the convertible bonds to June 30, 2013 without extension of the period of the related rights of conversion; or (2) the maturity date of the convertible bonds to June 30, 2013 including the deadline for conversion, subject to approval of The Stock Exchange of Hong Kong Limited and shareholders of the buyer (if necessary). Pursuant to the third supplemental agreement, the date of repayment of the outstanding principal of the CB is further extended to October 31, 2013.

Should the mining licence not be granted by May 31, 2012, the Group guarantees to refund to the buyer all the consideration received and in return, the buyer shall transfer the interest in the Yanxi Copper Property back to the Group.

The application for the Yanxi Mining Licence is at the final stage. However, as the Yanxi Mining Licence may not be granted by May 31, 2012, the Group is in discussion with the buyer to review the related terms and arrangements.

The deferred gain on disposal of the 32% equity interest in the Yanxi Copper Property of \$5.7 million represents the cash received of \$7.7 million, convertible bonds received of \$14.2 million (which was classified as other financial assets), convertible bonds receivable of \$11.5 million (which was classified under prepayment, deposits and other receivables), netting off the share of assets as at June 21, 2010 of \$0.9 million and other payables and accrued liabilities for mining licence fee, tax, stamp duty and related payments of \$26.8 million.

**(d) Other Financial Assets**

Part of these financial assets represents the convertible bonds with a principal amount of \$14.2 million (HKD110,000,000) issued by China Daye as partial consideration for the disposal of the equity interest in the Yanxi Copper Property. The convertible bonds are stated at \$13,068,740 (December 31, 2011: \$13,068,740) as at March 31, 2012 based on their fair value as determined by an independent professional valuer as at December 31, 2011.

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The remaining balance represents the \$0.8 million held-to-maturity listed debenture and the remaining 8% indirect unlisted equity interest in Tongxing held by the Group as at March 31, 2012.

**(e) Other Payables, Receipts in Advance and Accrued Liabilities**

As at March 31, 2012, the balance of other payables, receipts in advance and accrued liabilities are mainly composed of the payables for the mining licence fee, tax, stamp duty and related payments of \$26.8 million arising on the disposal of the Yanxi Copper Property.

**(f) Share Capital**

As at March 31, 2012, the Group had 62,173,296 common shares issued and outstanding. During the quarter, 423,000 common shares were repurchased and cancelled and 6,400 stock options were cancelled.

**11. Related Party Transactions**

During the quarter ended March 31, 2012, the Group had the following transactions with related parties:

- (a) Share-based compensation expenses of \$93,741 (Q1 2011: \$35,572) in respect of options previously granted to directors and key management personnel.
- (b) Fees and other emoluments to directors and key management personnel of \$118,122 (Q1 2011: \$109,413).
- (c) Rental income of \$6,353 (Q1 2011: \$6,353) from the office building in Xinjiang received from related parties.
- (d) Loan interest income of \$53,191 (Q1 2011: \$61,474) received from China Precision.
- (e) Dividend income received from China Precision of \$126,126 (Q1 2011: \$Nil).

As at March 31, 2012, advances made by the Group to related parties were disclosed as amounts due from associates and amounts due from related parties in Notes 7 and 8 in the condensed interim financial statements as follows:

- (f) The amounts due from associates represented an advance to China Precision of \$14,553,016 (December 31, 2011: \$5,157,729) in which the Group has an indirect equity interest of 48.02%. Such advance is unsecured, bear interest at the rate of 2% per annum and without fixed repayment terms. The remaining balance of \$354,012 as at December 31, 2011 represents the interest of \$354,012 payable by China Precision and the current account with CPM Silver Limited which are unsecured, interest-free and without fixed repayment terms.
- (g) The amounts due from related parties included:
  - (i) receivable of \$419,719 (2010: \$401,012) from a company in which an 8% equity interest was owned by the Group. The amount was incurred for Chinese exploration services on its exploration projects.
  - (ii) deposit of \$500,742 (2010: \$319,559) paid to a non-controlling shareholder of Tongyuan for exploration services to the Sawayaerdun Gold Project.

Except for items (f), the balances with related parties are unsecured, non-interest-bearing and without fixed repayment term.

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#### **12. Capital Commitment**

As at March 31, 2012, there are capital commitments of approximately \$2,119,721 (December 31, 2011: \$2,119,721) that the Group had contracted, but not provided for.

- (a) On September 10, 2009, Tongyuan, the 70% owned subsidiary of GobiMin, was formed for the development of the Sawayaerdun Gold Project in Xinjiang, China. The consideration for acquiring the exploration and mining licences of the Sawayaerdun Gold Property is \$7,226,126 (RMB45,500,000) and Tongyuan has paid a deposit of \$6,352,638 (RMB40,000,000) as at March 31, 2012. The remaining commitment of \$873,488 (RMB5,500,000) will be paid based on the progress on the transfer of the exploration licence to Tongyuan.
- (b) On April 7, 2010, Tongyuan entered into an agreement for exploration service relating to the Sawayaerdun Gold Project. The contracted amount is \$730,553 (RMB4,600,000) and Tongyuan has paid a deposit of \$500,742 (RMB3,152,970) as at March 31, 2012. The remaining commitment is \$229,811 (RMB1,447,030).
- (c) On October 31, 2011, Tongyuan entered into an agreement for the feasibility and design of mine and related facilities of the Sawayaerdun Gold Project. The contracted amount is \$1,270,528 (RMB8,000,000) and Tongyuan has paid a deposit of \$254,106 (RMB1,600,000) as at March 31, 2012. The remaining commitment is \$1,016,422 (RMB6,400,000).

#### **13. Off-Balance Sheet Arrangements**

The Group does not have any off-balance sheet arrangements.

#### **14. Proposed Transaction – Yanxi Copper Property**

After the disposal of a 32% equity interest in the Yanxi Copper Property to China Daye in July 2010, GobiMin owns a remaining 8% indirect unlisted equity interest in the Property.

According to the supplemental agreements entered into in December 2010 and August 2011, the consideration for disposal of the 80% indirect equity interest in Tongxing to be received upon obtaining the Yanxi Mining Licence is reduced by \$2.7 million (HKD21,000,000) to \$33.4 million (HKD259,000,000) due to the construction of a railway across the Yanxi Copper Property. The amount will be deducted from the Non-delivered CB. In addition to applying for Yanxi Mining Licence, the Group will also be responsible for applying for the New Mining Licence for the New Area. The Group will be entitled to the Non-delivered CB of \$2.7 million (HKD21,000,000) and an additional consideration in cash based on the resource estimate of the New Area, in total with a cap of \$13.6 million (HKD106,000,000), of which 50% will be paid upon the Group providing the resources estimate report and the remaining 50% will be used to settle the licensing fee of the New Area with the balance paid to the Group upon obtaining the New Mining Licence. Based on the reduced consideration of \$33.4 million (HKD259,000,000), the Group has a deferred gain of \$5.7 million for the disposal of its 32% equity interest in Tongxing, netting off the amount payable for the mining licence fee, tax, stamp duty and related payments of \$26.8 million.

On January 30, 2012, the Group entered into a third supplemental agreement with China Daye for a further extension to May 31, 2012 of the deadline for obtaining the Yanxi Mining Licence. The application for the Yanxi Mining Licence is at the final stage. However, as the Yanxi Mining Licence may not be granted by May 31, 2012, the Group is in discussion with the buyer to review the related terms and arrangements.

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**15. Outstanding Share Data**

The following table provides information concerning the Company's share capital and convertible securities:

<u>As at</u>	<u>December 31, 2011</u>	<u>March 31, 2012</u>	<u>May 24, 2012</u>
Number of Common Shares Outstanding	62,596,296	<b>62,173,296</b>	61,567,296
Options	3,159,000	<b>3,152,600</b>	3,144,800
Total Number of Common Shares Fully Diluted	65,755,296	<b>65,325,896</b>	64,712,096

**16. Risk factors**

The mining business conducted by the Group is subject to a number of risks, including those outlined below. These risk factors could materially affect the Group's future operating results and could cause actual events to differ materially from those described in the forward-looking statements relating to the Group. Readers should also be aware that there are particular risks of doing business in China, some of which are outlined below.

**(a) Metal Prices**

The profitability of the Group may be significantly affected by changes in the market price of metals. Metal prices fluctuate on a daily basis and are affected by numerous factors beyond the control of the Group. Interest rates, inflation, exchange rates and world supply of mineral commodities can all cause fluctuations in the market prices for these metals. Such external economic factors are in turn influenced by changes in international economic growth patterns and political developments.

The Group may apply its free cash balances to metal trading operations. These transactions are by their very nature speculative and could result in GobiMin suffering financial losses.

**(b) Currency Risks**

The Group's operating expenses and revenues from operations are in RMB, the main currency used by the Group. Currently, the RMB is linked to the US dollar by exchange rates managed through China's central bank. Accordingly, exchange rate fluctuations with the RMB may adversely affect the Group's financial position and operating results. The Group does not currently engage in foreign currency hedging activities.

Under current regulations, there is no restriction on foreign exchange conversion of the RMB on the current account, although any foreign exchange transaction on the capital account is subject to prior approval from the State Administration of Foreign Exchange ("SAFE") or review by the payment bank in accordance with regulations issued by SAFE. However, even on the current account the RMB is not a freely convertible currency. Foreign invested enterprises in China are currently allowed to repatriate profit to their foreign parents or pay outstanding current account obligations in foreign exchange but must present the proper documentation to a designated foreign exchange bank in order to do so. There is no guarantee that foreign exchange control policies will not be changed so as to require government approval to convert RMB into foreign currency on the current account or repatriate profits. These limitations could affect the ability of the Group to pay dividends, obtain foreign exchange through debt or equity financing, or to obtain foreign exchange for capital expenditures.

**(c) Exploration, Development and Operating Risks**

The exploration and development of mineral deposits involves significant risks over a significant period of time, which even with a combination of careful evaluation, experience and knowledge may not be eliminated. Few properties that are explored are ultimately developed into producing mines. Major expenditures may be required to establish mineral reserves through drilling, to develop metallurgical processes and to develop the mining and

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processing facilities and infrastructure at any site chosen for mining. No assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economic viability of a mineral deposit depends on many factors, including size, grade, cost of operations, metal prices, cost of processing equipment, continuing access to smelter facilities on acceptable terms, government regulations, land tenure, and environmental protection. The exact effect of these factors cannot be measured but the combinations of these factors may impact the success of the Group's mineral exploration, development and acquisition activities. Even after the commencement of mining operations, such operations may be subject to risks and hazards such as environmental hazards, industrial accidents, cave-ins, rock bursts, unusual or unexpected geological formations, ground control problems and flooding. The occurrence of any of the foregoing could result in damage to or destruction of mineral properties and production facilities, personal injuries, environmental damage, delays or interruptions of production, increases in production costs, monetary losses, legal liability and adverse government action.

It is not always possible to obtain insurance against all such risks and the Group may decide not to insure against certain risks because of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any further profitability and result in increasing costs and a decline in the value of the securities of the Group. The Group does not maintain insurance against political or environmental risks.

The Group's properties are generally located in Hami region, a sector which has in the past experienced seismic activity of six to seven on the Richter scale. Therefore, planning for mines and infrastructures must consider seismicity in the design.

The development of mining properties has inherent risks. The Group may not have sufficient technical or financial resources to complete the projects. Costs over-runs are common in mining projects and may pose a risk for the Group.

#### **(d) Uncertainty of Ore Reserves and Resource Estimates**

There are numerous uncertainties inherent in estimating mineral resources and mineral reserves. Such estimates are a subjective process, and the accuracy of any mineral resources and mineral reserves estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. These amounts are estimates only and the actual level of recovery of minerals from such deposits may be different. Differences between management's assumptions, including economic assumptions such as mineral prices, market conditions and actual events could have a material adverse effect on the Company's mineral reserve and mineral resource estimates, financial position and results of operations.

For some of its properties, the Group may prepare its own mineral reserves and resources estimate only in accordance with the former China Ministry of Geological and Mineral Resources ("CMGMR") classification system. The CMGMR classification system is not compliant with the Canadian Securities Administrators National Instrument 43-101. These figures are only estimates and there cannot be any assurance given that the estimated mineral reserves and resources will be recovered or that they will be recovered at the rates estimated. Mineral reserve and resource estimates are determined based upon assumed commodity prices and operating costs. These factors may in the future render certain mineral reserves and resources unproductive and may ultimately result in a significant reduction in reserves and resources.

#### **(e) Capital Requirements**

The Group does have limited financial resources. Although the Group believes it will be able to fund the development of its mineral properties through existing working capital, and a combination of debt and equity, there can be no assurance the Group will be able to raise additional funding if needed. Failure to obtain such

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additional funding could result in the delay or indefinite postponement of the exploration and development of some of the Group's properties.

#### **(f) Risks Relating to Conducting Business in China**

The business operations of the Group are located in, and the revenues of the Group are derived from activities in, China. Accordingly, the business, financial condition and results of operations of the Group could be significantly and adversely affected by economic, legal, political and social changes in China. Generally, China demonstrates favourable policies towards foreign investments. However, there is no guarantee that current policy trends and the existing economic policy of China will not be changed. A change in policies in China could adversely affected the Group.

#### **(g) Permits and Licences**

The operations of exploration and mining require specific licences and permits e.g. exploration licence for exploration activities and exploitation licence for exploitation activities. Any changes in regulations imposed by the governments due to any reasons are beyond the control of the Group and may adversely affect its business and its ability or retain title to its property and obtain some of the necessary licences. The changes of regulations may include, but not limited to, varying degrees of those with respect to stricter restrictions on production, price controls, export controls, income taxes, expropriation of property, employment, land use, water use, environmental legislation and mine safety.

#### **(h) Environmental Regulation**

The mining operations of the Group are subject to environmental regulations promulgated by relevant governments. The relevant environmental regulations impose restrictions and prohibitions on spills, or handling of various substances produced during mining or processing operations. In addition, approval of environmental impact assessment for certain types of the mining operations are required. In breach of such regulations or failure of the governmental approval may result in the imposition of fines and penalties. The costs of compliance with environmental regulations, such as advanced equipment which is environmental friendly, has the potential to reduce the profitability of future operations.

#### **(i) Dependence on Key Managerial Employees**

The success of the Group is highly dependent upon the continued services of a small number of key managerial employees both in Canada and China, including Mr. Felipe Tan, the Chief Executive Officer of the Company and Mr. Zhang Ming, a Director of the Company and General Manager of the Chinese subsidiary. The Group does not currently maintain key-man life insurance policies on any member of management. Accordingly, the loss of any of these executives could have a material adverse effect on the Group.

#### **(j) Competition**

There is significant and increasing competition within the mining industry for the discovery and acquisition of properties considered having commercial potential. The Group competes with other mining companies, some of which have greater financial resources, and as a result, the Group may not be able to acquire mineral interests on terms it considers acceptable. As well, the Group competes for the recruitment and retention of qualified employees and other personnel. The current economic growth in China and the corresponding creation of a more liquid market for skilled employees may lead to future problems in retaining local Chinese management. As a result of this competition, the Group may not be able to acquire additional mineral interests and hire or retain qualified personnel for its projects.