GobiMin Inc.

Incorporated in Canada under the Canada Business Corporations Act

Audited Consolidated Financial Statements

December 31, 2011

(Expressed in United States Dollars except where otherwise noted)

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TO THE SHAREHOLDERS OF GOBIMIN INC.

We have audited the accompanying consolidated financial statements of GobiMin Inc. and its subsidiaries (together the "Group") which comprise the consolidated statements of financial position as at December 31, 2011, December 31. 2010, January 1, 2010 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years ended December 31, 2011 and December 31, 2010, and a summary of the significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee; and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2011, December 31, 2010 and January 1, 2010 and of its financial performance and cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

BDO Limited

BDO Limited
Certified Public Accountants
April 17, 2012

GobiMin Inc.
Consolidated Statements of Financial Position
As at December 31, 2011
(Expressed in United States Dollars)

	December 31, 2011	December 31, 2010	January 1, 2010
ASSETS	**$**	$	$
Current			
Cash and cash equivalents (Note 7)	**62,305,634**	37,442,778	77,851,902
Silver bullion (Note 8)	**-**	9,549,403	-
Prepayments, deposits and other receivables (Note 9)	**19,341,000**	19,206,004	6,827,929
Amounts due from associates (Note 10)	**5,511,765**	3,631,270	39,200
Amount due from a related party (Note 11 (d))	**-**	15,173,745	-
Total current assets	**87,158,399**	85,003,200	84,719,031
Non-current			
Property, plant and equipment (Note 13)	**1,185,256**	1,152,636	627,670
Investment properties (Note 14)	**2,571,094**	2,531,992	-
Exploration and evaluation assets (Note 15)	**11,718,902**	2,175,748	-
Interest in a jointly-controlled entity (Note 16)	**857,696**	518,920	494,701
Interests in associates (Note 17)	**2,113,541**	7,098,213	2,408,759
Other financial assets (Note 18)	**14,106,188**	16,771,975	-
Amount due from an associate (Note 10)	**-**	1,981,691	-
Amounts due from related parties (Note 11)	**920,461**	1,893,564	1,572,148
Total non-current assets	**33,473,138**	34,124,739	5,103,278
Total assets	**120,631,537**	119,127,939	89,822,309
LIABILITIES			
Current			
Other payables, receipts in advance and accrued liabilities (Note 20)	**28,250,606**	28,225,467	935,322
Deferred gain on disposal of an associate (Note 19)	**5,682,689**	5,682,689	-
Total current liabilities	**33,933,295**	33,908,156	935,322
Non-Current			
Other payables, receipts in advance and accrued liabilities (Note 20)	**82,842**	4,239	28,828
Total non-current liabilities	**82,842**	4,239	28,828
Total liabilities	**34,016,137**	33,912,395	964,150
SHAREHOLDERS' EQUITY			
Share capital (Note 22)	**27,461,311**	28,874,192	29,267,506
Reserves	**57,342,166**	54,266,809	58,359,711
Equity attributable to shareholders of the Company	**84,803,477**	83,141,001	87,627,217
Non-controlling interests (Note 23)	**1,811,923**	2,074,543	1,230,942
Total shareholders' equity	**86,615,400**	85,215,544	88,858,159
Total liabilities and shareholders' equity	**120,631,537**	119,127,939	89,822,309

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

APPROVED BY THE BOARD ON APRIL 17, 2012 AND SIGNED ON ITS BEHALF BY:

(Signed)
Felipe Tan
Director

(Signed)
Hubert Marleau
Director

GobiMin Inc.
Consolidated Statements of Comprehensive Income
For the Year Ended December 31, 2011
(Expressed in United States Dollars)

	December 31, 2011	December 31, 2010
	$	$
Revenue	**-**	-
Cost of sales	**-**	-
Depreciation	**-**	-
Selling and distribution cost	**-**	-
Gross profit	**-**	-
Other revenue and gains (Note 24)	**891,936**	406,515
General and administrative expenses	**(4,749,393)**	(3,917,151)
Share-based compensation	**(202,396)**	(315,902)
Share of results of a jointly-controlled entity (Note 16)	**305,148**	6,803
Share of results of associates (Note 17)	**170,240**	(1,141,435)
Operating loss	**(3,584,465)**	(4,961,170)
Gain on deregistration of subsidiaries (Note 5)	**31**	142,102
Gain on disposal of an associate (Note 6)	**8,826,751**	-
Loss on deemed disposal of an associate (Note 17)	**(13,186)**	-
Change in fair value on other financial assets (Note 18 (a))	**(2,652,754)**	1,564,480
Exchange loss	**(52,880)**	(288,716)
Finance costs (Note 25)	**(6,221)**	(33,225)
Profit/(loss) before income tax	**2,517,276**	(3,576,529)
Income tax (Note 26)	**-**	-
Profit/(loss) for the year	**2,517,276**	(3,576,529)
Other comprehensive income, net of tax		
Foreign currency translation differences	**1,959,595**	1,600,318
Total comprehensive income/(loss) for the year	**4,476,871**	(1,976,211)
Profit/(loss) for the year attributable to:		
Shareholders of the Company	**2,905,662**	(3,406,193)
Non-controlling interests (Note 23)	**(388,386)**	(170,336)
	2,517,276	(3,576,529)
Total comprehensive income/(losses) for the year attributable to:		
Shareholders of the Company	**4,739,491**	(1,844,630)
Non-controlling interests (Note 23)	**(262,620)**	(131,581)
	4,476,871	(1,976,211)
Net earnings/(losses) per share (Note 22(g))		
Basic and diluted	**0.05**	(0.05)
Weighted average number of shares outstanding (Note 22(g))	**Share**	Share
Basic and diluted	**63,621,261**	67,497,354

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

GobiMin Inc.
Consolidated Statements of Changes in Equity
For the Year Ended December 31, 2011
(Expressed in United States Dollars)

	Attributed to shareholders of the Company							
	Share capital Note 22 (a)	**Contributed surplus**	**Share option reserve**	**General reserve** Note 22 (c)	**Translation reserve** Note 22 (d)	**Retained earnings**	**Non-controlling interests** Note 23	**Total Equity**
	$	$	$	$	$	$	$	$
Balance as at January 1, 2010	**29,267,506**	**2,658,855**	**3,199,043**	**7,666**	**-**	**52,494,147**	**1,230,942**	**88,858,159**
Loss for the year	-	-	-	-	-	(3,406,193)	(170,336)	(3,576,529)
Foreign currency translation differences	-	-	-	-	1,561,563	-	38,755	1,600,318
Total comprehensive income/(loss)	-	-	-	-	1,561,563	(3,406,193)	(131,581)	(1,976,211)
Dividend paid (Note 27)	-	-	-	-	-	(833,629)	-	(833,629)
Shares repurchased	(1,458,224)	(62,749)	-	-	-	(1,254,971)	-	(2,775,944)
Options exercised	1,064,910	-	(412,825)	-	-	-	-	652,085
Options cancelled	-	-	(1,953,509)	-	-	1,953,509	-	-
Share-based compensation	-	-	315,902	-	-	-	-	315,902
Disposal of subsidiaries	-	-	-	-	-	-	(162,849)	(162,849)
Contribution by non-controlling interests	-	-	-	-	-	-	1,138,031	1,138,031
Balance as at December 31, 2010	**28,874,192**	**2,596,106**	**1,148,611**	**7,666**	**1,561,563**	**48,952,863**	**2,074,543**	**85,215,544**
Balance as at January 1, 2011	**28,874,192**	**2,596,106**	**1,148,611**	**7,666**	**1,561,563**	**48,952,863**	**2,074,543**	**85,215,544**
Profit/(loss) for the year	-	-	-	-	-	2,905,662	(388,386)	2,517,276
Foreign currency translation differences	-	-	-	-	1,833,829	-	125,766	1,959,595
Total comprehensive income/(loss)	-	-	-	-	1,833,829	2,905,662	(262,620)	4,476,871
Dividend paid (Note 27)	-	-	-	-	-	(641,007)	-	(641,007)
Shares repurchased	(1,412,881)	(127,964)	-	-	-	(1,097,559)	-	(2,638,404)
Options cancelled	-	-	(649,747)	-	-	649,747	-	-
Share-based compensation	-	-	202,396	-	-	-	-	202,396
Balance as at December 31, 2011	**27,461,311**	**2,468,142**	**701,260**	**7,666**	**3,395,392**	**50,769,706**	**1,811,923**	**86,615,400**

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

GobiMin Inc.
Consolidated Statements of Cash Flows
For the Year Ended December 31, 2011
(Expressed in United States Dollars)

	December 31, 2011	December 31, 2010
	$	$
Operating activities		
Profit/(loss) for the year	**2,517,276**	(3,576,529)
Adjustments for items not involving cash:		
- Depreciation	**357,856**	271,746
- Share-based compensation	**202,396**	315,902
- Share of results of associates	**(170,240)**	1,141,435
- Share of results of a jointly-controlled entity	**(305,148)**	(6,803)
- Interest income	**(667,375)**	(211,978)
- Interest expense	**1,119**	24,424
- Exchange difference	**1,483,720**	504,938
- Change in fair value on other financial assets	**2,652,754**	(1,564,480)
- Gain on disposal of property, plant and equipment	**(16,730)**	-
- Gain on deregistration of subsidiaries	**(31)**	(142,102)
- Gain on disposal of an associate	**(8,826,751)**	-
	(2,771,154)	(3,243,447)
Change in non-cash working capital items:		
- Silver bullion	**9,549,403**	(9,549,403)
- Prepayments, deposits and other receivables	**(134,996)**	(878,075)
- Amounts due from associates / amount due from an associate	**101,196**	(5,573,761)
- Amounts due from related parties	**(1,572,671)**	(15,495,161)
- Other payables, receipts in advance and accrued liabilities	**4,745**	431,470
Net cash generated from/(used in) operating activities	**5,176,523**	(34,308,377)
Financing activities		
Interest paid	**(1,119)**	(24,424)
Shares issued for cash from option exercise	**-**	652,085
Shares repurchased	**(2,638,404)**	(2,775,944)
Repayment of obligations under finance lease	**(40,998)**	(22,994)
Contribution by non-controlling interests	**-**	1,138,031
Dividend paid	**(641,007)**	(833,629)
Net cash used in financing activities	**(3,321,528)**	(1,866,875)
Investing activities		
Interest received	**667,375**	211,978
Dividend received	**-**	39,200
Additions of property, plant and equipment	**(68,241)**	(727,229)
Additions of investment properties	**(27,756)**	(2,593,585)
Additions of exploration and evaluation assets	**(9,441,667)**	(2,175,748)
Additions of held-to-maturity financial assets	**-**	(827,307)
Acquisition of an associate	**-**	(6,862,785)
Proceeds from disposal of property, plant and equipment	**18,947**	2,151
Proceeds from disposal of an associate	**31,763,192**	7,722,008
Net cash generated from/(used in) investing activities	**22,911,850**	(5,211,317)
Increase/(decrease) in cash and cash equivalents	**24,766,845**	(41,386,569)
Effect of foreign exchange rate changes on cash and cash equivalents	**96,011**	977,445
Cash and cash equivalents at beginning of the year	**37,442,778**	77,851,902
Cash and cash equivalents at end of the year	**62,305,634**	37,442,778

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

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

(a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) 1, as issued by the International Accounting Standards Board (“IASB”). These are our first annual financial statements of the Company prepared in accordance with IFRS and IFRS 1 First-time Adoption of International Financial Reporting Standards. Disclosures concerning the transition from Canadian generally accepted accounting principles (“Canadian GAAP”) to IFRS are provided in Note 33, Transition to IFRS.

(b) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial assets.

(c) Functional and Presentation Currency

The functional and presentation currency of the Company is United States dollars.

(d) Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2011.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributable to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

(e) Use of Estimates and Judgments

The Group makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognised prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognised in the consolidated financial statements within the next financial year are discussed below:

i) Exploration and Evaluation Expenditure:
The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in the profit or loss in the year the new information becomes available.

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

iii) Share-based Payment Transactions:
The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 22(f).

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

(i) Subsidiaries:

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Interests in associates:

The Group's investments in its associates are accounted for using the equity method. Associates are entities in which the Group has significant influence.

Under the equity method, the investments in the associate are carried in the statements of financial position at cost plus post acquisition changes in the Group's share of net assets of the associates. Goodwill relating to the associates is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statements of comprehensive income reflect the share of the results of operations of the associates. Where there has been a change recognised directly in the equity of the associates, the Group recognises its share of any changes and discloses this, when applicable, in the statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The share of profit of associates is shown on the face of the profit or loss. This is the profit attributable to equity holders of the associates and therefore is profit after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associates are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associates is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value and recognises the amount in the share of profit of associates in profit or loss.

Upon loss of significant influence over the associates, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associates upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

(iii) Interest in a jointly-controlled entity:

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A jointly-controlled entity is accounted for using equity method whereby it is initially recognised at cost and thereafter, its carrying amount is adjusted for the Group's share of the post-acquisition change in the jointly-controlled entity's net asset except that loss in excess of the Group's interest in the jointly-controlled entity is not recognised unless there is an obligation to make good those losses.

Unrealised profits and losses resulting from transactions between the Group and its jointly-controlled entity is eliminated to the extent of the Group's interest in the jointly-controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case it is immediately recognised in profit or loss.

(b) <u>Foreign currency translation</u>

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

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

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. United States dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

(Expressed in United States Dollars)

(c) Cash and cash equivalents

Cash and cash equivalents consists of cash, demand deposits and highly-liquid short term investments with an initial term of 90 days or less.

(d) 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 & buildings:	4.75%
Leasehold improvement:	19% - 33.33%
Furniture, fixture and equipment:	19% - 33.33%
Computer hardware & equipment:	19% - 33.33%
Motor vehicles:	19% - 25%

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

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

(e) 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 live using straight-line method. The useful live, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

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.

(f) 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.

(g) Income taxes

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

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

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

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

(h) <u>Employee benefits</u>

(i) Defined contribution plans:
A defined contribution plan is a pension plan under which the Group pays contributions into a separate entity. Contributions to defined contribution plans, including the employee pension schemes established in Canada, Hong Kong and China, are expensed as incurred. Contributions are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions, where applicable.

(ii) Share-based compensation expense:
The Group applies a fair value method of accounting to all share-based compensation granted to employees. The estimated fair value of the stock options granted is determined using the Black-Scholes option pricing model, and is amortised to income on a straight-line basis over the period in which the related services are rendered, which is usually the vesting period, or as applicable, over the period to the date an employee is eligible to retire, whichever is shorter.

(i) <u>Revenue recognition</u>

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.

(j) <u>Earnings per share</u>

The calculation of earnings per share is based on the weighted average number of shares issued and outstanding. Diluted earnings per share is calculated using the treasury stock method which includes the effect of the exercise of dilutive elements.

(k) <u>Rehabilitation Provision</u>

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.

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

(l) Financial instruments

(i) Financial assets:

1. *Initial recognition and measurement:*

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and cash equivalents, loans and receivables and quoted and unquoted financial instruments.

2. *Subsequent measurement:*

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The losses arising from impairment are recognised in profit or loss.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The losses arising from impairment are recognised in profit or loss.

Available-for-sale financial investments

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

3. *Derecognition:*

A financial asset is derecognised when:

a. The rights to receive cash flows from the asset have expired.
b. The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (1)

the Group has transferred substantially all the risks and rewards of the asset, or (2) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset**.**

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Group's continuing involvement in it.

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

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

4. ***Impairment of financial assets:***

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

a. Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in profit or loss.

b. Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss — is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairments are recognised directly in other comprehensive income.

For available-for-sale equity investment that is stated at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment is not reversed.

(ii) Financial liabilities:

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs.

The Group's financial liabilities include other payables, accrued liabilities and loans and borrowings.

1. *Subsequent measurement*

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

2. *Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

(m) Silver bullion

Silver bullion is classified as other asset and its value as at December 31, 2010 is stated at the future committed price.

(n) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Dividends

Dividends proposed or declared after the reporting date are not recognised as a liability in the consolidated statements of financial position.

(p) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(i) The Group as lessor:
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(ii) The Group as lessee:
Assets held under finance leases - are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is recognised as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are expensed directly.

Rentals payable under operating leases - are expensed on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

(q) 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.

(Expressed in United States Dollars)

4. FUTURE CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

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

Conceptual Framework for Financial Reporting	**Issue Date**	**Effective Date**
IFRS 9 - 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
IAS 12 - 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
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.	May 2011	Annual periods beginning on or after January 1, 2013
IFRS 12 - 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
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.	May 2011	Annual periods beginning on or after January 1, 2013
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.	May 2011	Annual periods beginning on or after January 1, 2013
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.	May 2011	Annual periods beginning on or after January 1, 2013
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.	September 2011	Annual periods beginning on or after January 1, 2013
IFRIC 20 – 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

(Expressed in United States Dollars)

5. GAIN ON DEREGISTRATION OF SUBSIDIARIES

For the years ended December 31, 2011 and 2010, one subsidiary and four subsidiaries of the Company were being deregistered respectively (together referred as "Deregistered Companies"). Since the Deregistered Companies were all in net liabilities, a gain of $31 (2010: $142,102) was resulted from deregistration during the year.

For the year ended	**December 31, 2011**	December 31, 2010
	$	$
Net liabilities of the Deregistered Companies as of deregistration date	(31)	(142,102)
Gain on deregistration of subsidiaries	**31**	142,102
Consideration from deregistration	**-**	**-**

6. GAIN ON DISPOSAL OF AN ASSOCIATE

During the year, the Group has entered into an agreement to dispose of all its 49% equity interest in Hami Coal Corporation ("Hami Coal"), through which the Group owned a 24.49% indirect equity interest in the Balikun Coal Project in Xinjiang, China. Pursuant to the agreement, a total consideration of approximately $31.76 million (RMB200,000,000) was received, including the repayment to the Group of the loans previously made for the Balikun Coal Project. The disposal was completed in September 2011.

For the year ended	**December 31, 2011**
	$
Share of net assets of an associate	5,216,922
Repayment of loans made for the Balikun Coal Project	17,719,519
Gain on disposal of an associate	**8,826,751**
Consideration from disposal	**31,763,192**

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents held in different locations:

Bank location	**Denominated Currency**	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**
Canada	CAD	87,226	269,343	222,200
Hong Kong	HKD	27,709,519	35,632,034	72,701,657
China	RMB	34,508,889	1,541,401	4,927,839
Indonesia	IDR	-	-	206
Total		62,305,634	37,442,778	77,851,902

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 year end.

As at January 1, 2010, cash and cash equivalents included a time deposit of $5,000,000 placed with a bank in Hong Kong carrying interest at 1.41438% per annum which matured in May 2010.

8. SILVER BULLION

The silver bullion represents the repayment from China Precision Material Limited ("China Precision") of loans made during the year ended December 31, 2010 and was covered by a fixed future redemption commitment from China Precision for the same amount at which the silver bullion was transferred to the Group. The silver bullion was redeemed by China Precision at the same amount during the quarter ended March 31, 2011.

9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

As at December 31, 2011, 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 deposits and receivables.

(a) A deposit of $6,352,638 (RMB40,000,000) (December 31, 2010: $6,069,498; January 1, 2010: $Nil) has been paid by Tongyuan as deposit for obtaining the exploration and mining licence of Sawayaerdun Gold Property (see Note 21).

(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, 2010: $11,454,311; January 1, 2010: $Nil) 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 19).

10. AMOUNTS DUE FROM ASSOCIATES / AMOUNT DUE FROM AN ASSOCIATE

The current portion of amounts due from associates included an advance to China Precision of $5,157,729 (December 31, 2010: $3,551,334; January 1, 2010: $Nil) 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 without fixed repayment terms. The remaining balance of $354,036 (December 31, 2010: $79,936; January 1, 2010: $39,200) 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.

As at December 31, 2010, the non-current portion of the amount due from an associate of $1,981,691 (RMB13,060,000) was an unsecured, non-interest bearing shareholder loan advanced to Faithful Million Limited, in which GobiMin owned an indirect equity interest of 49%. Faithful Million Limited was the holding company of Balikun Yinxin Minerals Limited which in turns holds the Balikun Coal Project. The loan has been settled upon the disposal of the Balikun Coal Project in Xinjiang during the year.

11. AMOUNTS DUE FROM RELATED PARTIES

(a) Amounts due from related parties of $419,719 (December 31, 2010: $401,012) pertains 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, 2010: $319,559) to its non-controlling shareholder for exploration services to the Sawayaerdun Gold Project.

(c) As at December 31, 2010, an amount of $1,172,993 pertained to receivables from non-controlling interests of Tongyuan for Chinese exploration services on its current exploration projects. The amount has been fully settled during the year.

(d) As at December 31, 2010, the Group advanced an interest-bearing loan (the "Loan") totaling $15,173,745 (RMB100,000,000) to a non-controlling shareholder of the Group's associates, Xinjiang Ruide Minerals Ltd. and Balikun Yinxin Minerals Investments Ltd., pursuant to the agreements in respect of the acquisition of the indirect equity interest of 24.49% in the Balikun Coal Project in Xinjiang. The Loan was secured against a pledge of the equity interests of a mining company which owns a nickel-copper project in Hami, Xinjiang. Upon the disposal of the Balikun Coal Project, the Loan was settled in September 2011.

(Expressed in United States Dollars)

Except for item (d), the balances with related parties were unsecured, interest-free and without fixed repayment term.

12. RELATED PARTY TRANSACTIONS

(a) Key management compensation

The remuneration of key management and directors is as follows:

For the year ended	December 31, 2011	December 31, 2010
	$	$
Fees and other emoluments	**990,011**	1,043,097
Share-based compensation	**138,990**	217,376
	1,129,001	1,260,473

(b) Related party transactions

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

For the year ended		December 31, 2011	December 31, 2010
Related party relationship	**Type of transactions**	$	$
Company controlled by a director	Rental income	**25,411**	25,411
An associate	Loan interest income	**274,076**	78,470
An associate	Expenses recharge	**60,668**	83,814
An associate	Dividend income	**-**	50,450

(c) Advances to other related parties

Advance made by the Group to related parties at the year end were disclosed as amounts due from associates and related parties in Notes 10 and 11 respectively.

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

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land & building	Leasehold improvements	Furniture, fixture & equipment	Computer hardware & equipment	Motor vehicles	Total
Cost:	$	$	$	$	$	$
Balance at January 1, 2010	-	126,406	41,706	-	830,945	999,057
Exchange differences	-	(5,271)	799	-	20,836	16,364
Additions	423,786	-	264,488	637	38,318	727,229
Disposals	-	-	-	-	(43,025)	(43,025)
Balance at December 31, 2010	**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)
Balance at December 31, 2011	**450,928**	**121,135**	**372,905**	**666**	**843,172**	**1,788,806**

(Expressed in United States Dollars)

Depreciation and impairment						
Balance at January 1, 2010	-	64,096	14,146	-	293,145	371,387
Exchange differences	-	(163)	2,335	-	4,151	6,323
Depreciation for the year	10,319	40,378	27,003	127	132,326	210,153
Disposals	-	-	-	-	(40,874)	(40,874)
Balance at December 31, 2010	**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)
Balance at December 31, 2011	**35,184**	**121,135**	**92,055**	**266**	**354,910**	**603,550**
Net book value:						
At January 1, 2010	**-**	**62,310**	**27,560**	**-**	**537,800**	**627,670**
At December 31, 2010	**413,467**	**16,824**	**263,509**	**510**	**458,326**	**1,152,636**
At December 31, 2011	**415,744**	**-**	**280,850**	**400**	**488,262**	**1,185,256**

At 31 December 2011, the net carrying amount of property, plant and equipment of the Group includes motor vehicles of $164,674 (December 31, 2010: $42,046; January 1, 2010: $59,597) in respect of assets held under finance leases. None of the leases includes contingent rentals. During the year, additions to motor vehicles of the Group financed by new finance leases were $140,026 (2010: $Nil).

14. INVESTMENT PROPERTIES

	Total
Cost:	$
Balance at January 1, 2010	-
Additions	2,593,585
Balance at December 31, 2010	**2,593,585**
Exchange differences	144,305
Additions	27,756
Balance at December 31, 2011	**2,765,646**
Depreciation and impairment losses:	
Balance at January 1, 2010	-
Depreciation for the year	61,593
Balance at December 31, 2010	**61,593**
Exchange differences	2,872
Depreciation for the year	130,087
Balance at December 31, 2011	**194,552**
Net book value:	
At January 1, 2010	**-**
At December 31, 2010	**2,531,992**
At December 31, 2011	**2,571,094**

Investment properties comprised commercial properties in China that are leased to third parties and related parties (Note 12(b)). Investment properties are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. The above investment properties are depreciated on a straight-line basis over 20 years. The Group's investment properties are located in the China which are under a remaining lease term of 39 years.

(Expressed in United States Dollars)

The estimated fair value of the Group's investment properties at December 31, 2011 was approximately $4,269,019 (2010: $3,738,851). 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.

15. EXPLORATION AND EVALUATION ASSETS

	Mining rights Note (a)	**Others** Note (b)	**Total**
Cost:	$	$	$
Balance at January 1, 2010	-	-	-
Additions	1,037,717	1,138,031	2,175,748
Balance at December 31, 2010	**1,037,717**	**1,138,031**	**2,175,748**
Exchange differences	48,409	53,078	101,487
Additions	-	9,441,667	9,441,667
Balance at December 31, 2011	**1,086,126**	**10,632,776**	**11,718,902**
Depreciation and impairment losses:			
Balance at January 1, 2010, December 31, 2010 and 2011	-	-	-
Net carrying amount:			
At January 1, 2010	**-**	**-**	**-**
At December 31, 2010	1,037,717	1,138,031	**2,175,748**
At December 31, 2011	1,086,126	10,632,776	**11,718,902**

Note:

(a): It represents the mining rights of Sawayaerdun Gold Project which is located 200 km northwest of the city of Kashi, western Xinjiang, China. Mining licence is 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): Others represent the geological and geophysical costs, drilling and exploration expenses for the Sawayaerdun Gold Project.

16. INTEREST IN A JOINTLY-CONTROLLED ENTITY

As at	**December 31, 2011**	December 31, 2010	January 1, 2010
	$	**$**	**$**
Share of net assets	**857,696**	518,920	494,701

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

As at	**December 31, 2011**	December 31, 2010	January 1, 2010
	$	**$**	**$**
Current assets	**1,707,862**	1,037,118	997,388
Non-current assets	**19,984**	1,011	1,308
Current liabilities	**(12,454)**	(289)	(9,295)
Non-current liabilities	**-**	-	-
Net assets	**1,715,392**	1,037,840	989,401

(Expressed in United States Dollars)

For the year ended	**December 31, 2011**	December 31, 2010
	$	**$**
Income	**670,425**	22,958
Expenses	**(47,183)**	(8,956)
Profit/(loss) before income tax	**623,242**	14,002
Income tax	**(12,946)**	(396)
Profit for the year	**610,296**	13,606
Group's share of results of a jointly-controlled entity for the year	**305,148**	6,803

Detail of the jointly-controlled entity, which is a limited liability company, as at December 31, 2011 were as follows:

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

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

17. INTERESTS IN ASSOCIATES

As at	**December 31, 2011**	December 31, 2010	January 1, 2010
	$	**$**	**$**
Share of net assets	**2,113,541**	7,098,213	2,408,759

The summarised financial information in respect of the Group's associates is as follows:

As at	**December 31, 2011**	December 31, 2010	January 1, 2010
	$	$	$
Total assets	**23,199,655**	60,210,347	6,681,240
Total liabilities	**(18,180,303)**	(45,113,437)	(674,039)
Net assets	**5,019,352**	15,096,910	6,007,201

For the year ended	**December 31, 2011**	December 31, 2010
	$	**$**
Revenue	**178,366,937**	29,778,230
Profit/(loss) for the year	**381,749**	(2,336,263)
Group's share of results of associates for the year	**170,240**	(1,141,345)

(Expressed in United States Dollars)

Particulars of associates as at December 31, 2011:

Company name	Place of incorporation	Total issued and paid-up capital	Attributable interest held by the Company	Principal activities
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. [1]	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. [1]	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. [1]	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.

During the year, China Precision increased its paid-up capital by $1,285,714 (HKD9,990,000), resulting in a deemed disposal of the equity interest in China Precision from 49% to 48.02%. Loss on the deemed disposal amounting to $13,186 was recognised in profit or loss.

During the year, the Group entered into an agreement to dispose of all its 49% equity interest in Hami Coal, through which the Group owned a 24.49% indirect equity interest in the Balikun Coal Project in Xinjiang, China. The disposal was completed in September 2011(see also Note 6).

GobiMin formerly owned a 40% indirect equity interest in Tongxing which is engaged in exploration and development of the Yanxi Copper Property. GobiMin had completed the disposal of its 32% equity interest in the Yanxi Copper Property on July 22, 2010, retaining an 8% indirect unlisted equity interest which is classified as available-for-sale financial assets as mentioned in Note 18 (c) (see also Note 19).

18. OTHER FINANCIAL ASSETS

As at		December 31, 2011	December 31, 2010	January 1, 2010
		$	$	$
Convertible bonds	(a)	**13,068,740**	15,721,494	-
Held-to-maturity listed debentures	(b)	**829,420**	827,307	-
Available-for-sale financial asset	(c)	**208,028**	223,174	-
Total		**14,106,188**	**16,771,975**	**-**

(a) Convertible bonds
It 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 19. The convertible bonds are stated at $13,068,740 (2010: $15,721,494; January 1, 2010: not applicable) as at year end based on the fair value as determined by an independent professional valuer. Accordingly, a loss on change in fair value of $2,652,754 (2010: a gain of $1,564,480) was recognised in profit or loss.

(b) Held-to-maturity listed debentures
It represents the held-to-maturity listed debentures held by the Group at year end.

(c) Available-for-sale financial asset
The Group formerly owned 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 19).

For the year ended December 31, 2011, the Group recorded an impairment loss of $15,146 included in general and administrative expenses (2010: $Nil) for the available-for-sale financial asset.

19. 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 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 18), convertible bonds receivable of $11.5 million (see Note 9), 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 20.

20. OTHER PAYABLES, RECEIPTS IN ADVANCE AND ACCRUED LIABILITIES

As at December 31, 2011, 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.

Included in the Group's other payables, receipts in advance and accrued liabilities was obligation under finance leases of $127,737 (December 31, 2010: $28,754). Future lease payments are due as follows:

(Expressed in United States Dollars)

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

As at December 31, 2010	Minimum lease payments	Interest	Present value
	$	$	$
Within one year	25,634	1,119	24,515
In the second to fifth years inclusive	4,272	33	4,239
Total current liabilities	**29,906**	**1,152**	**28,754**

As at	December 31, 2011	December 31, 2010
	$	$
Current liabilities	44,895	24,515
Non-current liabilities	82,842	4,239
Total present value of future lease payments	**127,737**	**28,754**

21. COMMITMENTS

(a) Capital commitments

As at December 31, 2011, there are capital commitments of approximately $2,119,721 (December 31, 2010: $1,284,997) that the Group had contracted, but not provided for.

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 December 31, 2011. 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.

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 December 31, 2011. The remaining commitment is $229,811 (RMB1,447,030).

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 December 31, 2011. 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:

(Expressed in United States Dollars)

As at	**December 31, 2011**	December 31, 2010
	$	$
Within one year	**67,177**	40,284
In the second to fifth years inclusive	**240,164**	395,522
	307,341	435,806

(ii) The Group as lessee

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

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	**December 31, 2011**	December 31, 2010
	$	$
Within one year	**239,132**	72,008
In the second to fifth years inclusive	**346,458**	-
After five years	**9,720**	-
	595,310	72,008

22. SHARE CAPITAL, WARRANTS AND STOCK OPTIONS

(a) Common Shares

	Number	Amount
Authorised:		$
Unlimited number of common shares		
Issued and outstanding:		
Balance, December 31, 2009	**68,257,302**	**29,267,506**
Shares issued for options exercised	1,046,400	1,064,910
Shares repurchased and cancelled	(3,412,865)	(1,458,224)
Balance, December 31, 2010	**65,890,837**	**28,874,192**
Shares repurchased and cancelled	(3,294,541)	(1,412,881)
Balance, December 31, 2011	**62,596,296**	**27,461,311**

(b) Preferred Shares

The Company did not issue or authorise any preferred shares for 2010 and 2011.

(Expressed in United States Dollars)

(c) General Reserve

During the years ended December 31, 2010 and 2011, there was no movement in reserves. The amount in 2009 represents a transfer of net earnings of $7,666 to a general reserve of the Company's subsidiaries in China.

(d) Translation Reserve

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

(e) Normal Course Issuer Bid

On January 4, 2011, GobiMin renewed its normal course issuer bid to repurchase up to an additional 3,294,541 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 ended January 31, 2012. For the year ended December 31, 2011, a total of 3,294,541 common shares were repurchased for an aggregate cost of $2,638,404 (CAD2,621,534). 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.

Status of the outstanding employee stock options as at December 31, 2011 and changes during the year:

	2011		2010	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
		$		$
Outstanding, beginning of year	**2,519,400**	**1.14**	3,256,400	1.76
Issued on July 7, 2010	**-**	**-**	1,309,000	0.76
Issued on November 23, 2011	**1,569,000**	**0.60**	-	-
Forfeited	**(929,400)**	**1.15**	(999,600)	3.30
Exercised	**-**	**-**	(1,046,400)	0.55
Outstanding, end of year	**3,159,000**	**0.87**	2,519,400	1.14

Summary of the employee stock options outstanding and exercisable as at December 31, 2011:

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	0.59	3.61	196,000	0.59	3.61
1.10	1.06	97,000	1.67	1.06	77,600	1.67	1.06
0.79	0.76	1,000,000	1.50	0.76	600,000	1.50	0.76
0.79	0.76	297,000	3.50	0.76	118,800	3.50	0.76
0.60	0.60	1,300,000	3.00	0.60	-	3.00	0.60
0.60	0.60	100,000	1.00	0.60	100,000	1.00	0.60
0.60	0.60	169,000	5.00	0.60	-	5.00	0.60
		3,159,000	2.43	0.87	1,092,400	1.52	1.28

(i) The weighted average remaining contractual life for the share options exercisable as at December 31, 2011 is 1.43

(Expressed in United States Dollars)

years.

(ii) The weighted average remaining contractual life for the share options outstanding as at 31 December, 2011 is 2.39 years.

(iii) The weighted average fair value of options granted during the year was $0.22.

(iv) The range of exercise price for options outstanding at the end of the year was $0.60 to $3.61.

Share-Based Compensation

In 2011, the weighted average fair value of options granted amounted to $0.22 (2010: $0.27) per option. 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:

	December 31, 2011	December 31, 2010
Risk free interest rate:	**0.12%-0.88%**	1.01%-1.79%
Expected life:	**1-5 years**	1-5 years
Expected volatility:	**53%**	48%

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.

(g) Basic and Diluted Earnings/(Losses) Per Share

For the year ended	**December 31, 2011**	December 31, 2010
Net earnings/(losses) available to shareholders		
Basic and diluted	**$2,905,562**	($3,406,193)
Weighted average number of shares outstanding		
Basic	**63,621,261**	67,497,354
Effect of dilutive stock options and warrants	**-**	-
Diluted	**63,621,261**	67,497,354
Basic and diluted earnings/(losses) per share	**$0.05**	**($0.05)**

As stock options outstanding during the years had an anti-dilutive effect on the basic earnings/(losses) per share for both years, the conversion of the above potential dilutive shares is not assumed in the computation of diluted earnings/(losses) per share.

23. NON-CONTROLLING INTERESTS

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

24. OTHER REVENUE AND GAINS

For the year ended	**December 31, 2011**	December 31, 2010
	$	$
Interest income	**667,375**	211,978
Rental income	**202,831**	138,436
Gain on disposal of property, plant and equipment	**16,730**	-
Others	**5,000**	56,101
Total other revenue and gains	**891,936**	**406,515**

(Expressed in United States Dollars)

25. FINANCE COSTS

For the year ended	December 31, 2011	December 31, 2010
	$	$
Finance charge under finance leases	1,119	24,424
Bank charges	5,102	8,801
Total finance costs	**6,221**	33,225

26. INCOME TAX

No provision for Canada and Hong Kong Income tax has been made as the Group has no estimated assessable profits in either Canada or Hong Kong during the years ended December 31, 2010 and 2011. There is no related future tax asset recognised either, as management believes that the operating loss in Canada and Hong Kong is unlikely to be recovered in future years.

Pursuant to the Corporation Income Tax Law approved by the National People's Congress (NPC) of China effective on January 1, 2008, a unified 25% tax rate is applicable to both domestic enterprises and foreign invested enterprises.

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

For the year ended	December 31, 2011	December 31, 2010
	$	$
Profit/(loss) before tax	2,517,276	(3,576,529)
Statutory tax rates	28%	31%
Tax charged at statutory tax rates	704,837	(1,108,724)
Tax rate differential	148,795	239,431
Tax on revenue not taxable	(3,370,404)	(3,924,052)
Tax on expense not deductible	2,592,220	4,582,370
Tax effect of tax losses (utilised) / not recognised	(75,448)	210,975
Tax expense	-	-

At December 31, 2011, the Group had unused tax losses of $4,688,725 (2010: $4,912,730) available for offset future profits which is subject to the final approval of respective tax authorities. As at December 31, 2011, no deferred tax asset has been recognised in respect of the unused tax losses of $4,688,725 (2010: $4,912,730) due to the unpredictability of future profit streams. As at December 31, 2011, included in unrecognised tax losses were $4,500,747 (2010: $4,720,323) that will expire in twenty years from the respective dates of incurrence and unrecognised tax losses of $187,978 (2010: $192,407) that will expire in ten years from the respective dates of incurrence.

27. DIVIDEND PAID

In June 2011, GobiMin paid an annual dividend of CAD0.01 per share for a total amount of $641,007 (2010: $833,629) in accordance with the Company's dividend policy and 2010 annual performance.

28. 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.

(Expressed in United States Dollars)

29. 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.

(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.

The following table details the Group's exposure at the end of reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

As at December 31, 2011	**HKD**	**RMB**	**CAD**
Prepayments, deposits and other receivables	**163,895,453**	**127,251,505**	**36,441**
Amounts due (to)/from related parties	**(13,148,955)**	**(317,018,189)**	**-**
Cash and cash equivalents	**41,512,005**	**211,711,554**	**189,013**
Other payables, receipts in advance and accrued liabilities	**(204,734,039)**	**(10,613,957)**	**(147,507)**
Other financial assets	**87,737,812**	**829,420**	**-**
Deferred gain on disposal of an associate	**(44,154,496)**	**-**	**-**
Net exposure	**31,107,780**	**12,160,333**	**77,947**

As at December 31, 2010	**HKD**	**RMB**	**CAD**
Prepayments, deposits and other receivables	147,651,178	12,945,653	2,743
Amounts due (to)/from related parties	(501,980)	116,039,213	-
Cash and cash equivalents	79,111,915	9,498,146	3,364,198
Other payables, receipts in advance and accrued liabilities	(204,190,907)	(16,676,800)	(179,657)
Other financial assets	122,156,012	827,307	-
Deferred gain on disposal of an associate	(44,154,496)	-	-
Net exposure	**100,071,722**	**122,633,519**	**3,187,284**

The following table indicates the approximate change in the Group's profit after income tax and retained profits and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period. No sensitivity analysis is carried out in respect of balances denominated in Hong Kong dollars as the exchange rate between United States dollars and Hong Kong dollars is pegged. The sensitivity analysis includes balances between group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower.

	2011			2010		
The Group	Increase/ (decrease) in foreign exchange rate	Increase/(decrease) in profit for the year and retained profits	Effect on other components of equity	Increase/ (decrease) in foreign exchange rate	Decrease/(Increase) in loss for the year and retained profits	Effect on other components of equity
		USD	USD		USD	USD
RMB	5%	89,976	-	5%	924,128	-
	(5%)	(89,976)	-	(5%)	(924,128)	-
CAD	1%	766	-	1%	32,078	-
	(1%)	(766)	-	(1%)	(32,078)	-

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

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. In this respect, it is assumed that the pegged rate between the Hong Kong dollars and the United States dollars would be materially unaffected by any changes in movement in value of the United States dollars against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' profit/(loss) for the year and equity measured in the respective functional currencies, translated into United States dollars at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis is performed on the same basis for 2010.

(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 December 31, 2011. 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.

(Expressed in United States Dollars)

(e) Liquidity Risk

Liquidity risk is the risk that the Group may encounter difficulties in meeting obligations associated with financial liabilities. As at December 31, 2011, the Group was holding cash and cash equivalents of $62,305,634. 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. The financial liabilities of $19,797,416 (2010: $5,874,476) are due within one year.

Other payables, receipts in advance and accrued liabilities	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	$	$	$	$	$
As at December 31, 2011	**19,880,258**	**19,888,611**	**19,802,076**	**86,535**	**-**
As at December 31, 2010	5,878,715	5,879,867	5,875,595	4,272	-

(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.

	Fair Value Measurements at Reporting Data Using			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
December 31, 2011				
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**

(Expressed in United States Dollars)

December 31, 2010				
Convertible bonds	-	15,721,494	-	15,721,494
Held-to-maturity listed debentures	827,307	-	-	827,307
	827,307	15,721,494	-	16,548,801

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

30. 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 $86,615,400 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.

31. 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.

32. EVENTS AFTER THE YEAR END DATE

(a) On January 20, 2012, GobiMin announced that it intended to renew 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 expected to be made in accordance with applicable regulations over a maximum period of 12 months ending January 31, 2013. Since February 1, 2012 and up to April 17, 2012, a total of 810,500 common shares were repurchased at an aggregate cost of $613,325 (CAD603,063). All shares repurchased will be returned to treasury for cancellation.

(b) On January 30, 2012, GobiMin announced that it has entered into a third supplemental agreement with China Daye for a further extension of the deadline for obtaining the Yanxi Mining Licence in connection with the disposal of the Yanxi Copper Property completed in July 2010. The deadline for obtaining the Yanxi Mining Licence and the exploration licence of the New Area are extended from January 31, 2012 to May 31, 2012. The date of repayment from China Daye of the outstanding principal of the convertible bonds is extended from June 30, 2013 to October 31, 2013.

(c) 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.

33. TRANSITION TO IFRS

The Group's consolidated financial statements for the year ended December 31, 2011 are the first annual financial statements that comply with IFRS. The Group has prepared its opening IFRS statement of financial position by applying existing IFRS standards in effect at the date of release of these consolidated financial statements.

As stated in Note 2, these financial statements are prepared in accordance with IFRS. The accounting policies in Note 3 have been applied in preparing the consolidated financial statements for the year ended December 31, 2011, the comparative information presented in these consolidated financial statements for the year ended December 31, 2010 and in preparation of an opening IFRS statement of financial position at January 1, 2010.

In preparing its opening IFRS statement of financial position, the Group has adjusted amounts reported previously in consolidated financial statements prepared in accordance with previous Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Group's financial position, financial performance, and cash flows is set out below.

IFRS 1 First-time Adoption of International Financial Reporting Standards sets forth guidance for the initial adoption of IFRS. Under IFRS 1, the standards are applied retrospectively at the transitional statement of financial position date with all adjustments to assets and liabilities charged or credited to retained earnings unless certain exemptions are applied. The Group has applied the following exemptions to its opening statement of financial position as at January 1, 2010:

(a) Business Combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 Business Combinations retrospectively to business combinations that occurred before the date of transition to IFRS. The Group has utilised this election and has therefore applied IFRS 3 only to business combinations that occurred on or after January 1, 2010.

(b) Share-based Payment Transactions

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 Share-based Payment to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the latter of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to options that vested prior to January 1, 2010, which have been accounted for in accordance with Canadian GAAP. The effect of applying IFRS 2 to unvested options at the transition date was to reduce retained earnings by $0.3 million as at January 1, 2010, with an offsetting adjustment to contributed surplus and accumulative other comprehensive income.

(i) Under IFRS

- Each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortised over the vesting period of the respective tranches.
- Forfeiture estimates are recognised in the period they are estimated, and are revised for actual forfeitures in subsequent periods.

(ii) Under Canadian GAAP

- The fair value of share-based awards with graded vesting are calculated as one grant and the resulting fair value is recognised on a straight-line basis over the vesting period.
- Forfeitures of awards are recognised as they occur.

As a result of the different calculation method of amortisation period, the effect of applying IFRS 2 was to increase the share-based compensation expense in the earlier stage of the vesting period while lowering the relevant expenses in the later stage. The impact to the Group for the year ended December 31, 2010 was insignificant as most of the share option fair value were amortised as of December 31, 2009.

For cancelled or forfeited options, no accounting entry is required under Canadian GAAP while the fair value of cancelled or forfeited options are required to be reversed from contributed surplus to retained earnings under IFRS.

For the year ended December 31, 2010, the Group recorded cancelled or forfeited share options in the amount of $2.0 million.

(c) Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under the previous GAAP applied, unless there is objective evidence that those estimates were in error. The Group's IFRS estimates as of January 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

(d) <u>Accounting for exploration expenditures on properties prior to the establishment of a positive economic analysis</u>

The Group's policy under Canadian GAAP had been to capitalise all exploration costs. IFRS 6 requires cost directly related to exploration and evaluation expenditures to be recognised and capitalised, in addition to the acquisition costs. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

The impact of such a change would be that greater amounts will be expensed. As this change must be applied on a retroactive basis, amounts previously capitalised under Canadian GAAP are charged to retained earnings as at January 1, 2010. This adjustment decreased shareholders' equity by $0.6 million.

(e) <u>Cumulative Translation Differences</u>

IFRS 1 allows that the cumulative translation differences for all foreign operations be deemed zero at the date of transition to IFRS, with future gains or losses on subsequent disposal of any foreign operations to exclude translation differences arising from periods prior to the date of transition to IFRS. The Group has made this election and deemed all cumulative translation differences to be zero on transition to IFRS as at January 1, 2010 and absorbed the previously accumulated cumulative translation balance into retained earnings.

(f) <u>Presentation of Property, Plant and Equipment</u>

IFRS requires that significant parts of an asset be depreciated separately and that depreciation commences when the asset is available for use. There is no impact on shareholders' equity.

IFRS also permits property, plant and equipment to be measured using the fair value model or the historical cost model. The Group is not planning on adopting the fair value measurement model for its property, plant and equipment but will continue to measure at amortised cost.

(g) <u>Non-controlling interests</u>

Under Canadian GAAP, non-controlling interests were presented between liabilities and equity. IFRS requires presentation of non-controlling interests within the equity section of the statements of financial position.

(h) <u>Goodwill and intangible assets</u>

Goodwill and intangible assets under IFRS will be measured using the cost model, based on the recoverable assets amount which is the greater of value in use and fair value less costs to sell. The recoverable amount calculated under IFRS approximates the Canadian GAAP carrying value at January 1, 2010 and therefore no adjustment is required at transition.

At each reporting dates, the Group is required to review goodwill and intangible assets for indicators of impairment or reversals of impairment. In the event that certain conditions have been met, the Company would be required to reverse the impairment charge or a portion thereof.

(i) <u>Available-for-Sale Financial Assets</u>

Under IFRS, foreign exchange amounts arising from translation of the assets are recorded in net income.

Under Canadian GAAP, foreign exchange amounts arising from translation of the assets are recorded in other comprehensive income. There is no impact on shareholder's equity.

(j) <u>Interest in a jointly-controlled entity</u>

The Group's 50% interest in Xinjiang Xinya Minerals Limited (without controlling power) was recorded by proportionate consolidation in the Group's consolidated financial statements under Canadian GAAP. Upon adoption of IFRS, management reassessed the interest in Xinjiang Xinya Minerals Limited and considered equity method accounting is more appropriate to reflect its interest in Xinjiang Xinya Minerals Limited. Certain items in the consolidated statements of financial position were reduced with an increase in the interest in a jointly-controlled entity.

(k) <u>Presentation</u>

The presentation in accordance with IFRS differs from the presentation in accordance with Canadian GAAP.

IFRS employs a conceptual framework that is similar to Canadian GAAP. However, significant differences exist in certain matters of recognition, measurement and disclosure. While adoption of IFRS has not changed the Group's actual cash flows, it has resulted in changes to the Group's reported financial position and results of operations. In order to allow the users of the financial statement to better understand these changes, the Group's Canadian GAAP Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash Flows for the year ended December 31, 2010 have been reconciled to IFRS, with the resulting differences explained.

The following reconciliations are provided hereafter:

(1) Reconciliation of consolidated statement of financial position as at January 1, 2010;
(2) Reconciliation of consolidated statement of financial position as at December 31, 2010; and
(3) Reconciliation of consolidated statement of comprehensive income for the year ended December 31, 2010.

The transition from Canadian GAAP to IFRS has not had a material impact on the consolidated statements of cash flows.

(Expressed in United States Dollars)

(i) Reconciliation of consolidated statement of financial position as at January 1, 2010

	Reference to Note 33	Canadian GAAP	IFRS Adjustment	IFRS
ASSETS		$	$	$
Current				
Cash and cash equivalents	j	78,350,405	(498,503)	77,851,902
Prepayments, deposits and other receivables	j	6,638,779	189,150	6,827,929
Amount due from an associate		39,200	-	39,200
Total current assets		85,028,384	(309,353)	84,719,031
Non-current				
Property, plant and equipment	d,j,k	1,127,567	(499,897)	627,670
Interests in associates	k	-	2,408,759	2,408,759
Interests in a jointly-controlled entity	k	-	494,701	494,701
Equity investments	k	2,675,844	(2,675,844)	-
Amounts due from related parties		1,572,148	-	1,572,148
Total non-current assets		5,375,559	(272,281)	5,103,278
Total assets		**90,403,943**	**(581,634)**	**89,822,309**
LIABILITIES				
Current				
Other payables, receipts in advance and accrued liabilities	j,k	968,798	(33,476)	935,322
Total current liabilities		968,798	(33,476)	935,322
Non-current				
Other payables, receipts in advance and accrued liabilities	j	-	28,828	28,828
Total non-current liabilities		-	28,828	28,828
Total liabilities		**968,798**	**(4,648)**	**964,150**
SHAREHOLDERS' EQUITY				
Share capital		29,267,506	-	29,267,506
Contributed surplus	b,k	5,604,073	(2,945,218)	2,658,855
Share option reserve	k	-	3,199,043	3,199,043
General reserve		7,666	-	7,666
Translation reserve	b,e	2,655,448	(2,655,448)	-
Retained earnings	b,d,e	50,638,277	1,855,870	52,494,147
Equity attributable to shareholders of the Company		**88,172,970**	**(545,753)**	**87,627,217**
Non-controlling interests	g	1,262,175	(31,233)	1,230,942
Total shareholders' equity		**89,435,145**	**(576,986)**	**88,858,159**
Total liabilities and shareholders' equity		**90,403,943**	**(581,634)**	**89,822,309**

(Expressed in United States Dollars)

(ii) Reconciliation of consolidated statement of financial position as at December 31, 2010

	Reference to Note 33	Canadian GAAP	IFRS Adjustment	IFRS
ASSETS		$	$	$
Current				
Cash and cash equivalents	j	37,959,529	(516,751)	37,442,778
Silver bullion		9,549,403	-	9,549,403
Prepayments, deposits and other receivables	d,j	21,041,394	(1,835,390)	19,206,004
Amounts due from associates		3,631,270	-	3,631,270
Amount due from a related party		15,173,745	-	15,173,745
Total current assets		87,355,341	(2,352,141)	85,003,200
Non-current				
Property, plant and equipment	d,j,k	4,667,886	(3,515,250)	1,152,636
Investment properties	k	-	2,531,992	2,531,992
Exploration and evaluation assets	k	-	2,175,748	2,175,748
Interests in associates	k	-	7,098,213	7,098,213
Interest in a jointly-controlled entity	k	-	518,920	518,920
Equity investments	k	8,210,447	(8,210,447)	-
Available-for-sale financial assets	k	223,174	(223,174)	-
Other financial assets	k	16,548,801	223,174	16,771,975
Amount due from an associate		1,981,691	-	1,981,691
Amounts due from related parties		1,893,564	-	1,893,564
Total non-current assets		33,525,563	599,176	34,124,739
Total assets		**120,880,904**	**(1,752,965)**	**119,127,939**
LIABILITIES				
Current				
Other payables, receipts in advance and accrued liabilities	a,k	28,046,514	178,953	28,225,467
Deferred gain on disposal of an associate		5,682,689	-	5,682,689
Total current liabilities		33,729,203	178,953	33,908,156
Non-current				
Other payables, receipts in advance and accrued liabilities	k	-	4,239	4,239
Total non-current liabilities		-	4,239	4,239
Total liabilities		**33,729,203**	**183,192**	**33,912,395**
SHAREHOLDERS' EQUITY				
Share capital	b	28,857,226	16,966	28,874,192
Contributed surplus	b,k	5,506,759	(2,910,653)	2,596,106
Share option reserve	k	-	1,148,611	1,148,611
General reserve		7,666	-	7,666
Translation reserve	b,e	4,237,324	(2,675,761)	1,561,563
Retained earnings	b,d,e	46,266,614	2,686,249	48,952,863
Equity attributable to shareholders of the Company		**84,875,589**	**(1,734,588)**	**83,141,001**
Non-controlling interests	g	2,276,112	(201,569)	2,074,543
Total shareholders' equity		**87,151,701**	**(1,936,157)**	**85,215,544**
Total liabilities and shareholders' equity		**120,880,904**	**(1,752,965)**	**119,127,939**

(Expressed in United States Dollars)

(3) Reconciliation of consolidated statement of comprehensive income for the year ended December 31, 2010

	Reference to Note 33	Canadian GAAP	IFRS Adjustment	IFRS
		$	$	$
Revenue		-	-	-
Cost of Sales		-	-	-
Depreciation		-	-	-
Selling and distribution cost		-	-	-
Gross profit/(loss)		-	-	-
Other revenue and gains		406,515	-	406,515
General and administrative expenses	d,k	(3,440,917)	(476,234)	(3,917,151)
Share-based compensation	b	(361,294)	45,392	(315,902)
Share of results of a jointly-controlled entity	k	-	6,803	6,803
Share of results of associates	d,k	(305,233)	(836,202)	(1,141,435)
Operating loss		**(3,700,929)**	**(1,260,241)**	**(4,961,170)**
Gain on deregistration of subsidiaries		142,102	-	142,102
Change in fair value on other financial assets		1,564,480	-	1,564,480
Exchange loss		(288,716)	-	(288,716)
Finance costs	k	-	(33,225)	(33,225)
Losses before income tax		**(2,283,063)**	**(1,293,466)**	**(3,576,529)**
Income tax		-	-	-
Losses for the year		**(2,283,063)**	**(1,293,466)**	**(3,576,529)**
Other comprehensive income, net of tax				
Foreign currency translation differences	d	1,581,876	18,442	1,600,318
Comprehensive loss for the year		**(701,187)**	**(1,275,024)**	**(1,976,211)**

GobiMin Inc.

Incorporated in Canada under the Canada Business Corporations Act

Management's Discussion and Analysis of Financial Results

For the year ended December 31, 2011
(Expressed in United States Dollars except where otherwise noted)

GobiMin Inc.
Management's Discussion and Analysis of Financial Results
For the year ended December 31, 2011
(Expressed in United States Dollars)
April 17, 2012

The following discussion and analysis of the consolidated operating results and financial condition of GobiMin Inc. for the year ended December 31, 2011 should be read in conjunction with its audited consolidated financial statements for the year ended December 31, 2011 prepared in accordance with International Financial Reporting Standards ("IFRS") and its audited consolidated financial statements for the year ended December 31, 2010 prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

This Management's Discussion and Analysis was prepared on April 17, 2012. Additional information relating to the Company is available on the SEDAR website at 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. During the year, China Precision has increased its capital by profit capitalisation and an allotment of shares to a corporate shareholder which is beneficially owned by its employees. Accordingly, the equity interest of the Group in China Precision was diluted from 49% to 48.02%.

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.

In September 2011, GobiMin disposed of its 24.49% indirect equity interest in the Balikun Coal Project for a total consideration of $31.76 million, realising a gain of approximately $8.83 million.

(Expressed in United States Dollars)

2. Highlights

(a) Financial Highlights

As at / For the year ended	December 31, 2011	December 31, 2010	December 31, 2009
	$	**$**	**$**
Revenue	**-**	-	0.9 million
Other revenue and gains	**0.9 million**	0.4 million	0.5 million
Share of results of associates and a jointly-controlled entity	**0.5 million**	(1.1 million)	0.1 million
Gain on disposal of an associate/subsidiaries	**8.8 million**	-	31.4 million
Change in fair value on other financial assets	**(2.7 million)**	1.6 million	-
Profit/(loss) for the year	**2.5 million**	(3.6 million)	29.5 million
(LBITDA)/EBITDA (1)	**(3.8 million)**	(4.9 million)	30.5 million
Basic earnings/(losses) per share	**0.05**	(0.05)	0.43
Diluted earnings/(losses) per share	**0.05**	(0.05)	0.42
(LBITDA)/EBITDA per share(1)	**(0.06)**	(0.07)	0.44
Cash and cash equivalents	**62.3 million**	37.4 million	78.3 million
Cash and cash equivalents per share(2)	**1.00**	0.57	1.15
Working capital	**53.2 million**	51.1 million	84.1 million
Total non-current financial liabilities	**83,000**	4,000	**-**
Total assets	**120.6 million**	119.1 million	90.4 million
Annual dividend per share (2)	**0.01**	0.01	0.0125

Note:

(1) As non-IFRS measurements, (LBITDA)/EBITDA ((losses)/earnings before interest income and expense, income taxes, depreciation and amortisation), (LBITDA)/EBITDA 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.

(2) The Company declared an annual dividend of $0.01 (CAD0.01) per share for 2011 in accordance with its dividend policy and the 2011 annual performance. For 2010, the Company paid an annual dividend of $0.01 (CAD0.01) per share pursuant to its dividend policy. The Company paid an annual dividend of $0.0125 (CAD0.0125) per share based on 2009 annual performance.

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(3) The 2011 and 2010 financial information were prepared in accordance with IFRS while 2009 financial information was prepared in accordance with Canadian GAAP.

3. Business Summary and Development

(a) 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.

(i) Background

The Sawayaerdun Gold Project is located 200 km northwest of the city of Kashi, western Xinjiang, China and lies within the Tian Shan Gold Belt, which is one of the most promising gold belts in China. Gold mineralisation is contained within fine-grained clastic metasedimentary rocks of Devonian age. The portion of Zone IV with most drilling works done appears to be the thickest portion of the zone and therefore may represent a flexure or dilation zone within the F3 fault that contains Zone IV.

(ii) 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. 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 Mr. Philip A. Jones' comments, the assay results have confirmed that the mineralised structure is mapped over a strike length of over 6,500 m and at depth.

All drilling samples were assayed by the Geophysical and Geochemical Exploration Team of Xinjiang Geology Bureau's laboratory in Urumqi, Xinjiang, China ("Urumqi Laboratory") and 40 representative pulp samples completed over the last two years were collected from Urumqi Laboratory and re-assayed at Genalysis Laboratory Services ("Genalysis"), an independent laboratory in Perth, Australia. The correlation coefficient for the Urumqi Laboratory versus Genalysis was 0.99. The re-assay arrangement was implemented under the guidance of Mr. Philip A. Jones, a Qualified Person as defined in NI 43-101, and he commented that such high value of correlation coefficient indicates that the Urumqi Laboratory analyses correspond extremely well with the fire assays at Genalysis. The Company believes that the satisfactory results of the re-assay arrangement have confirmed the accuracy and reliability of its QA/QC results which contribute the crucial basis for the resource estimate.

(iii) 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.

(iv) 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.

(b) Coal Project in Xinjiang

GobiMin formerly owned an indirect equity interest of 24.49% in the Balikun Coal Project in Xinjiang, China. It entered into an agreement with an existing shareholder of the project to dispose of all its interest in exchange for a total consideration of $31.76 million, which includes the proceeds of the disposal, the repayment of loans and the related interests. GobiMin has recorded a gain of approximately $8.83 million from the disposal in September 2011.

(c) Silver Operation

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

(i) 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. To increase product variety and profit contribution, GobiMin will continue to source and explore new potential business opportunities in this sector.

(ii) Update

During the year, China Precision issued shares to a corporate shareholder beneficially owned by its employees. Accordingly, the equity interest of GobiMin in China Precision was diluted from 49% to 48.02%. In order to cope with its expanding business, the Group and other shareholders mutually agreed to increase the paid-up capital of China Precision to approximately $1.3 million (HKD10 million) by capitalisation of the retained earnings, which was completed on December 31, 2011.

The Group has made advances to China Precision from time to time to finance its silver inventory. As at December 31, 2011, amounts due from China Precision to the Group amounted to $5.5 million while China Precision had a silver inventory of 6.8 tonnes with a market value of $6 million. The Group recorded interest income of $274,076 on these advances for 2011. China Precision had a net profit of about $1.1 million for 2011, with GobiMin's share amounting to $0.5 million compared with $0.1 million for 2010.

(iii) Plan for 2012

China Precision showed strong growth in net profit which in turn contributed to a significant growth in the equity gain of the Group in 2011. The Group believes that China Precision will continue its growing trend of business and thus increase the return to GobiMin following the increase in its paid-up capital.

(d) Base Metal Exploration Projects in Xinjiang

(i) 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 subsequently disposed of. Other than the Yanxi Copper Property, GobiMin currently owns equity interests in four exploration companies in Xinjiang, China for nickel, copper, and gold. During the year ended December 31, 2011, these companies entered into agreements to dispose of five exploration licences for a total consideration of $1,032,304 (RMB6,500,000), which resulted in a gain on disposal of $375,106 (RMB2,361,894) after deducting the related costs and taxes.

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 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 December 31, 2011 amounted to $2,337,755 (RMB14,719,900).

(ii) Yanxi Copper Property

(1) 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.

The Group entered into a supplemental agreement with China Daye on December 30, 2010 to extend the deadline for obtaining the mining licence of the Yanxi Copper Property (the "Yanxi Mining Licence") from December 31, 2010 to August 31, 2011. Under the supplemental agreement, the consideration to be received upon obtaining the Yanxi Mining Licence is reduced by HKD21,000,000 to 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 amount of HKD21,000,000 will be deducted from the second and final lot of CB (the "Non-delivered CB"). 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 Non-delivered CB and an additional cash based consideration on the resource estimate of the New Area, subject to a maximum of 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 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.

The Group has entered into a second supplemental agreement with China Daye on August 30, 2011, pursuant to which the deadline for obtaining the Yanxi Mining Licence was further extended to January 31, 2012. In addition, 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).

(2) 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. In addition, China Daye may, at its sole discretion, extend (1) the repayment date of the CB from June 30, 2013 to October 31, 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).

The application for the Yanxi Mining Licence is at the final stage and GobiMin is liaising with relevant government departments to facilitate the application to meet the deadline.

It is expected that upon obtaining the Yanxi Mining Licence, the Group would realise 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 realised after finalising the New Mining Licence and the related exploration work.

(e) Normal Course Issuer Bid

On January 4, 2011, GobiMin renewed its normal course issuer bid to repurchase up to an additional 3,294,541 common shares for the year expired on January 31, 2012. The Company repuchased the said 3,294,541 common shares at an average price of CAD0.788 during the year. All shares repurchased were returned to treasury for cancellation.

On January 20, 2012, GobiMin announced the renewal of its normal course issuer bid to repurchase up to an additional 3,129,814 common shares, representing approximately 5% of the common shares then outstanding. Purchases are expected to be made in accordance with applicable regulations over a maximum period of 12 months ending on January 31, 2013. As of April 17, 2012, a total of 810,500 common shares were repurchased at an aggregate cost of $613,325 (CAD603,063). All shares repurchased will be 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.

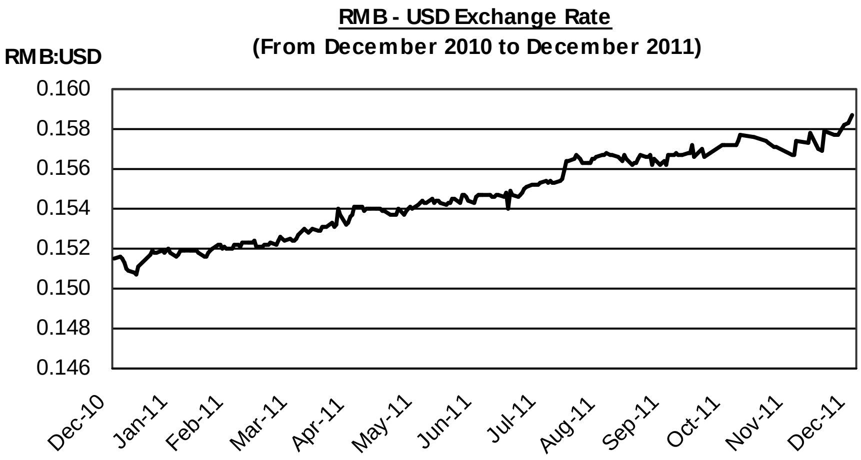
(f) Working Capital

As at December 31, 2011, the Group has a working capital of about $53.2 million (December 31, 2010: $51.1 million), after netting off its current liabilities of $33.9 million (December 31, 2010: $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

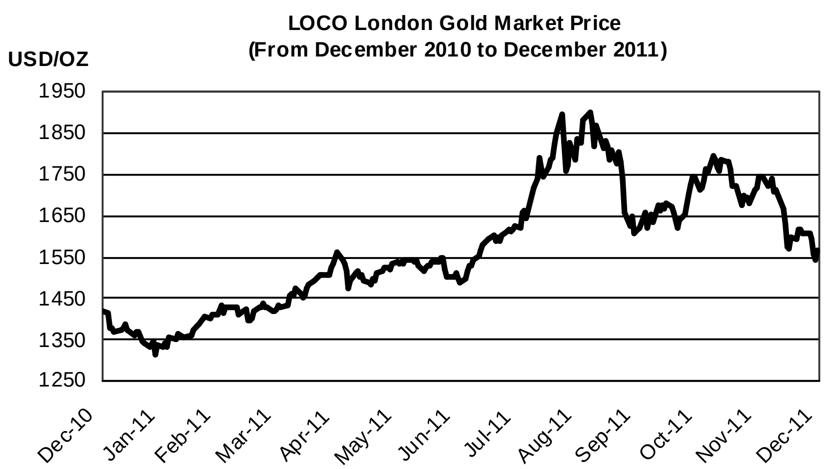
(a) China Economy

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 December 31, 2011, the Chinese currency Renminbi ("RMB") appreciated by 4.77% against the U.S. dollar comparing with the exchange rate on December 31, 2010.



(b) Gold Market

Although the Sawayaerdun Gold Project is at the exploration stage, the gold market price has an influence on the project value. For the year ended December 31, 2011, the gold price has increased by around 10.10% against the price on December 31, 2010.



5. Significant Accounting Policies and Estimates

The Group's significant accounting policies are described in Note 3 to the audited consolidated financial statements for the year ended December 31, 2011. The preparation of consolidated 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 audited consolidated 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.

(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.

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

(a) IFRS Transition from previous Canadian GAAP

The Group's audited consolidated financial statements for the year ended December 31, 2011 is the first annual financial statements that comply with IFRS. The Group has prepared its opening IFRS statement of financial position by applying existing IFRS standards in effect at the date of release of these consolidated financial statements. However, the opening IFRS statement of financial position and the December 31, 2010 comparative statement of financial position presented in consolidated financial statements for the year ended December 31, 2011 may differ from those presented at this time if there are changes to IFRS standards that require retroactive adjustment.

IFRS has been applied in preparing the consolidated financial statements for this year as well as for the year ended December 31, 2010, the comparative information presented in these consolidated financial statements for the year ended December 31, 2010 and an opening IFRS statement of financial position at January 1, 2010.

In preparing its opening IFRS statement of financial position, the Group has adjusted amounts reported previously in consolidated financial statements prepared in accordance with Canadian GAAP.

IFRS 1 First-time Adoption of International Financial Reporting Standards sets forth guidance for the initial adoption of IFRS. Under IFRS 1, the standards are applied retrospectively at the transitional statement of financial position date with all adjustments to assets and liabilities charged or credited to retained earnings unless certain exemptions are applied.

The main impacts of the transition from previous Canadian GAAP to IFRS on the Group's financial position, financial performance, and cash flows are set out below.

(i) Business Combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 Business Combinations retrospectively to business combinations that occurred before the date of transition to IFRS. The Group has utilised this election and has therefore applied IFRS 3 only to business combinations that occurred on or after January 1, 2010.

(ii) Share-based Payment Transactions

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 Share-based Payment to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the latter of the date of transition to IFRS and January 1, 2005. The Group has elected not to apply IFRS 2 to options that vested prior to January 1, 2010, which have been accounted for in accordance with Canadian GAAP. The effect of applying IFRS 2 to unvested options at the transition date was to reduce retained earnings by $0.3 million as at January 1, 2010, with an offsetting adjustment to contributed surplus and accumulative other comprehensive income.

(iii) Accounting for exploration expenditures on properties prior to the establishment of a positive economic analysis

The Group's policy under Canadian GAAP had been to capitalise all exploration costs. IFRS 6 requires cost directly related to exploration and evaluation expenditures to be recognised and capitalised, in addition to the acquisition costs. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

The impact of such a change would be that greater amounts will be expensed. As this change must be applied on a retroactive basis, amounts previously capitalised under Canadian GAAP are charged to retained earnings as at January 1, 2010. This adjustment decreased shareholders' equity by $0.6 million.

(iv) Cumulative Translation Differences

IFRS 1 allows that the cumulative translation differences for all foreign operations be deemed zero at the date of transition to IFRS, with future gains or losses on subsequent disposal of any foreign operations to exclude translation differences arising from periods prior to the date of transition to IFRS. The Group has made this election and deemed all cumulative translation differences to be zero on transition to IFRS as at January 1, 2010 and absorbed the previously accumulated cumulative translation balance of $2.7 million into retained earnings.

(b) Future Changes in Significant Accounting Policies

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

(i) 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 consolidated financial statements.

(ii) 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 consolidated financial statements.

(iii) 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 consolidated financial statements effective from January 1, 2013. The Group does not expect any impact to the consolidated financial statements as a result of adopting this standard.

(iv) 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 consolidated financial statements as a result of adopting this standard.

(v) 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 consolidated financial statements effective from January 1, 2013. The Group shall evaluate its impact on the consolidated financial statements.

(vi) 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 consolidated financial statements effective from January 1, 2013. The Group does not expect any impact to the consolidated financial statements as a result of adopting this standard.

(vii) 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 consolidated 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 consolidated financial statements.

(viii) 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 consolidated 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 consolidated financial statements.

(ix) 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 consolidated financial statements.

(Expressed in United States Dollars)

7. Selected Quarterly Information

As at / For the quarter ended	**December 31, 2011**	September 30, 2011	June 30, 2011	March 31, 2011
	$	$	$	$
Revenue	**-**	-	-	-
(Loss)/profit	**(3,787,801)**	7,977,321	(908,115)	(764,129)
Basic and diluted (losses)/earnings per share	**(0.060)**	0.126	(0.014)	(0.012)
Cash and cash equivalents	**62,305,634**	62,963,423	39,808,289	25,017,462
Total assets	**120,631,537**	123,474,296	113,677,185	117,196,502

As at / For the quarter ended	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010
	$	$	$	$
Revenue	-	-	-	-
Loss	(1,207,889)	(828,242)	(148,547)	(1,221,516)
Basic and diluted losses per share	(0.018)	(0.012)	(0.002)	(0.018)
Cash and cash equivalents	37,442,778	46,085,867	47,497,967	52,941,866
Total assets	119,127,939	122,051,423	87,880,171	89,080,867

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

For the three months ended December 31, 2011, the Group reported net losses of $3,787,801 (Q4 2010: $1,207,889) which mainly comprised the general and administrative expenses of $1,959,219 (Q4 2010: $1,655,747) and a decrease in the fair value of other financial assets of $2,652,754 (Q4 2010: increased $1,564,480) netting off the interest and rental income of $502,685 (Q4 2010: $46,243). In this quarter, the Group recorded net cash outflow of $0.7 million (Q4 2010: cash outflow of $8.6 million). It was mainly the net effect of a $3.9 million repayment received from China Precision for the silver operation, offset against payment for the Sawayaerdun Gold Project of $3.1 million, together with the cash outflow for the office expenses of $1.6 million. The total assets have decreased by $2,842,759 to $120,631,537 in this quarter which is mainly due to the decrease in the fair value on the other financial assets.

8. Results of Operations

(a) Revenue

No revenue (2010: Nil) from operations has been recorded in this year.

Other revenue and gains in 2011 were $891,936 (2010: $406,515) including interest income of $667,375 (2010: $211,978) and rental income from the office building in Xinjiang of $202,831 (2010: $138,436). The remaining portion of other revenue and gains mainly represented sales of office equipment and motor vehicles during 2011.

(b) General and Administrative Expenses

General and administrative expenses incurred in this year were $4,749,393 (2010: $3,917,151). The increase in expenses in current year mainly represents the pre-operating expenses of $1,331,190 incurred for the Sawayaerdun Gold Project. Other expenses mainly include office rental, staff cost and legal and professional fees.

(Expressed in United States Dollars)

The amortised portion of the total share-based compensation in 2011 amounted to $202,396 (2010: $315,902).

(c) Gain on Disposal of an Associate

During the year, the Group entered into an agreement to dispose of all its 49% equity interest in Hami Coal Corporation, through which the Group owned a 24.49% indirect equity interest in the Balikun Coal Project in Xinjiang, China. Pursuant to the agreement, a total consideration of approximately $31.76 million (RMB200,000,000) was received, including the repayment to the Group of the loans previously made for the Balikun Coal Project. The disposal was completed in September 2011 and resulted in a gain on disposal of equity investment of $8,826,751.

(d) Change in Fair Value on Other Financial Assets

The revaluation of other financial assets represents the convertible bonds with principal amount of $14.2 million (HKD110,000,000) issued by China Daye as partial payment of the consideration for the disposal of the 32% equity interest in the Yanxi Copper Property. The convertible bonds are stated at $13,068,740 (HKD101,544,109) as at year end (2010: $15,721,494) based on the fair value as determined by an independent professional valuer. Accordingly, a loss on change in fair value of $2,652,754 (2010: a gain of $1,564,480) was recognised.

(e) Earnings/(Losses) Per Share

The basic and diluted earnings per share in 2011 were $0.05 (2010: $0.05 loss per share) mainly attributed as the gain on disposal of an associate as discussed in Note 8 (c) above.

(f) LBITDA

In 2011, the losses before interest income and expense, income taxes, depreciation and amortisation ("LBITDA"), a non-IFRS performance measure, were $3,767,419 as compared to $4,907,441 in 2010. The following table presents the calculation of LBITDA for the year indicated:

For the year ended	**December 31, 2011**	December 31, 2010
	$	$
Profit/(loss)	**2,517,276**	(3,576,529)
Interest income	**(667,375)**	(211,978)
Depreciation in general and administration expenses	**357,856**	271,746
Share-based compensation	**202,396**	315,902
Change in fair value on other financial assets	**2,652,754**	(1,564,480)
Gain on deregistration of subsidiaries	**(31)**	(142,102)
Gain on disposal of an associate	**(8,826,751)**	-
Loss on deemed disposal of an associate	**13,186**	-
Gain on disposal of property, plant and equipment	**(16,730)**	-
LBITDA (1)	**(3,767,419)**	(4,907,441)
LBITDA per share (2)	**(0.06)**	(0.07)

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.*

(Expressed in United States Dollars)

(g) Annual Dividend

In June 2011, GobiMin paid an annual dividend of $0.01 (CAD0.01) per share for a total amount of $641,007 (2010: $833,629) in accordance with its dividend policy and the 2010 annual performance.

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	**December 31, 2011**	December 31, 2010
	$	$
Cash and cash equivalents	**62,305,634**	37,442,778
Working capital [(1)]	**53,225,104**	51,095,044

For the year ended	**December 31, 2011**	December 31, 2010
	$	$
Net cash generated from/(used in) operating activities	**5,176,523**	(34,308,377)
Net cash used in financing activities	**(3,321,528)**	(1,866,875)
Net cash generated from/(used in) investing activities	**22,911,850**	(5,211,317)

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

(a) Operating Activities

In 2011, net cash inflow from operating activities was $5,176,523 (2010: cash outflow of $34,308,377), mainly representing the proceeds from the repurchase by China Precision of silver bullion for $9.5 million, netted against $4.4 million in office expenses payments in 2011.

(b) Financing Activities

Financing activities used cash flow of $3,321,528 in 2011 (2010: $1,866,875). The cash outflow this year mainly represents the payment for shares repurchase of $2,638,404 (2010: $2,775,944) and the payment of 2010 annual dividend of $641,007 (2010: $833,629).

(c) Investing Activities

The cash inflow from investing activities was $22,911,850 in this year compared to a net cash outflow of $5,211,317 in 2010. The cash inflow in 2011 mainly represents the cash inflow from the consideration received from the disposal of the Balikun Coal Project of $31,763,192 together with the interest received of $667,375, netted against payment of $9,441,667 for additional exploration and evaluation assets in the Sawayaerdun Gold Project.

10. Statements of Financial Position

(a) Cash and Cash Equivalents

The Group had approximately $62.3 million in cash and cash equivalents as at December 31, 2011, compared to $37.4 million as at December 31, 2010. The increase of $24.9 million was mainly the cash inflow of $31.8 million from the disposal of Balikun Coal Project, together with the repurchase by China Precision of silver bullion for $9.5 million, net of the cash outflow for the silver operation of $1.5 million, shares repurchase of $2.6 million, payment of dividend of $0.6 million, payment for construction work of Sawayaerdun Gold Project of $9.4 million and office expenses of $2.4 million.

(b) Exploration and Evaluation Assets

For the year ended December 31, 2011, there are approximately $9.4 million additions in exploration and evaluation assets which were incurred in the development of the Sawayaerdun Gold Project.

(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 and August 30, 2011, 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 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 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 (2010: $15,721,494) as at December 31, 2011 based on their fair value as determined by an independent professional valuer.

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 December 31, 2011.

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

As at December 31, 2011, 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 December 31, 2011, the Group had 62,596,296 common shares issued and outstanding. During the year, 3,294,541 common shares were repurchased and cancelled and 929,400 stock options were cancelled. On November 23, 2011, GobiMin granted 1,569,000 options at an exercise price of $0.60 (CAD0.60), among which 1,300,000 options exercisable until November 22, 2014 were granted to directors, 100,000 options exercisable until November 22, 2012 were granted to a consultant and 169,000 options exercisable until November 22, 2016 were granted to the staff and management of the Company, its subsidiaries and associates (See the Company's news release on November 23, 2011).

11. Related Party Transactions

During the year ended December 31, 2011, the Group had the following transactions with related parties:

a) Share-based compensation expenses of $138,990 (2010: $217,376) in respect of options previously granted to directors and key management personnel.
b) Fees and other emoluments to directors and key management personnel of $990,011 (2010: $1,043,097).
c) Rental income of $25,411 (2010: $25,411) from the office building in Xinjiang received from related parties.
d) Loan interest income of $274,076 (2010: $78,470) received from China Precision.
e) Expenses recharge of $60,668 (2010: $83,814) to China Precision.
f) Dividend income received from China Precision of $Nil (2010: $50,450).

As at December 31, 2011, advances made by the Group to related parties were disclosed as amounts due from associates and amounts due from related parties in Notes 10 and 11 in the consolidated financial statements as follows:

g) The current portion of amounts due from associates included an advance to China Precision of $5,157,729 (2010: $3,551,334) 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 $354,036 (2010: $79,936) 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.

h) The non-current portion of the amounts due from an associate of $1,981,691 (RMB13,060,000) as at December 31, 2010 was an unsecured non-interest bearing shareholder loan advanced to Faithful Million Limited which has been fully settled upon the disposal of the Balikun Coal Project during the year.

i) The current portion of the amount due from a related party of $15,173,745 (RMB100,000,000) as at December 31, 2010 represent interest-bearing loan to a non-controlling shareholder of the Group's associates, Xinjiang Ruide Minerals Ltd. and Balikun Yinxin Minerals Investments Ltd. as disclosed in Note 11 in the consolidated financial statements.

j) The non-current portion of the amounts due from related parties included:
   (i) $419,719 receivable 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 (2010: $401,012).
   (ii) $500,742 deposit paid to a non-controlling shareholder of Tongyuan (2010: $319,559).

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

12. Capital Commitment

As at December 31, 2011, there are capital commitments of approximately $2,119,721 (2010: $1,284,997) 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 December 31, 2011. 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 December 31, 2011. 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 December 31, 2011. 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.

In December, 2010, the Group entered into a supplemental agreement with the buyer to extend the deadline for obtaining the mining licence from December 31, 2010 to August 31, 2011. According to the supplemental agreement, the consideration for disposal of the 80% indirect equity interest in Tongxing to be received upon obtaining the Yanxi Mining Licence is reduced by HKD21,000,000 to HKD259,000,000. The amount of HKD21,000,000 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 New Mining Licence should be obtained on or before June 30, 2014. The Group will be entitled to the Non-delivered CB and an additional consideration in cash based on the resource estimate of the New Area, in total with a cap of 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 80% indirect equity interest in Tongxing will accordingly be capped to HKD365,000,000. 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.

(Expressed in United States Dollars)

Pursuant to the second supplemental agreement entered into by the Group on August 30, 2011, the deadline for obtaining the Yanxi Mining Licence has been further extended to January 31, 2012 due to the tightened policy for licence application in China and additional time is required for finalising the application. Under the second supplemental agreement, the buyer 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).

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. In addition, China Daye may, at its sole discretion, extend (1) the repayment date of the CB from June 30, 2013 to October 31, 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).

The application for the Yanxi Mining Licence is at the final stage and GobiMin is liaising with relevant government departments to facilitate the application to meet the deadline.

It is expected that upon obtaining the Yanxi Mining Licence, the Group would realise 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 realised after finalising the New Mining Licence and the related exploration work.

15. Outstanding Share Data

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

As at	**December 31, 2010**	**December 31, 2011**	**April 17, 2012**
Number of Common Shares Outstanding	65,890,837	**62,596,296**	61,785,796
Options	2,519,400	**3,159,000**	3,152,600
Total Number of Common Shares Fully Diluted	68,410,237	**65,755,296**	64,938,396

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 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) <u>Uncertainty of Ore Reserves and Resource Estimates</u>

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) <u>Capital Requirements</u>

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

(f) <u>Risks Relating to Conducting Business in China</u>

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) <u>Permits and Licences</u>

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.