GobiMin Inc.
Incorporated in Canada under the Canada Business Corporations Act

Audited Consolidated Financial Statements

December 31, 2012
(Expressed in United States Dollars except where otherwise noted)

BDO

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Independent Auditor's Report

To the Shareholders of GobiMin Inc.

We have audited the accompanying consolidated financial statements of GobiMin Inc., which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year ended December 31, 2012, and a summary of 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, and for such internal control as management determines is necessary to enable the preparation of 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 audit. We conducted our audit 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 overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit 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 GobiMin Inc. as at December 31, 2012, and its financial performance and its cash flows for the year ended December 31, 2012 in accordance with International Financial Reporting Standards.

Other Matter

The consolidated financial statements of the Company for the year ended December 31, 2011 prior to adjustments for the correction of an error related to the accounting for the transaction with China Daye Non-Ferrous Metals Mining Limited, as described in Note 5, were audited by another auditor who expressed an opinion without reservation on those financial statements in their report dated April 17, 2012. We have audited the adjustments to the consolidated financial statements described in Note 5 and, in our opinion, such adjustments in all material respects, are appropriate and have been properly applied.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Ontario
May 16, 2013

GobiMin Inc.
Consolidated Statements of Financial Position
As at December 31, 2012
(Expressed in United States Dollars)

	December 31, 2012	(Restated-Note 5) December 31, 2011	(Restated-Note 5) January 1, 2011
ASSETS	**$**	$	$
Current			
Cash and cash equivalents (Note 6)	**46,608,027**	62,305,634	37,442,778
Silver Bullion	**-**	-	9,549,403
Prepayments, deposits and other receivables (Note 7)	**3,807,903**	7,886,689	7,751,692
Amounts due from associates (Note 8)	**2,074,557**	5,511,765	3,631,270
Amount due from a related party	**-**	-	15,173,745
Other financial assets (Note 14)	**26,620,721**	-	-
Total current assets	**79,111,208**	75,704,088	73,548,888
Non-current			
Property, plant and equipment (Note 9)	**1,652,263**	1,185,256	1,152,636
Investment properties (Note 10)	**2,467,322**	2,571,094	2,531,992
Exploration and evaluation assets (Note 11)	**29,948,601**	11,718,902	2,175,748
Interest in a jointly-controlled entity (Note 12)	**825,227**	857,696	518,920
Interests in associates (Note 13)	**2,129,691**	3,139,510	8,200,542
Other financial assets (Note 14)	**4,368,523**	13,898,160	16,548,801
Amount due from an associate	**-**	-	1,981,691
Deposit paid to related parties (Note 15)	**580,150**	920,461	1,893,564
Total non-current assets	**41,971,777**	34,291,079	35,003,894
Total assets	**121,082,985**	109,995,167	108,552,782
LIABILITIES			
Current			
Other payables, receipts in advance and accrued liabilities (Note 16)	**29,837,345**	23,286,014	23,291,236
Deferred tax liabilities (Note 17)	**3,409,122**	-	-
Total current liabilities	**33,246,467**	23,286,014	23,291,236
Non-Current			
Other payables, receipts in advance and accrued liabilities (Note 16)	**32,380**	82,842	4,239
Total non-current liabilities	**32,380**	82,842	4,239
Total liabilities	**33,278,847**	23,368,856	23,295,475
SHAREHOLDERS' EQUITY			
Share capital (Note 18)	**26,119,074**	27,461,311	28,874,192
Reserves	**60,257,127**	57,353,077	54,308,572
Equity attributable to shareholders of the Company	**86,376,201**	84,814,388	83,182,764
Non-controlling interests (Note 19)	**1,427,937**	1,811,923	2,074,543
Total shareholders' equity	**87,804,138**	86,626,311	85,257,307
Total liabilities and shareholders' equity	**121,082,985**	109,995,167	108,552,782

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

APPROVED BY THE BOARD ON May 16, 2013 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, 2012
(Expressed in United States Dollars)

	December 31, 2012	(Restated-Note 5) December 31, 2011
	$	$
Revenue	**-**	-
Cost of sales	**-**	-
Selling and distribution cost	**-**	-
Gross profit	**-**	-
Other revenue (Note 20)	**1,143,566**	875,206
General and administrative expenses (Note 21)	**(6,031,531)**	(4,926,233)
Share of results of a jointly-controlled entity (Note 12)	**16,108**	305,148
Share of results of associates (Note 13)	**415,041**	42,457
Operating loss	**(4,456,816)**	(3,703,422)
Gain on deregistration of subsidiaries	**-**	31
Gain on disposal of an associate (Note 22)	**8,151,801**	8,826,751
Loss on deemed disposal of an associate	**-**	(13,186)
Gain on disposal of property, plant and equipment	**275,033**	16,730
Change in fair value on other financial assets (Note 14.1 & 14.3)	**2,541,527**	(2,652,754)
Exchange (loss)/gain	**(213,978)**	18,495
Finance costs (Note 23)	**(10,962)**	(6,221)
Profit before income tax	**6,286,605**	2,486,424
Income tax expense (Note 17)	**(3,409,122)**	-
Profit for the year	**2,877,483**	2,486,424
Other comprehensive income, net of tax		
Foreign currency translation differences	**622,990**	1,959,595
Total comprehensive income for the year	**3,500,473**	4,446,019
Profit for the year attributable to:		
Shareholders of the Company	**3,358,855**	2,874,810
Non-controlling interests (Note 19)	**(481,372)**	(388,386)
	2,877,483	2,486,424
Total comprehensive income for the year attributable to:		
Shareholders of the Company	**3,884,459**	4,708,639
Non-controlling interests (Note 19)	**(383,986)**	(262,620)
	3,500,473	4,446,019
Net earnings per share (Note 18.7)		
Basic and diluted	**0.06**	0.05
Weighted average number of shares outstanding (Note 18.7)	**Share**	Share
Basic and diluted	**61,040,538**	63,621,261

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, 2012
(Expressed in United States Dollars)

	Attributed to shareholders of the Company							
	Share capital Note 18.1	**Contributed surplus**	**Share option reserve**	**General reserve** Note 18.3	**Translation reserve** Note 18.4	**Retained earnings**	**Non-controlling interests** Note 19	**Total Equity**
	$	$	$	$	$	$	$	$
Balance as at January 1, 2011 (Restated)	**28,874,192**	**2,596,106**	**1,148,611**	**7,666**	**1,561,563**	**48,994,626**	**2,074,543**	**85,257,307**
Profit for the year	-	-	-	-	-	2,874,810	(388,386)	2,486,424
Foreign currency translation differences	-	-	-	-	1,833,829	-	125,766	1,959,595
Total comprehensive income/(loss)	-	-	-	-	1,833,829	2,874,810	(262,620)	4,446,019
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 payment	-	-	202,396	-	-	-	-	202,396
Balance as at December 31, 2011 (Restated)	**27,461,311**	**2,468,142**	**701,260**	**7,666**	**3,395,392**	**50,780,617**	**1,811,923**	**86,626,311**
Balance as at January 1, 2012 (Restated)	**27,461,311**	**2,468,142**	**701,260**	**7,666**	**3,395,392**	**50,780,617**	**1,811,923**	**86,626,311**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**3,358,855**	**(481,372)**	**2,877,483**
Foreign currency translation differences	**-**	**-**	**-**	**-**	**525,604**	**-**	**97,386**	**622,990**
Total comprehensive income/(loss)	**-**	**-**	**-**	**-**	**525,604**	**3,358,855**	**(383,986)**	**3,500,473**
Dividend paid (Note 27)	-	-	-	-	-	**(607,521)**	**-**	**(607,521)**
Shares repurchased	**(1,342,237)**	**(68,203)**	**-**	**-**	**-**	**(584,987)**	**-**	**(1,995,427)**
Options cancelled	**-**	**-**	**(23,200)**	**-**	**-**	**23,200**	**-**	**-**
Share-based payment	**-**	**-**	**280,302**	**-**	**-**	**-**	**-**	**280,302**
Balance as at December 31, 2012	**26,119,074**	**2,399,939**	**958,362**	**7,666**	**3,920,996**	**52,970,164**	**1,427,937**	**87,804,138**

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, 2012
(Expressed in United States Dollars)

	December 31, 2012	(Restated-Note 5) December 31, 2011
	$	$
Operating activities		
Profit before income tax	**6,286,605**	2,486,424
Adjustments for items not involving cash:		
- Depreciation	**438,733**	357,856
- Share-based payment	**280,302**	202,396
- Share of results of a jointly-controlled entity	**(16,108)**	(305,148)
- Share of results of associates	**(415,041)**	(42,457)
- Gain on deregistration of subsidiaries	**-**	(31)
- Gain on disposal of an associate	**(8,151,801)**	(8,826,751)
- Gain on disposal of property, plant and equipment	**(275,033)**	(16,730)
- Change in fair value on other financial assets	**(2,541,527)**	2,652,754
- Exchange difference	**213,978**	1,514,572
- Interest income	**(941,986)**	(667,375)
- Interest expense	**4,992**	1,119
	(5,116,886)	(2,643,371)
Change in non-cash working capital items:		
- Silver bullion	**-**	9,549,403
- Prepayments, deposits and other receivables	**(1,990,230)**	(134,996)
- Amounts due from associates / amount due from an associate	**3,499,010**	101,196
- Deposit paid to related parties	**-**	(1,572,671)
- Other payables, receipts in advance and accrued liabilities	**(301,874)**	(123,038)
Net cash (used in) / generated from operating activities	**(3,909,980)**	5,176,523
Financing activities		
Interest paid	**(4,992)**	(1,119)
Shares repurchased	**(1,995,427)**	(2,638,404)
Repayment of obligations under finance lease	**(48,684)**	(40,998)
Dividend paid	**(607,521)**	(641,007)
Net cash used in financing activities	**(2,656,624)**	(3,321,528)
Investing activities		
Interest received	**941,986**	667,375
Dividend received	**385,666**	-
Additions of property, plant and equipment	**(941,988)**	(68,241)
Additions of investment properties	**-**	(27,756)
Additions of exploration and evaluation assets	**(10,696,953)**	(9,441,667)
Additions of listed debentures	**(205,770)**	-
Proceeds from disposal of property, plant and equipment	**447,997**	18,947
Settlement of payables related to disposal of an associate	**(2,050,641)**	-
Cash deposit received	**2,713,027**	-
Cash received from disposal of an associate	**-**	31,763,192
Net cash (used in) / generated from investing activities	**(9,406,676)**	22,911,850
(Decrease)/increase in cash and cash equivalents	**(15,973,280)**	24,766,845
Effect of foreign exchange rate changes on cash and cash equivalents	**275,673**	96,011
Cash and cash equivalents at beginning of the year	**62,305,634**	37,442,778
Cash and cash equivalents at end of the year	**46,608,027**	62,305,634

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 and exploration 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

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The policies set out below were consistently applied to all the years presented unless otherwise noted. These consolidated financial statements were approved and authorized for issue by the Board of Directors on May 16, 2013.

(b) Basis of Measurement

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

(c) Functional and Presentation Currency

The functional currency of GobiMin and its Hong Kong and certain British Virgin Islands subsidiaries is United States dollars. The functional currency of the remaining Hong Kong and British Virgin Islands subsidiaries is the Hong Kong dollar. The functional currency of the Group's subsidiaries in China is the Chinese Renminbi ("RMB"). The consolidated financial statements are presented in 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, 2012. Where the Company has the power, either directly or indirectly, to govern the financial or operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statements of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognized at their fair values at the acquisition date. The results of the acquired operations are included in the consolidated statements of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which the control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

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.

(Expressed in United States Dollars)

Particulars of major subsidiaries of the Group are as follows:

Company name	Place of incorporation	Issued & paid-up capital	Attributable interest held by the Company	Principal activities
Alexis Resources Limited	British Virgin Islands	US$10,000	100%	Investment holding
GobiMin Investments Limited	British Virgin Islands	US$1,000	100%	Investment holding
Alexis Investments Limited	Hong Kong, China	HK$1	100%	Investment holding
Fine Asia Development Limited	Hong Kong, China	HK$100	100%	Provision of business services
GobiMin Mineral Limited	Hong Kong, China	HK$100	100%	Property holding
GobiMin Silver Limited	British Virgin Islands	US$1,000	100%	Investment holding
Karon Limited	Hong Kong, China	HK$1	100%	Investment holding
Topmax Development Limited	British Virgin Islands	US$1,000	100%	Investment holding
Wreford Enterprises Limited	British Virgin Islands	US$1,000	100%	Investment holding
新疆偉福礦業有限公司 Xinjiang Weifu Mining Limited	Xinjiang, China	RMB230,000,000	100%	Investment holing
新疆戈壁礦業有限公司 Xinjiang Gebi Mining Limited (1)	Xinjiang, China	RMB30,000,000	100%	Property holding and leasing
新疆同源礦業有限公司 Xinjiang Tongyuan Minerals Limited (1)	Xinjiang, China	RMB50,000,000	70%	Exploration and development of gold property

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

(e) Use of Estimates and Judgments

The Group makes estimates about the future that affect the reported amounts of assets and liabilities. Estimates 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 outcome may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized 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 and estimates that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

i) Exploration and Evaluation Expenditures:

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Group, which may be based on assumptions about future events or circumstances. Judgments made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of comprehensive income in the year the new information becomes available. The Company has determined that there is no indicator of impairment for the expenditure capitalized as at the reporting date.

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 recognizes liabilities and contingencies for anticipated tax audit issues based on the Group's current understanding of the applicable tax law. For matters where it is probable that an adjustment will be made, the Group records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome from the amount included in the tax liabilities.

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 18.6.

iv) Functional currency:
The determination the functional currency for the Company's subsidiaries, jointly controlled entity and associates is a significant judgement. The determination of functional currency requires the Company to assess the primary economic environment in which each of these entities operations and affects how the Company translates foreign currency balances and transactions.

v) Power to exercise control, joint control or significant influence:
Significant judgment is required in determining whether the Company has the power to exercise control, joint control or significant influence on another entity. In making this decision, the Company reviews the degree of influence it has to govern the financial and operating decisions of another entity.

vi) Carrying value of property, plant and equipment
Property and equipment are depreciated over their estimated useful economic life which is based upon management's estimates of the length of time that the assets will generate revenue, which is periodically reviewed for appropriateness. Changes to these estimates can result in variations in the amounts charged for depreciation and in the assets' carrying amounts.

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

viii) Valuation of convertible debentures
The fair value of convertible debentures, which is not traded on an active market, is determined by using valuation techniques. The group uses its judgment to select a variety of methods and make estimates that are mainly based on market conditions existing at the end of the reporting period.

ix) Development stage of a mine
When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognized exploration and evaluation assets are reclassified as mining structures and mineral properties under property, plant, and equipment. The determination of when technical feasibility and commercial viability is achieved is subject to significant judgment.

x) Production stage of a mine
The determination of the date on which a mine enters production stage is a significant judgment since capitalization of certain costs ceases upon entering production. As mine is constructed, costs incurred are capitalized and proceeds from mineral sales are offset against the capitalized costs. This continues until the mine is available for use in the manner intended by management which requires significant judgment in its determination.

xi) Estimate of rehabilitation provision
Management assesses its provision for rehabilitation at the end of each reporting period. This includes the assessment of any changes to government regulations, estimation of future rehabilitation costs, the timing of these expenditures, and the impact of changes in discount rates and foreign exchange rates. The actual future expenditure may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and/or regulatory requirements in the future.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) <u>Basis of Consolidation</u>

(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) Interest in a jointly-controlled entity:
A jointly-controlled entity is an entity in which the Group has a long term equity interest of which its financial and operating policies are under contractual arrangements jointly controlled by the Group and other parties. The Group's investment in jointly-controlled entity is accounted for using the equity method whereby it is initially recognized at cost plus the Group's share of the post-acquisition results less dividends received.

Unrealized 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 unrealized losses provide evidence of an impairment of the asset transferred, in which case it is immediately recognized in statement of comprehensive income.

(iii) Interests in associates:
Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. The Group's investments in its associates are accounted for using the equity method. Under the equity method, the investment in the associate are initially recognized at cost plus the Group's share of their post-acquisition results less dividends received. Goodwill relating to the associates is included in the carrying amount of the investment and is neither amortized 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 recognized directly in the equity of the associates, the Group recognizes its share of any changes and discloses this, when applicable, in the statements of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in 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 the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment 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 recognizes the amount in the share of result of associates in the statement of comprehensive income.

Upon loss of significant influence over the associates, the Group measures and recognizes 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 recognized in the statement of comprehensive income.

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

Transactions entered into by group entities in currencies other than 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 recognized in statement of comprehensive income in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in statement of comprehensive income for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized in other comprehensive income, in which case, the exchange differences are also recognized in other comprehensive income.

(Expressed in United States Dollars)

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 recognized in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognized in statement of comprehensive income of group entities' separate financial statement 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 recognized in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to statement of comprehensive income as part of the profit or loss on disposal.

(c) <u>Cash and cash equivalents</u>

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) <u>Property, plant and equipment</u>

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

Leasehold land & 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 recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognized.

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

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of comprehensive income as incurred.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

(e) <u>Investment properties</u>

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 accumulated depreciation and accumulated impairment, if any. Depreciation is charged so as to write off the cost of investment properties net of expected residual value over the estimated useful live 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 derecognized 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 statement of comprehensive income in the year in which the property is derecognized.

(f) <u>Exploration and evaluation assets</u>

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

(g) <u>Income taxes</u>

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in the consolidated statement of comprehensive income except to the extent that it relates to items recognized directly in shareholders' equity.

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

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

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

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

(i) Defined contribution plans:
Employees of the Group's subsidiaries in Hong Kong are required to contribute to a defined contribution Mandatory Provident Fund Scheme (the "MPF Scheme") as required under and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance of Hong Kong. Employer's contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Employees of the Group's subsidiaries in China are required to participate in defined contribution retirement schemes administered and operated by the respective local authorities. Employer’s contributions are made in accordance with the local mandatory requirements. The employer's contributions are charged to the statement of comprehensive income as they become payable in accordance with the rules of the central pension scheme.

(ii) Share-based payments:
Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in statement of comprehensive income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive income. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when service or non-market vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

(i) 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 recognized on a straight line basis over the term of the lease.

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

(j) Earnings per share

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

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

(k) 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 recognized, the present value of the estimated costs is capitalized 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 exploration and development sites of the Group are located in a desert area in Northern China and management believes that any liability after an eventual 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 as a result of any of its properties going into commercial production, 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 statement of comprehensive income, 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 recognized initially at fair value plus, in the case of assets not at fair value through the statement of comprehensive income, 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 recognized 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 amortized cost using the effective interest method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The losses arising from impairment are recognized in statements of comprehensive income.

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 amortized cost using the EIR, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The losses arising from impairment are recognized in statements of comprehensive income.

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 recognized in other comprehensive income, except for impairment and foreign exchange gains and losses on monetary instruments, which are recognized in statement of comprehensive income.

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.

3. *Derecognition:*
A financial asset is derecognized 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 recognized to the extent of the Group's continuing involvement in it.

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

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

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 reorganization 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 amortized cost
For financial assets carried at amortized 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 is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment 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 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 recognized in statement of comprehensive income. 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. The interest income is recorded as part of finance income in statement of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment 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 statement of comprehensive income.

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 on that investment previously recognized in the statement of comprehensive income — is removed from other comprehensive income and recognized in statement of comprehensive income. Impairment on equity investments are not reversed through statement of comprehensive income; increases in their fair value after impairments are recognized directly in other comprehensive income.

For available-for-sale equity investment that is stated at cost, the amount of impairment 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 statement of comprehensive income, 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 recognized initially at fair value and, in the case of loans and borrowings, carried at amortized 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 amortized cost using the EIR. Gains and losses are recognized in statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

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

2. Derecognition

A financial liability is derecognized 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 recognized in statement of comprehensive income.

(m) Provisions and contingent liabilities

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

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.

(n) Dividends

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

(o) 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 recognized on a straight-line basis over the term of the relevant lease.

(ii) The Group as lessee:
Assets held under finance leases are recognized 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 recognized 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 recognized as a reduction of rental expense over the lease term on a straight-line basis.

(p) 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.

(q) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

(Expressed in United States Dollars)

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the group of assets for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

An impairment is charged to statement of comprehensive income, except to the extent they reverse gains previously recognized in other comprehensive income.

(r) Share Capital

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

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

4. FUTURE CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

At the date of authorization 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 recognition, derecognition, classification and reclassification of financial instruments, their measurement and the presentation of gains and losses.	October 2010 & updated in 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 of information that allows users to evaluate the nature, Impact of and risk associated with our interests in joint arrangements, associates and other entities.	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 joint operations to be accounted for by recognizing its interest in the joint operations assets, liabilities, revenues and expenses and joint ventures to be accounted for	September 2011	Annual periods beginning on or after January 1, 2013

(Expressed in United States Dollars)

Conceptual Framework for Financial Reporting	**Issue Date**	**Effective Date**
using the equity method.		
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
Amendments to IFRS 7 –Disclosure of Financial Instruments: The amendments requires the disclosure of information in respect of all transferred financial assets that are not derecognized in their entirety, and for any continuing involvement in transferred assets which are derecognized, which exists at the reporting date, irrespective of when the related transfer transaction occurred.	December 2011	Annual periods beginning on or after January 1, 2013
Amendments to IAS32 –Offsetting Financial Assets and Liabilities: This standard clarifies that a legally enforceable right to set-off exists if the right is not contingent on a future event, and is enforceable both in the normal course of business and in default, insolvency or bankruptcy of all parties to the liability.	December 2011	Annual periods beginning on or after January 1, 2014

5. RESTATEMENT OF DISPOSAL OF YANXI COPPER PROPERTY

In 2010, the Company recognized a sale on the disposal of its 32% equity interest in the Yanxi Copper Property to China Daye Non-Ferrous Metals Mining Limited (“China Daye”). The Company derecognized the related equity interest in 2010 and recognized a deferred gain of $5,682,689 to reflect the work yet to be completed with respect to the sale. The sale was, however contingent on the Company obtaining the required mining licence for the property. The agreement allowed for the unwinding of the transaction if the mining licence was not obtained in its entirety by the due date specified, unless both parties agreed to the extension of the due date.

Prior to obtaining the required licence, the transaction did not constitute a sale but rather a deposit of proceeds for a future sale pending satisfaction of the remaining condition. The investment in the associate and accordingly the Yanxi Copper Property does not qualify for derecognition until the sale becomes unconditional. The Company has, therefore restated the amounts previously presented at December 31, 2010 and December 31, 2011 to eliminate the previously recognized disposal.

The effect of the restatement on the Company’s Consolidated Statement of Financial Position as at December 31, 2010 was as follows:

December 31, 2010	**Previously reported**	**Adjustment**	**Restated**
Statement of Financial Position	$	$	$
Prepayments, deposits and other receivables	19,206,004	(11,454,312)	7,751,692
Interest in associates	7,098,213	1,102,329	8,200,542
Other financial assets	16,771,975	(223,174)	16,548,801
Other payables and accrued liabilities	28,225,467	(4,934,231)	23,291,236
Deferred gain on disposal of associates	5,682,689	(5,682,689)	-
Retained earnings	48,952,863	41,763	48,994,626

The adjustments made are as follows:

1. The proceeds received from China Daye as at December 31, 2010 have been reclassified from the deferred gain to reflect the liability to repay China Daye if the sale is not completed;
2. All accruals for future costs related to the sale (agency fees and costs to obtain the licence) have been reversed;
3. The investment has continued to be equity accounted.

The effect of the restatement on the Company’s Consolidated Financial Statements as at December 31, 2011 was as follows:

(Expressed in United States Dollars)

December 31, 2011	**Previously reported**	**Adjustment**	**Restated**
Statement of Financial Position	$	$	$
Prepayments, deposits and other receivables	19,341,000	(11,454,311)	7,886,689
Interest in associates	2,113,541	1,025,969	3,139,510
Other financial assets	14,106,188	(208,028)	13,898,160
Other payables and accrued liabilities	28,250,606	(4,964,592)	23,286,014
Deferred gain on disposal of associates	5,682,689	(5,682,689)	-
Retained earnings	50,769,706	10,911	50,780,617

The adjustments made at December 31, 2011 are consistent with those made at December 31, 2010. The prior period adjustment had the following impact on the profit and total comprehensive income, basic and fully diluted earnings per share for the year ended December 31, 2011:

For the year ended December 31, 2011	**Previously reported**	**Adjustment**	**Restated**
Statement of Comprehensive Income	$	$	$
General and administrative expenses	(4,951,789)	25,556	(4,926,233)
Share of results of associates	170,240	(127,783)	42,457
Exchange (loss)/gain	(52,880)	71,375	18,495
Profit for the year	2,517,276	(30,852)	2,486,424
Total comprehensive income for the year	4,476,871	(30,852)	4,446,019
Total comprehensive income for the year			
Shareholders of the Company	4,739,491	(30,852)	4,708,639
Non-controlling interests	(262,620)	-	(262,620)
	4,476,871	(30,852)	4,446,019
Net earnings per share			
Basic and diluted	0.05	-	0.05

There was no significant impact on the statement of cash flows as the changes to profit for the year were offset by adjustments for items not involving cash.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents held in different locations:

Bank location	**December 31, 2012**	**December 31, 2011**
	$	$
Canada	**26,906**	87,226
Hong Kong	**24,276,195**	27,709,519
China	**22,304,926**	34,508,889
Total	**46,608,027**	62,305,634

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 Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

The fair market values of cash and cash equivalents approximate their carrying values at the respective year end.

(Expressed in United States Dollars)

7. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

As at	December 31, 2012	(Restated) December 31, 2011
	$	$
Deferred expenditure (Note 7.1)	**2,060,713**	-
Prepayments	**18,605**	968,805
Deposits (Note 7.2)	**1,624,576**	6,755,850
Other receivables	**104,009**	162,034
	3,807,903	7,886,689

7.1 Deferred expenditure

Pursuant to the supplemental agreement dated May 31, 2012 in relation to the disposal of Yanxi Copper Property, the Group was entitled to an additional consideration of $10,831,459 (HK$84,160,440) based on the resource estimate of the area which is adjacent to the Yanxi Copper Property (the “New Area”). In return the Group is responsible for applying for a mining licence for the New Area. The licence should be obtained on or before June 30, 2014. At December 31, 2012, the Group had incurred expenditure of $2,060,713 in relation to the mining licence application and this expenditure was recognized as deferred expenditure.

7.2 Deposits

For the year ended December 31, 2012, decrease in deposits are mainly caused by the following transactions:

a) A deposit of $6,352,638 (RMB40,000,000) at December 31, 2011 was reclassified as exploration and evaluation assets after obtaining the exploration and mining licence of the Sawayaerdun Gold Project (“Gold Project”) in 2012.

b) A deposit of $1,508,018 (RMB9,495,381) was paid for construction work of the office building, mine design and related facilities of the Gold Project during the year.

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

As at December 31, 2012, the amounts due from an associate included an advance of $2,012,755 to China Precision Material Limited (“China Precision”) and dividend of $61,802 (2011: nil) receivable from China Precision, in which the Group has an indirect equity interest of 48.02%. The advance is unsecured, bears interest rate at 2% per annum and is due on demand.

As at December 31, 2011, the amounts due from associates were $5,511,765, of which $5,157,729 was the advance made to China Precision. Such advance is unsecured, bears interest rate at 2% per annum and has no fixed repayment terms. The remaining balance of $354,036 represented the interest payable by China Precision and the current account with CPM Silver Limited which are unsecured, interest-free and with no fixed repayment terms. The Group has an indirect equity interest of 48.02% in CPM Silver Limited.

(Expressed in United States Dollars)

9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land & building	Leasehold improvements	Furniture, fixture & equipment	Computer hardware & equipment	Motor vehicles	Total
Cost:	$	$	$	$	$	$
Balance at January 1, 2011	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**
Exchange differences	4,782	1,274	3,952	7	8,922	18,937
Reclassification from exploration an evaluation assets	105,661	-	-	-	-	105,661
Additions	208,256	-	5,244	-	622,827	836,327
Disposals	-	-	-	-	(377,281)	(377,281)
Balance at December 31, 2012	**769,627**	**122,409**	**382,101**	**673**	**1,097,640**	**2,372,450**
Depreciation and impairment:						
Balance at January 1, 2011	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**
Exchange differences	126	1,274	975	3	10,759	13,137
Depreciation for the year	37,373	-	53,177	123	215,310	305,983
Disposals	-	-	-	-	(202,483)	(202,483)
Balance at December 31, 2012	**72,683**	**122,409**	**146,207**	**392**	**378,496**	**720,187**
Net book value:						
At December 31, 2011	**415,744**	**-**	**280,850**	**400**	**488,262**	**1,185,256**
At December 31, 2012	**696,944**	**-**	**235,894**	**281**	**719,144**	**1,652,263**

At December 31, 2012, the net carrying amount of property, plant and equipment of the Group includes motor vehicles of $106,123 (2011: $164,674) in respect of assets held under finance leases. None of the leases includes contingent rentals. Leased assets are pledged as security for related finance lease.

(Expressed in United States Dollars)

10. INVESTMENT PROPERTIES

	Total
Cost:	$
Balance at January 1, 2011	2,593,585
Exchange differences	144,305
Additions	27,756
Balance at December 31, 2011	**2,765,646**
Exchange differences	29,326
Balance at December 31, 2012	**2,794,972**
Depreciation and impairment:	
Balance at January 1, 2011	61,593
Exchange differences	2,872
Depreciation for the year	130,087
Balance at December 31, 2011	**194,552**
Exchange differences	348
Depreciation for the year	132,750
Balance at December 31, 2012	**327,650**
Net book value:	
At December 31, 2011	**2,571,094**
At December 31, 2012	**2,467,322**

Investment properties comprised commercial properties in China that are leased to third parties and related parties (Note 24.2). Investment properties are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment, if any. The above investment properties are depreciated on a straight-line basis over 20 years. The Group's investment properties are under a remaining land lease term of 38 years.

The estimated fair value of the Group's investment properties as at December 31, 2012 was approximately $8,108,460 (2011: $4,269,019). The estimated fair value was arrived at based on a property valuation assessment by a real estate appraiser.

11. EXPLORATION AND EVALUATION ASSETS

	Mining rights Note (a)	**Others** Note (b)	**Total**
Cost:	$	$	$
Balance at January 1, 2011	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**
Exchange differences	11,517	112,758	124,275
Additions	7,108,826	11,102,259	18,211,085
Reclassification to property, plant and equipment	-	(105,661)	(105,661)
Balance at December 31, 2012	**8,206,469**	**21,742,132**	**29,948,601**
Depreciation and impairment:			
Balance at December 31, 2011 and 2012	**-**	**-**	**-**
Net carrying amount:			
At December 31, 2011	**1,086,126**	**10,632,776**	**11,718,902**
At December 31, 2012	**8,206,649**	**21,742,132**	**29,948,601**

(Expressed in United States Dollars)

Note:

(a) The mining rights represents the mining and exploration rights of the Gold Project which is located 200 km northwest of the city of Kashi, western Xinjiang, China. The mining licence was granted for an initial period of 8 years and the exploration licence was granted for an initial period of 1.5 years. As at December 31, 2012, the remaining valid period of the mining licence was 6 years and exploration licence was 1 year.

(b) Others represent the geological and geophysical costs, mine site and facilities construction, drilling and exploration expenses for the Gold Project.

12. INTEREST IN A JOINTLY-CONTROLLED ENTITY

As at	**December 31, 2012**	December 31, 2011
	$	**$**
Share of net assets	**825,227**	857,696

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

As at	**December 31, 2012**	December 31, 2011
	$	**$**
Current assets	**1,640,365**	1,707,862
Non-current assets	**19,626**	19,984
Current liabilities	**(9,537)**	(12,454)
Non-current liabilities	**-**	-
Net assets	**1,650,454**	1,715,392

For the year ended	**December 31, 2012**	December 31, 2011
	$	**$**
Income	**50,391**	670,425
Expenses	**(9,586)**	(47,183)
Profit before income tax	**40,805**	623,242
Income tax	**(8,590)**	(12,946)
Profit for the year	**32,215**	610,296
Group's share of results of a jointly-controlled entity for the year	**16,108**	305,148

Particulars of the jointly-controlled entity as at December 31, 2012:

Company name	**Place of incorporation**	**Total issued and paid-up capital**	**Attributable interest held by the Company**	**Principal activities**
新疆興亞礦業有限責任公司 Xinjiang Xinya Minerals Limited [1]	Xinjiang, China	RMB10,000,000	50%	Exploration of mineral resources

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

(Expressed in United States Dollars)

13. INTERESTS IN ASSOCIATES

As at	December 31, 2012	(Restated) December 31, 2011
	$	**$**
Share of net assets	**2,129,691**	3,139,510

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

As at	December 31, 2012	(Restated) December 31, 2011
	$	$
Total assets	**20,448,638**	26,145,211
Total liabilities	**(15,526,436)**	(18,569,793)
Net assets	**4,922,202**	7,575,418

For the year ended	December 31, 2012	(Restated) December 31, 2011
	$	**$**
Revenue	**140,365,556**	178,366,937
Profit for the year	**821,611**	62,292
Group's share of results of associates for the year	**415,041**	42,457

Particulars of associates as at December 31, 2012:

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	HK$10,000,000	48.02%	Trading of silver
CPM Silver Limited	Hong Kong, China	HK$10,000	48.02%	Processing of silver
United Bridge Limited	Hong Kong, China	HK$10,000	48.02%	Property holding
新疆同安礦業有限公司 Xinjiang Tongan Minerals Limited (1)	Xinjiang, China	RMB5,000,000	40.00%	Exploration of mineral resources
新疆天宏礦業有限責任公司 Xinjiang Tianhong Minerals Limited (1)	Xinjiang, China	RMB10,000,000	40.00%	Exploration of mineral resources
新疆同德礦業有限責任公司 Xinjiang Tongde Minerals Limited (1)	Xinjiang, China	RMB10,000,000	40.00%	Exploration of mineral resources

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

For the year ended December 31, 2011, China Precision increased its paid-up capital by $1,285,714 (HK$9,990,000), 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 (HK$102,455) was recognized in statement of comprehensive income.

(Expressed in United States Dollars)

As at December 31, 2011 (Restated), the interest in associates included a 40% equity interest in Xinjiang Tongxing Minerals Limited ("Tongxing") of $1,025,969. In 2012, the Group disposed of a 32% equity interest of Tongxing to China Daye and the remaining 8% equity interest has been reclassified as available-for-sale financial asset.

14. OTHER FINANCIAL ASSETS

Current portion of other financial assets

As at	Note	December 31, 2012	December 31, 2011
		$	$
Convertible bonds	(14.1)	**26,620,721**	-
Total		**26,620,721**	-

Non-current portion of other financial assets

As at	Note	December 31, 2012	December 31, 2011
		$	$
Convertible bonds	(14.1)	**-**	13,068,740
Listed debentures	(14.2)	**1,035,190**	829,420
Available-for-sale financial asset	(14.3)	**3,333,333**	-
Total		**4,368,523**	13,898,160

14.1 Convertible bonds

It represents convertible bonds with principal amount of $28,314,028 (HK$220,000,000) (2011: $14,157,014 (HK$110,000,000)) issued by China Daye in relation to the disposal of the equity interest in the Yanxi Copper Property. These bonds are convertible into common shares of China Daye on or before the maturity date of December 31, 2013 at $0.068 (HK$0.528) per share and bear interest at the rate of 1% per annum for the period from July 22, 2010 to July 22, 2012 if the Group does not exercise the conversion right on or before the maturity date. The convertible bonds are stated at $26,620,721 (2011: $13,068,740) based on the fair value as determined by an independent professional valuator as at December 31, 2012. Accordingly, a loss on change in fair value of $605,033 (2011: $2,652,754) was recognized in the statement of comprehensive income for the year.

14.2 Listed debentures

It represents the Listed debentures held by the Group at year end with coupon rate range from 5.125% to 9.75% per annum and maturity ending on December 23, 2013 to perpetual.

14.3 Available-for-sale financial asset

The Group completed the sale of a 32% equity interest of Yanxi Copper Property in August 2012. The remaining 8% equity interest in Tongxing owned by the Group was reclassified as available-for sale financial asset and recorded at its estimated fair value of $3,333,333. A fair value gain representing the difference between the fair value and the carrying cost of $3,146,560 has been recognized in the statement of comprehensive income. The fair value is determined by reference to the consideration paid by China Daye in its acquisition of the 80% equity interest in Tongxing. Subsequently, the 8% equity interest is measured at cost less any identified impairment loss.

15. DEPOSIT PAID TO RELATED PARTIES

(a) A deposit of $79,408 (2011: $419,719) was paid to a non-controlling shareholder of an associate for the exploration services on its exploration projects.

(b) A deposit of $500,742 (2011: $500,742) was paid to a non-controlling shareholder of a non-wholly owned subsidiary for exploration services.

The deposit paid to related parties will be reclassified as additions to exploration and evaluation assets upon the completion of exploration services.

(Expressed in United States Dollars)

16. OTHER PAYABLES, RECEIPTS IN ADVANCE AND ACCRUED LIABILITIES

As at December 31, 2012, the balances of other payables, receipts in advance and accrued liabilities comprised mainly the payable for the mining licence fee, stamp duty and related payments of approximately $21.0 million arising on the disposal of the Yanxi Copper Property.

As at	December 31, 2012	(Restated) December 31, 2011
	$	$
Other payables	**23,451,713**	471,835
Accrued liabilities	**655,815**	662,410
Receipts in advance	**100,980**	119,857
Deposit received	**5,582,164**	21,987,017
Obligation under finance leases – current	**46,673**	44,895
	29,837,345	23,286,014

At December 31, 2012, deposit received included an amount of $5,415,730 (HK$42,080,220) received from China Daye as partial settlement of the consideration for the New Area. At December 31, 2011, deposited received included an amount of $21,879,022 (HK$170,000,000) received from China Daye for the disposal of a 32% equity interest in the Yanxi Copper Property.

At December 31, 2012 the Group has obligation under finance leases of $79,053 (2011: $127,737). Future lease payments are due as follows:

As at December 31, 2012	Minimum lease payments	Interest	Present value
	$	**$**	**$**
Within one year	**49,449**	**2,776**	**46,673**
In the second to fifth years inclusive	**32,966**	**586**	**32,380**
Total	**82,415**	**3,362**	**79,053**

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, 2012	December 31, 2011
	$	$
Current liabilities	**46,673**	44,895
Non-current liabilities	**32,380**	82,842
Total present value of future lease payments	**79,053**	127,737

(Expressed in United States Dollars)

17. INCOME TAX

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

For the year ended	December 31, 2012	(Restated) December 31, 2011
	$	$
Profit before income tax	**6,286,605**	2,486,424
Statutory tax rates	**26.5%**	28%
Tax charged at statutory tax rates	**1,665,950**	696,199
Tax rate differential	**1,817,259**	148,795
Non-taxable revenues	**(70,129)**	(3,370,404)
Non-deductible expenses	**(619,855)**	-
Operating losses not set up as deferred tax asset	**615,897**	2,600,858
Tax effect of tax losses utilized	**-**	(75,448)
Tax expense	**3,409,122**	-

The components of the income tax expenses are as follows:

For the year ended	December 31, 2012	December 31, 2011
	$	$
Current income tax expense	**-**	-
Deferred income tax expense	**3,409,122**	-
Tax expense	**3,409,122**	-

As at December 31, 2012, the Group has recognized a deferred tax liability as a result of temporary timing differences between tax and accounting arising from the recognition of the gain on the disposal of the Yanxi Copper Property of $2,639,189 and fair value adjustment on the available for sale financial asset of $769,933.

As at December 31, 2012, the Group has unused tax losses of $4,726,516 (2011: $4,688,725) available for offset future profits which is subject to the final approval of respective tax authorities. As at December 31, 2012, no deferred tax asset has been recognized in respect of the unused tax losses due to the unpredictability of future profit streams. The Canadian federal and provincial income tax rates have decreased from 28% to 26.5% due to the reduction of federal income tax rates in Canada. The following table summarized the unrecognized tax losses by year of expiry:

Unrecognized tax losses:

For the year ended	December 31, 2012	December 31, 2011
Year of expiry	**$**	$
- December 31, 2031	**90,043**	-
- December 31, 2030	**529,667**	409,881
- December 31, 2029	**711,808**	699,899
- December 31, 2028	**1,092,208**	1,073,934
- December 31, 2027	**969,492**	953,271
- December 31, 2026	**874,982**	860,343
- December 31, 2025	**458,316**	503,419
- December 31, 2015	**-**	25,147
- December 31, 2014	**-**	162,831
Total	**4,726,516**	4,688,725

(Expressed in United States Dollars)

18. SHARE CAPITAL, WARRANTS AND STOCK OPTIONS

18.1 Common Shares

	Number	Amount
Authorized:		$
Unlimited number of common shares		
Issued and outstanding:		
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**
Shares repurchased and cancelled	(3,129,814)	(1,342,237)
Balance, December 31, 2012	**59,466,482**	**26,119,074**

18.2 Preferred Shares

The Company did not authorize or issue any preferred shares for 2011 and 2012.

18.3 General Reserve

The general reserve represents China statutory reserves maintained at the Group's Chinese operating subsidiaries. During the years ended December 31, 2011 and 2012, there was no movement in reserve.

18.4 Translation Reserve

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

18.5 Normal Course Issuer Bid

On January 20, 2012, GobiMin renewed its normal course issuer bid to repurchase up to an additional 3,129,814 common shares (2011: 3,294,541), 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, 2013. For the year ended December 31, 2012, a total of 3,129,814 common shares (2011: 3,294,541) were repurchased for an aggregate cost of $1,995,427 (CAD2,029,381) (2011: $2,638,404 (CAD2,621,534)). All shares repurchased are returned to treasury for cancellation.

18.6 Stock Options

On May 26, 2005, the Company adopted a resolution cancelling all of its outstanding stock option plans and creating a new stock option plan to grant options to its employees, directors and officers to purchase common shares. A total number of 6,700,000 (2011: 6,700,000) common shares were reserved for issuance pursuant to the exercise of options to be granted under the plan.

a) Status of the outstanding employee stock options as at December 31, 2012 and changes during the year:

	2012		2011	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
		$		$
Outstanding, beginning of year	**3,159,000**	**0.87**	2,519,400	1.14
Issued on November 23, 2011	**-**	**-**	1,569,000	0.60
Forfeited	**(327,000)**	**2.42**	(929,400)	1.15
Outstanding, end of year	**2,832,000**	**0.69**	3,159,000	0.87

(Expressed in United States Dollars)

b) Summary of the employee stock options outstanding and exercisable:

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)**	**$**
As at December 31, 2012							
1.10	**1.06**	**94,000**	**0.67**	**1.06**	**94,000**	**0.67**	**1.06**
0.79	**0.76**	**1,000,000**	**0.50**	**0.76**	**1,000,000**	**0.50**	**0.76**
0.79	**0.76**	**283,000**	**2.50**	**0.76**	**169,800**	**2.50**	**0.76**
0.60	**0.60**	**1,300,000**	**2.00**	**0.60**	**780,000**	**2.00**	**0.60**
0.60	**0.60**	**155,000**	**4.00**	**0.60**	**62,000**	**4.00**	**0.60**
		2,832,000	**1.59**	**0.69**	**2,105,800**	**1.33**	**0.71**
As at December 31, 2011							
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 options exercisable as at December 31, 2012 was 1.33 years (2011: 1.52 years).

(ii) The weighted average remaining contractual life for the options outstanding as at December 31, 2012 was 1.59 years (2011: 2.43 years).

(iii) The range of exercise price for options outstanding as at December 31, 2012 was $0.60 to $1.06 (2011: $0.60 to $3.61).

c) Share-Based Payments

There were no options granted during the year. 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:

Grant date	Nov 23, 2011	Nov 23, 2011	July 7, 2010	July 7, 2010	Aug 25, 2008
Exercise Price (CAD)	0.6000	0.6000	0.7900	0.7900	1.1000
Expected life (year)	3	5	3	5	5
Expected volatility	53%	53%	48%	48%	90%
Dividend yield	-	-	-	-	-
Discount rate	0.40%	0.88%	1.01%	1.79%	3.22%
Forfeiture rate	0%	0%	0%	0%	0%

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.

(Expressed in United States Dollars)

18.7 Basic and Diluted Earnings Per Share

For the year ended	December 31, 2012	(Restated) December 31, 2011
Net earnings available to shareholders		
Basic and diluted	**$3,358,855**	$2,874,810
Weighted average number of shares outstanding		
Basic	**61,040,538**	63,621,261
Effect of dilutive stock options and warrants	**-**	-
Diluted	**61,040,538**	63,621,261
Basic and diluted earnings per share	**$0.06**	$0.05

The stock options outstanding during the prior year had an anti-dilutive effect on the basic earnings per share and as such, the conversion of the above potential dilutive shares is not assumed in the computation of diluted earnings per share.

19. NON-CONTROLLING INTERESTS

Non-controlling interests represent the 30% (2011: 30%) equity interest in Tongyuan not held by the Group.

20. OTHER REVENUE

For the year ended	December 31, 2012	December 31, 2011
	$	$
Interest income	**941,986**	667,375
Rental income	**201,580**	202,831
Others	**-**	5,000
Total other revenue	**1,143,566**	875,206

21. NATURE OF EXPENSES

The Consolidated Statements of Comprehensive Income include the following general and administrative expenses by nature:

21.1 Employee costs (including remuneration of key management and directors as stated in note 24.1):

For the year ended	December 31, 2012	December 31, 2011
	$	$
Wages and other benefits	**2,935,363**	1,800,000
Payment to defined contribution plans	**110,640**	93,438
Share-based payment	**280,302**	202,396
Total employee costs	**3,326,305**	2,095,834

21.2 Depreciation:

For the year ended	December 31, 2012	December 31, 2011
	$	$
Depreciation	**438,733**	357,856
Total depreciation	**438,733**	357,856

(Expressed in United States Dollars)

22. GAIN ON DISPOSAL OF AN ASSOCIATE

Pursuant to the share transfer agreement dated July 14, 2010 and the related supplemental agreements entered on December 30, 2010, August 30, 2011 and January 30, 2012 with China Daye, 80% of the Yanxi Copper Property was disposed of, at a total consideration of $33,333,333 (HK$259,000,000), comprising a cash consideration of $7,722,008 (HK$60,000,000) and a convertible bonds with a principal amount of $25,611,325 (HK$199,000,000). Among the equity interest disposed, 32% was held by the Group and the remaining 48% was held by two local partners.

After deducting the cost of investments and expenses incurred in relation to the disposal, the disposal resulted in a gain of $8,151,801 for the year ended December 31, 2012.

For the year ended December 31, 2011, the Group has 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 $31,763,192 (RMB200,000,000) was received, including the repayment to the Group of the loans previously made for the Balikun Coal Project.

For the year ended	**December 31, 2012**	**December 31, 2011**
	$	**$**
Share of net assets of an associate	**976,522**	5,216,922
Amount payable to holders of 48% equity interest of the associate, mining licence fee and related expenses for the Yanxi Copper Property	**24,205,010**	-
Repayment of loans made for the Balikun Coal Project	**-**	17,719,519
Gain on disposal of an associate	**8,151,801**	8,826,751
Consideration from disposal	**33,333,333**	31,763,192

23. FINANCE COSTS

For the year ended	**December 31, 2012**	December 31, 2011
	$	$
Finance charge under finance leases	**4,992**	1,119
Bank charges	**5,970**	5,102
Total finance costs	**10,962**	6,221

24. RELATED PARTY TRANSACTIONS

24.1 Key management compensation

The remuneration of key management and directors is as follows:

For the year ended	**December 31, 2012**	December 31, 2011
	$	$
Wages, fees and other benefits	**1,296,472**	990,011
Payment to defined contribution plans	**12,019**	10,657
Share-based payment	**245,453**	138,990
	1,553,944	1,139,658

(Expressed in United States Dollars)

24.2 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, 2012**	December 31, 2011
Related party relationship	**Type of transactions**	**$**	$
Company controlled by a director	Rental income	**25,411**	25,411
Company controlled by a director	Gain on disposal of a motor vehicle	**61,967**	-
An associate	Interest income	**193,203**	274,076
An associate	Share of office common expenses	**61,611**	60,668
Associates	Dividend income	**447,468**	-

24.3 Advances to related parties

Advances made by the Group to related parties were disclosed as amounts due from associates and deposit paid to related parties in Notes 8 and 15 respectively.

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

25. MAJOR NON-CASH TRANSACTION

In August 2012, the Group together with the two local partners disposed of an 80% equity interest of the Yanxi Copper Property to China Daye at a total consideration of $33,333,333 (HK$259,000,000), of which $25,611,325 (HK$199,000,000) was settled by mean of convertible bonds issued by China Daye.

26. COMMITMENTS

26.1 Capital commitments

As at			**December 31, 2012**
	Contract Date	**Contracted Sum**	
		$	**$**
- Exploration services relating to the Gold Project	April 7, 2010	738,621	**232,570**
- Mine design and related facilities of the Gold Project	October 31, 2011	1,284,000	**636,363**
- Office building of the Gold Project	April 18, 2012	4,449,192	**1,754,051**
- Drilling and exploration services relating to the Gold Project	June 25, 2012	10,339,779	**4,828,622**
Total		16,811,592	**7,451,606**

(Expressed in United States Dollars)

26.2 Operating lease commitments

(a) 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:

As at	December 31, 2012	December 31, 2011
	$	$
Within one year	**93,903**	67,177
In the second to fifth years inclusive	**322,703**	240,164
Total future minimum lease receivables	**416,606**	307,341

(b) The Group as lessee

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

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

As at	December 31, 2012	December 31, 2011
	$	$
Within one year	**254,186**	239,132
In the second to fifth years inclusive	**72,003**	346,458
After five years	**11,435**	9,720
Total future minimum lease payables	**337,624**	595,310

27. DIVIDEND PAID

In May 2012, GobiMin paid an annual dividend of CAD0.01 per share for a total amount of $607,521 (2011: $641,007) in accordance with the Company's dividend policy and 2011 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 Gold Project and other exploration projects. All mineral property interests and capital assets are located in China.

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.

29.1 Fair value of financial instruments

The fair value of financial instruments represents the amounts that would have been received from or paid to counterparties to settle these instruments. The carrying amount of all financial instruments classified as current approximates their fair value because of the short maturities and normal trade terms of these instruments. The fair value of other financial instruments disclosed in the financial statements are based on the Company's best estimates using present value, quoted market prices and other valuation techniques that are significantly affected by the assumptions used concerning the amounts and timing of estimated cash flows and discount rates which reflect varying degrees of risk.

(Expressed in United States Dollars)

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

Level 1 – Quoted (unadjusted) prices for identical assets or liabilities in active markets.
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including:

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

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

	Fair Value Measurements at Reporting Date Using			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
December 31, 2012				
Convertible bonds	**-**	**-**	**26,620,721**	**26,620,721**
Listed debentures	**1,035,190**	**-**	**-**	**1,035,190**
Available-for-sale financial asset	**-**	**3,333,333**	**-**	**3,333,333**
	1,035,190	**3,333,333**	**26,620,721**	**30,989,244**
December 31, 2011				
Convertible bonds	-	-	13,068,740	13,068,740
Listed debentures	829,420	-	-	829,420
	829,420	-	13,068,740	13,898,160

29.2 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.

29.3 Exchange Rate Risk

The Group generates revenues and incurs expenditures primarily in Canada, Hong Kong and China and is exposed to risk from changes in foreign currency rates. In addition, the Group holds financial assets and liabilities in foreign currencies that expose the Group to foreign exchange risks. A significant change in the currency exchange rates between the United States dollars relative to the Hong Kong dollars, RMB or Canadian dollars could have an effect on the Group's financial position and cash flows. The Group has not hedged its exposure to currency fluctuations.

Many foreign currency exchange transactions involving RMB, including foreign exchange transactions under the Group's capital account, are subject to foreign exchange controls and require the approval of the China State Administration of Foreign Exchange. Developments relating to the Chinese's economy and actions taken by the China government could cause future foreign exchange rates to vary significantly from current or historical rates. The Group cannot predict nor give any assurance of its future stability. Future fluctuations in exchange rates may adversely affect the value, translated or converted into United States dollars of the Group's net assets, net profits and any declared dividends. The Group cannot give any assurance that any future movements in the exchange rates of RMB against the United States dollars and other foreign currencies will not adversely affect its results of operations, financial condition and cash flows.

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.

	2012			2011		
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%	67,420	(3,225,034)	5%	89,976	-
	(5%)	(67,420)	3,225,034	(5%)	(89,976)	-
CAD	1%	(213,488)	-	1%	766	-
	(1%)	213,488	-	(1%)	(766)	-

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 2011.

29.4 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. The maximum exposure equal to the carrying amount of these assets included on the consolidated statements of financial position. There is a concentration of credit risk arising from the convertible bonds received on disposal of the Yanxi Copper Property stated at $26,620,721 as at December 31, 2012. Management believes that the risk of credit loss on the convertible bonds is minimal as the issuer of the convertible bonds is a Hong Kong listed company. The cash equivalents are call deposits at banks or time deposit of terms less than 90 days. None of the cash equivalents are 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)

29.5 Liquidity Risk

Liquidity risk is the risk that the Group may encounter difficulties in meeting obligations associated with financial liabilities. As at December 31, 2012, the Group was holding cash and cash equivalents of $46,608,027. The Group has determined that its cash and cash equivalents is more than sufficient to fund its requirements for investments in working capital and capital assets for 2013. The financial liabilities of $33,246,467 (2011 restated: $23,286,014) 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, 2012	**33,246,467**	**33,249,828**	**33,216,862**	**32,966**	**-**
As at December 31, 2011 (Restated)	23,286,014	23,294,367	23,207,832	86,535	-

29.6 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.

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 $87,804,138 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. EVENTS AFTER THE YEAR END DATE

31.1 On January 16, 2013, GobiMin announced that it intended to renew its normal course issuer bid to repurchase on the TSX Venture Exchange up to an additional 2,973,324 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, 2014. As of May 16, 2013, a total of 250,000 common shares were repurchased at an aggregate cost of $134,521 (CAD136,810). All shares repurchased will be returned to treasury for cancellation.

31.2 On March 7, 2013, GobiMin announced that its wholly owned subsidiary has entered into a provisional agreement (the "PA") to acquire an office property in Hong Kong (the "Acquisition") from an independent third party (the "Vendor") together with the existing tenancy with a rental income of $13,630 (HK$106,000) per month to be received up to March 31, 2014. The total consideration of the Acquisition is $6,048,906 (HK$47,000,000). An initial deposit of $257,400 (HK$2,000,000) was paid upon signing of the PA. A further deposit of $347,490 (HK$2,700,000) was paid on March 12, 2013. The Acquisition will be completed by the end of June 2013 when the balance of the consideration of $5,444,015 (HK$42,300,000) will become payable. The office property will be used by the Group to operate its business.

31.3 On May 16, 2013, GobiMin declared an annual dividend of $0.01 (CAD0.01) per share in accordance with its dividend policy and the 2012 performance. The dividend will be payable on June 24, 2013 to shareholders of record on May 29, 2013.