GobiMin Inc.

(Incorporated in Canada under the Canada Business Corporations Act)

Condensed Interim Financial Statements (unaudited)

June 30, 2014

(Expressed in United States Dollars except where otherwise noted)

Notice to readers:

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

GobiMin Inc.
Condensed Interim Statements of Financial Position (Unaudited)
As at June 30, 2014 and December 31, 2013
(Expressed in United States Dollars)

	Note	**June 30, 2014**	December 31, 2013
ASSETS		**$**	$
Current			
Cash and cash equivalents	*5*	**39,255,404**	54,487,747
Prepayments, deposits and other receivables	*6*	**1,027,584**	3,610,871
Amounts due from an associate	*7*	**4,776,677**	11,614,413
Total current assets		**45,059,665**	69,713,031
Non-current			
Property, plant and equipment	*8*	**7,787,129**	7,849,431
Investment properties	*9*	**2,334,280**	2,402,460
Exploration and evaluation assets	*10*	**34,729,075**	34,362,002
Interests in associates	*11*	**1,985,226**	2,111,065
Other financial assets	*12*	**1,432,345**	1,232,145
Deposit paid to related parties	*13*	**602,246**	602,246
Total non-current assets		**48,870,301**	48,559,349
Total assets		**93,929,966**	118,272,380
LIABILITIES			
Current			
Other payables, receipts in advance and accrued liabilities	*14*	**4,728,307**	26,475,416
Bank loans	*15*	**117,488**	3,578,196
Tax payable	*22*	**2,163,425**	-
Total current liabilities		**7,009,220**	30,053,612
Non-current			
Bank loans	*15*	**1,827,124**	1,886,300
Deferred tax liabilities		**-**	2,639,189
Total non-current liabilities		**1,827,124**	4,525,489
Total liabilities		**8,836,344**	34,579,101
SHAREHOLDERS' EQUITY			
Share capital	*16*	**25,413,363**	25,500,704
Reserves		**58,753,146**	57,143,054
Equity attributable to shareholders of the Company		**84,166,509**	82,643,758
Non-controlling interests	*17*	**927,113**	1,049,521
Total shareholders' equity		**85,093,622**	83,693,279
Total liabilities and shareholders' equity		**93,929,966**	118,272,380

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

APPROVED BY THE BOARD ON AUGUST 28, 2014 AND SIGNED ON ITS BEHALF BY:

(Signed)	(Signed)
Felipe Tan	**Hubert Marleau**
Director	Director

GobiMin Inc.

Condensed Interim Statements of Comprehensive Income (Unaudited)
For the three months and six months ended June 30, 2014 and 2013
(Expressed in United States Dollars)

	Note	Three Months Ended		Six Months Ended	
		June 30, 2014	June 30, 2013	**June 30, 2014**	June 30, 2013
		$	$	**$**	$
Revenue		**-**	-	**-**	-
Cost of sales		**-**	-	**-**	-
Selling and distribution cost		**-**	-	**-**	-
Gross profit		**-**	-	**-**	-
Other revenue	*18*	**186,538**	204,912	**435,456**	366,943
General and administrative expenses	*19*	**(993,992)**	(1,151,882)	**(2,019,299)**	(2,251,875)
Share of results of associates and a joint venture		**(192,510)**	122,144	**(33,136)**	286,849
Operating loss		**(999,964)**	(824,826)	**(1,616,979)**	(1,598,083)
Gain on disposal of property, plant and equipment		**-**	-	**-**	75,194
Additional gain on disposal of an associate	*20*	**3,963,979**	-	**3,963,979**	-
Exchange gain (loss)		**(254,992)**	10,877	**(196,987)**	(54,084)
Finance costs	*21*	**(12,660)**	(12,492)	**(42,614)**	(15,168)
Profit (loss) before income tax		**2,696,363**	(826,441)	**2,107,399**	(1,592,141)
Income tax expense	*22*	**(349,918)**	-	**(349,918)**	-
Profit (loss) for the period		**2,346,445**	(826,441)	**1,757,481**	(1,592,141)
Other comprehensive income, net of tax					
Exchange loss transferred to the income statement / exchange differences on translation of foreign operations		**272,431**	**-**	**272,431**	145,630
Total comprehensive income (loss) for the period		**2,618,876**	(826,441)	**2,029,912**	(1,446,511)
Profit (loss) for the period attributable to:					
Shareholders of the Company		**2,400,132**	(737,457)	**1,879,889**	(1,447,568)
Non-controlling interests	*17*	**(53,687)**	(88,984)	**(122,408)**	(144,573)
		2,346,445	(826,441)	**1,757,481**	(1,592,141)
Total comprehensive income (loss) for the period attributable to:					
Shareholders of the Company		**2,672,563**	(737,457)	**2,152,320**	(1,301,938)
Non-controlling interests	*17*	**(53,687)**	(88,984)	**(122,408)**	(144,573)
		2,618,876	(826,441)	**2,029,912**	(1,446,511)
Net earnings (losses) per share					
Basic and diluted	*16.7*	**0.042**	(0.012)	**0.032**	(0.024)
Weighted average number of shares outstanding		**Share**	Share	**Share**	Share
Basic and diluted	*16.7*	**57,891,350**	59,295,281	**57,947,465**	59,277,859

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

GobiMin Inc.

Condensed Interim Statements of Changes in Equity (Unaudited)
For the three months and six months ended June 30, 2014 and 2013
(Expressed in United States Dollars)

	Attributable to shareholders of the Company							
	Share capital *Note 16.1*	**Contributed surplus**	**Share option reserve**	**General reserve** *Note 16.3*	**Translation reserve** *Note 16.4*	**Retained earnings** *Note 25*	**Non-controlling interests** *Note 17*	**Total equity**
	$	$	$	$	$	$	$	$
At January 1, 2013	**26,119,074**	**2,399,939**	**958,362**	**7,666**	**3,920,996**	**52,970,164**	**1,427,937**	**87,804,138**
Loss for the period	-	-	-	-	-	(1,447,568)	(144,573)	(1,592,141)
Other comprehensive income	-	-	-	-	145,630	-	-	145,630
Total comprehensive income (loss)	-	-	-	-	145,630	(1,447,568)	(144,573)	(1,446,511)
Dividend paid	-	-	-	-	-	(592,165)	-	(592,165)
Shares repurchased	(136,811)	-	-	-	-	-	-	(136,811)
Share-based compensation	-	-	50,695	-	-	-	-	50,695
At June 30, 2013	**25,982,263**	**2,399,939**	**1,009,057**	**7,666**	**4,066,626**	**50,930,431**	**1,283,364**	**85,679,346**
At January 1, 2014	**25,500,704**	**2,399,939**	**672,663**	**7,666**	**4,442,667**	**49,620,119**	**1,049,521**	**83,693,279**
Profit (loss) for the period	**-**	**-**	**-**	**-**	**-**	**1,879,889**	**(122,408)**	**1,757,481**
Other comprehensive income	**-**	**-**	**-**	**-**	**272,431**	**-**	**-**	**272,431**
Total comprehensive income (loss)	**-**	**-**	**-**	**-**	**272,431**	**1,879,889**	**(122,408)**	**2,029,912**
Dividend paid	**-**	**-**	**-**	**-**	**-**	**(542,228)**	**-**	**(542,228)**
Shares repurchased	**(87,341)**	**-**	**-**	**-**	**-**	**-**	**-**	**(87,341)**
Options cancelled	**-**	**-**	**(4,638)**	**-**	**-**	**4,638**	**-**	**-**
At June 30, 2014	**25,413,363**	**2,399,939**	**668,025**	**7,666**	**4,715,098**	**50,962,418**	**927,113**	**85,093,622**

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

GobiMin Inc.

Condensed Interim Statements of Cash Flows (Unaudited)
For the three months and six months ended June 30, 2014 and 2013
(Expressed in United States Dollars)

	Three Months Ended		Six Months Ended	
	June 30, 2014	June 30, 2013	**June 30, 2014**	June 30, 2013
	$	$	$	$
Operating activities				
Profit (loss) before income tax	**2,696,363**	(826,441)	**2,107,399**	(1,592,141)
Adjustments for items not involving cash:				
- Depreciation	**181,771**	106,943	**353,185**	218,572
- Share-based payment	**-**	11,337	**-**	50,695
- Share of results of associates and a joint venture	**192,510**	(122,144)	**33,136**	(286,849)
- Gain on disposal of property, plant and equipment	**-**	-	**-**	(75,194)
- Exchange difference	**254,992**	(10,877)	**196,987**	54,084
- Interest income	**(103,052)**	(139,949)	**(274,617)**	(254,924)
- Interest expense	**12,570**	10,807	**40,145**	11,710
	3,235,154	(970,324)	**2,456,235**	(1,874,047)
Working capital adjustments:				
- Prepayments, deposits and other receivables	**4,542,231**	227,806	**2,658,731**	(836,184)
- Amount due from an associate	**767,405**	(3,574,048)	**6,837,736**	(5,598,286)
- Other payables, receipts in advance and accrued liabilities	**(3,069,316)**	275,490	**(21,722,921)**	(2,744,842)
- Income tax paid	**(825,682)**	-	**(825,682)**	-
Net cash flow from (used in) operating activities	**4,649,792**	(4,041,076)	**(10,595,901)**	(11,053,359)
Financing activities				
Interest paid	**(12,570)**	(10,807)	**(40,145)**	(11,710)
Shares repurchased	**(84,423)**	(84,684)	**(87,341)**	(136,811)
New bank loans raised	**-**	4,633,205	**4,945,946**	4,633,205
Repayment of bank loan	**(4,974,763)**	-	**(8,465,830)**	-
Repayment of obligations under finance lease	**(12,166)**	(11,598)	**(24,188)**	(23,057)
Dividend paid	**(542,228)**	(592,165)	**(542,228)**	(592,165)
Net cash flow from (used in) financing activities	**(5,626,150)**	3,933,951	**(4,213,786)**	3,869,462
Investing activities				
Interest received	**103,052**	139,949	**274,617**	254,924
Dividend received	**-**	-	**92,703**	61,802
Capital injection to an associate	**-**	(128,700)	**-**	(128,700)
Additions of property, plant and equipment	**(215,303)**	(5,453,301)	**(222,703)**	(6,572,888)
Additions of exploration and evaluation assets	**(365,826)**	(805,581)	**(367,073)**	(856,974)
Purchase of listed debentures	**(200,200)**	-	**(200,200)**	-
Disposal of property, plant and equipment	**-**	-	**-**	99,713
Net cash flow used in investing activities	**(678,277)**	(6,247,633)	**(422,656)**	(7,142,123)
Decrease in cash and cash equivalents	**(1,654,635)**	(6,354,758)	**(15,232,343)**	(14,326,020)
Effect of foreign exchange rate changes	**-**	-	**-**	285,445
Cash and cash equivalents at beginning of the period	**40,910,039**	38,922,210	**54,487,747**	46,608,027
Cash and cash equivalents at end of the period	**39,255,404**	32,567,452	**39,255,404**	32,567,452

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

(Express in United States Dollars)

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

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). Accounting principles for condensed interim financial statements do not conform in all respects to the disclosures required for annual consolidated financial statements and, accordingly, these condensed interim financial statements should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2013.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed interim financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended December 31, 2013, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board, except for the adoption of new standards and interpretations effective as of January 1, 2014 as disclosed in note 4 below.

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

In the preparation of these condensed interim financial statements, the following new standards and interpretations effective as of January 1, 2014 were adopted.

IFRS 10, IFRS 12 and IAS 27 (2011) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) – *Investment Entities*
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
IAS 36 Amendments	Amendments to IAS 36 *Impairments of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
IAS 39 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC 21	*Levies*

IFRS 10 Amendments defines an investment entity and requires a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. The amendments also introduce disclosure requirements for investment entities into IFRS 12 *Disclosure of Interest in Other Entities* and amend IAS 27 *Separate Financial Statements*. The amendments have no impact to the Group since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set-off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments have no impact on the Group.

IAS 36 Amendments remove the unintended consequences of IFRS 13 *Fair Value Measurement* on the disclosures required under IAS 36 *Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. These amendments have no impact on the Group.

IAS 39 Amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Group.

IFRIC 21 interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation. These amendments have no impact on the Group.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents were held in following locations:

Location	**June 30, 2014**	December 31, 2013
	$	$
Canada	**440,342**	452,508
Hong Kong	**31,500,046**	49,532,763
China	**7,315,016**	4,502,476
Total	**39,255,404**	54,487,747

As at June 30, 2014, cash and cash equivalents located in Hong Kong included approximately $11.7 million (RMB70.7 million) (December 31, 2013: $15.8 million (RMB96 million)) were denominated in RMB.

The RMB located in China is not freely convertible into other currencies. However, under China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

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

6. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

As at	*Note*	**June 30, 2014**	December 31, 2013
		$	$
Deferred expenditure	*6.1*	**-**	2,749,266
Prepayments		**18,976**	47,028
Deposits	*6.2*	**936,222**	714,749
Other receivables		**72,386**	99,828
Total		**1,027,584**	3,610,871

(Express in United States Dollars)

6.1 Deferred expenditure

Pursuant to the supplemental agreement dated May 31, 2012 in relation to the disposal of Yanxi Copper Property, the Group, together with the two shareholders of Xinjiang Tongxing Minerals Limited ("Tongxing"), was entitled to an additional consideration of $10,831,459 (HK$84,160,440) for the area adjacent to the Yanxi Copper Property (the "New Area") upon obtaining the mining licence (the "New Mining Licence") for the New Area. As at December 31, 2013, the Group had incurred expenditure of $2,749,266 in relation to the New Mining Licence application and this expenditure was recognised as deferred expenditure.

As at June 30, 2014, the New Mining Licence has been obtained and the related expenditure incurred was charged to the Statements of Comprehensive Income.

6.2 Deposits

As at June 30, 2014, the deposits mainly represented the deposit of $899,929 (December 31, 2013: $614,599) paid for construction work of the office building, mine design and related facilities of the Sawayaerdun Gold Project (the "Gold Project").

7. AMOUNTS DUE FROM AN ASSOCIATE

As at June 30, 2014 and December 31, 2013, the amount due from an associate was the advance to China Precision Material Limited ("China Precision"), in which the Group has an indirect equity interest of 48.02%. Such advance was unsecured, bore interest rate at 2% per annum and was fully settled on August 5, 2014.

8. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land & buildings	Leasehold improvements	Furniture, fixture & equipment	Computer hardware & equipment	Motor vehicles	Total
Cost:	$	$	$	$	$	$
At January 1, 2013	**769,627**	**122,409**	**382,101**	**673**	**1,097,640**	**2,372,450**
Exchange difference	20,465	(1,274)	9,570	18	21,886	50,665
Additions	6,597,522	-	8,883	-	-	6,606,405
Disposals	-	-	-	-	(104,689)	(104,689)
At December 31, 2013	**7,387,614**	**121,135**	**400,554**	**691**	**1,014,837**	**8,924,831**
Additions	**-**	**195,285**	**27,418**	**-**	**-**	**222,703**
At June 30, 2014	**7,387,614**	**316,420**	**427,972**	**691**	**1,014,837**	**9,147,534**
Depreciation and impairment:						
At January 1, 2013	**72,683**	**122,409**	**146,207**	**392**	**378,496**	**720,187**
Exchange difference	1,342	(1,274)	3,242	11	(596)	2,725
Depreciation for the year	175,414	-	55,422	138	201,076	432,050
Disposals	-	-	-	-	(79,562)	(79,562)
At December 31, 2013	**249,439**	**121,135**	**204,871**	**541**	**499,414**	**1,075,400**
Depreciation for the period	**153,682**	**11,260**	**29,649**	**70**	**90,344**	**285,005**

(Express in United States Dollars)

	Leasehold land & buildings	Leasehold improvements	Furniture, fixture & equipment	Computer hardware & equipment	Motor vehicles	Total
At June 30, 2014	**403,121**	**132,395**	**234,520**	**611**	**589,758**	**1,360,405**
Net book value:						
At December 31, 2013	**7,138,175**	**-**	**195,683**	**150**	**515,423**	**7,849,431**
At June 30, 2014	**6,984,493**	**184,025**	**193,452**	**80**	**425,079**	**7,787,129**

At June 30, 2014, the net carrying amount of property, plant and equipment which were located in Hong Kong amounted to $6,594,107 (December 31, 2013: $6,536,567). The remaining property, plant and equipment were located in China.

At June 30, 2014, the net carrying amount of property, plant and equipment included a motor vehicle with carrying value of $52,510 (December 31, 2013: $70,013) which were held under finance lease. The lease did not include contingent rentals. Leased asset was pledged as security for the related finance lease.

The leasehold land and buildings with carrying value of $6,333,620 had been pledged as security of a mortgage loan facility of $2,059,202 (HK$16,000,000) as at June 30, 2014. For details of the bank loan and facility, please refer to notes 15.2 and 29.1 to the financial statements.

9. INVESTMENT PROPERTIES

Cost:	$
At January 1, 2013	2,794,972
Exchange difference	76,011
At December 31, 2013 and June 30, 2014	**2,870,983**
Depreciation and impairment:	
At January 1, 2013	327,650
Exchange difference	4,513
Depreciation for the year	136,360
At December 31, 2013	**468,523**
Depreciation for the period	**68,180**
At June 30, 2014	**536,703**
Net book value:	
At December 31, 2013	**2,402,460**
At June 30, 2014	**2,334,280**

Investment properties comprised commercial properties in China that were leased to third parties and related parties (note 23.2).

(Express in United States Dollars)

At December 31, 2013, it was pledged for a bank facilities of $4,826,255 (RMB30,000,000) that was expired in February 2014. For details of the bank loan, please refer to note 15.1 to the financial statements.
The estimated fair value of the Group's investment properties as at June 30, 2014 was approximately $7,685,550 (December 31, 2013: $7,940,534). The estimated fair value was arrived at based on management assessment by reference to recent market prices for similar properties in the same locations and similar conditions.

10. EXPLORATION AND EVALUATION ASSETS

	Mining rights *Note 10.1*	Others *Note 10.2*	Total
Cost:	$	$	$
At January 1, 2013	**8,206,469**	**21,742,132**	**29,948,601**
Exchange difference	223,179	591,286	814,465
Additions	52,668	3,546,268	3,598,936
At December 31, 2013	**8,482,316**	**25,879,686**	**34,362,002**
Additions	**-**	**367,073**	**367,073**
At June 30, 2014	**8,482,316**	**26,246,759**	**34,729,075**

10.1. Mining Rights

The mining rights represented 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 year which will be renewed annually. As at June 30, 2014, the remaining valid period of the mining licence was approximately 4 years and exploration licence was less than 1 year.

10.2. Others

Others represented the geological and geophysical costs, mine site and facilities construction, drilling and exploration expenses for the Gold Project.

11. INTERESTS IN ASSOCIATES

Particulars of associates as at June 30, 2014 and December 31, 2013:

Company name	Place of incorporation and principal place of business	Total issued and paid-up capital	Attributable interest held by the Company	Principal activities
China Precision Material Limited	Hong Kong, China	HK$20,000,000	48.02%	Trading of metal
CPM Silver Limited	Hong Kong, China	HK$10,000	48.02%	Processing of silver & property holding
United Bridge Limited	Hong Kong, China	HK$10,000	48.02%	Property holding

(Express in United States Dollars)

Company name	Place of incorporation and principal place of business	Total issued and paid-up capital	Attributable interest held by the Company	Principal activities
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
新疆同成礦業有限責任公司 Xinjiang Tongcheng Minerals Limited [(1)]	Xinjiang, China	RMB2,000,000	40.00%	Exploration of mineral resources

[(1)] *Unofficial English name translated from Chinese registered name of the company.*

12. OTHER FINANCIAL ASSETS

As at	*Note*	**June 30, 2014**	December 31, 2013
		$	$
Listed debentures	*12.1*	**1,205,345**	1,005,145
Available-for-sale financial asset	*12.2*	**227,000**	227,000
Total		**1,432,345**	1,232,145

12.1 Listed debentures

They represented the listed debentures held by the Group with coupon rates ranged from 5.125% to 9.75% per annum and maturity ending between May 19, 2018 and perpetual.

12.2 Available-for-sale financial asset

It represented a 3.5% equity interest in Tongxing, a company incorporated in China. It was measured at cost less any identified impairment loss.

13. DEPOSIT PAID TO RELATED PARTIES

(a) A deposit of $82,432 (December 31, 2013: $82,432) was paid to a non-controlling shareholder of an associate for exploration services.

(b) A deposit of $519,814 (December 31, 2013: $519,814) 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 exploration and evaluation assets upon the completion of exploration services.

14. OTHER PAYABLES, RECEIPTS IN ADVANCE AND ACCRUED LIABILITIES

As at	**June 30, 2014**	December 31, 2013
	$	$
Other payables	**4,423,714**	20,322,946
Accrued liabilities	**80,065**	373,505
Receipts in advance	**78,448**	158,919
Deposit received	**137,888**	5,587,666
Obligation under finance lease – current	**8,192**	32,380
	4,728,307	26,475,416

At June 30, 2014, the deposit of $5,415,730 (HK$42,080,220) received from China Daye Non-Ferrous Metals Mining Limited as partial settlement of the consideration for the New Area has been recognised to the Statements of Comprehensive Income upon the completion of New Mining License application.

At June 30, 2014, the Group had obligation under finance lease of $8,192 (December 31, 2013: $32,380). Future lease payments were due as follows:

As at June 30, 2014	**Minimum lease payments**	**Interest**	**Present value**
	$	**$**	**$**
Within one year	**8,241**	**49**	**8,192**
In the second to fifth years inclusive	**-**	**-**	**-**
Total	**8,241**	**49**	**8,192**

As at December 31, 2013	**Minimum lease payments**	**Interest**	**Present value**
	$	$	$
Within one year	32,966	586	32,380
In the second to fifth years inclusive	-	-	-
Total	32,396	586	32,380

15. BANK LOANS

As at	*Note*	**June 30, 2014**	December 31, 2013
		$	$
Bank loan due for repayment within one year	*15.1*	**-**	3,462,162
Mortgage loan due for repayment within one year	*15.2*	**117,488**	116,034
Mortgage loan due for repayment after one year	*15.2*	**1,827,124**	1,886,300
Total bank loans, secured and interest bearing		**1,944,612**	5,464,496

These bank loans were scheduled to repay as follows:

As at	**June 30, 2014**	December 31, 2013
	$	$
On demand or within one year	**117,488**	3,578,196
More than one year, but not exceeding five years	**500,294**	494,103
More than five years	**1,326,830**	1,392,197
	1,944,612	5,464,496

15.1 Bank loan due for repayment within one year

As at December 31, 2013, the balance comprised of $2,574,003 (RMB16,000,000) and $804,376 (RMB5,000,000) bank loan which was denominated in RMB and interest bearing at the rate of 6.00% per annum and 7.28% per annum respectively. The RMB16,000,000 loan was secured by the investment properties as disclosed in note 9 to the financial statements and was repaid on May 6, 2014. The RMB5,000,000 loan was repaid on January 12, 2014.

15.2 Mortgage loan

The mortgage loan with principal of $1,944,612 (HK$15,109,634) was denominated in Hong Kong dollars and interest bearing at Hong Kong Prime Rate minus 2.5% per annum. It was secured by (i) the leasehold land and buildings of the Group; (ii) a corporate guarantee given by an associate to the extent of HK$16,000,000; and (iii) a personal guarantee given by a director to the extent of HK$16,000,000 as disclosed in notes 8 and 23.2 to the financial statements. The mortgage loan was repaid on August 1, 2014 (note 29.1).

16. SHARE CAPITAL AND STOCK OPTIONS

16.1 Common Shares

	Number	Amount
Authorized:		$
Unlimited number of common shares		
Issued and outstanding:		
At January 1, 2013	59,466,482	26,119,074
Shares repurchased and cancelled	(1,455,500)	(618,370)
At December 31, 2013	**58,010,982**	**25,500,704**
Shares repurchased and cancelled	**(231,500)**	**(87,341)**
At June 30, 2014	**57,779,482**	**25,413,363**

16.2 Preferred Shares

The Company did not authorize or issue any preferred share.

16.3 General Reserve

The general reserve represented statutory reserves of the Group's Chinese operating subsidiaries. During the six months ended June 30, 2014, there was no movement in the general reserve.

16.4 Translation Reserve

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

16.5 Normal Course Issuer Bid

On February 11, 2014, GobiMin was approved to renew its normal course issuer bid to repurchase up to an additional 2,900,149 common shares (2013: 2,973,324), 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 February 11, 2015. All shares repurchased will be returned to treasury for cancellation.

For the six months ended June 30, 2014, a total of 231,500 common shares were repurchased for an aggregate cost of $87,341 (CAD93,091). All shares repurchased were returned to treasury for cancellation.

(Express in United States Dollars)

16.6 Stock Options

On May 26, 2005, the Company adopted a resolution cancelling all of its outstanding stock option plans and creating a new stock option plan to grant options to its employees, directors and officers to purchase common shares. A total number of 6,700,000 (December 31, 2013: 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:

	Six months ended June 30, 2014		Six months ended June 30, 2013	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
		$		$
Outstanding, beginning of the period	**1,738,000**	**0.63**	2,832,000	0.69
Forfeited during the period	**(16,000)**	**0.68**	-	-
Outstanding, end of the period	**1,722,000**	**0.63**	2,832,000	0.69

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)**	**$**
At June 30, 2014							
0.79	0.76	275,000	1.00	0.76	220,000	1.00	0.76
0.60	0.60	1,300,000	0.50	0.60	1,300,000	0.50	0.60
0.60	0.60	147,000	2.50	0.60	88,200	2.50	0.60
		1,722,000	0.75	0.63	1,608,200	0.68	0.63
At December 31, 2013							
0.79	0.76	283,000	1.50	0.76	226,400	1.50	0.76
0.60	0.60	1,300,000	1.00	0.60	1,300,000	1.00	0.60
0.60	0.60	155,000	3.00	0.60	93,000	3.00	0.60
		1,738,000	1.26	0.63	1,619,400	1.18	0.63

(i) The weighted average remaining contractual life for the options exercisable as at June 30, 2014 was 0.68 years (December 31, 2013: 1.18 years).
(ii) The weighted average remaining contractual life for the options outstanding as at June 30, 2014 was 0.75 years (December 31, 2013: 1.26 years).
(iii) The range of exercise price for options outstanding as at June 30, 2014 was $0.60 to $0.76 (December 31, 2013: $0.60 to $0.76).

(Express in United States Dollars)

c) Share-Based Payments

There were no options granted during the period. The Company determines fair value of the employee stock options using the Black-Scholes option pricing model. In determining the fair value of these employee stock options, the following assumptions were used:

Grant date	November 23, 2011	November 23, 2011	July 7, 2010
Exercise Price (CAD)	0.60	0.60	0.79
Expected life (year)	3	5	5
Expected volatility	53%	53%	48%
Dividend yield	-	-	-
Discount rate	0.40%	0.88%	1.79%
Forfeiture rate	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.

16.7 Basic and Diluted Earnings (Losses) Per Share

For the three months ended	**June 30, 2014**	June 30, 2013
Net earnings (losses) attributable to shareholders		
Basic and diluted	**$2,400,132**	($737,457)
Weighted average number of shares outstanding		
Basic and diluted	**57,891,350**	59,295,281
Basic and diluted earnings (losses) per share	**$0.042**	($0.012)

For the six months ended	**June 30, 2014**	June 30, 2013
Net earnings (losses) attributable to shareholders		
Basic and diluted	**$1,879,889**	($1,447,568)
Weighted average number of shares outstanding		
Basic and diluted	**57,947,465**	59,277,859
Basic and diluted earnings (losses) per share	**$0.032**	($0.024)

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

17. NON-CONTROLLING INTERESTS

Non-controlling interests represented the 30% (2013: 30%) equity interest in Xinjiang Tongyuan Minerals Limited not held by the Group.

(Express in United States Dollars)

18. OTHER REVENUE

For the three months ended	**June 30, 2014**	June 30, 2013
	$	$
Interest income	**103,052**	139,949
Rental income	**72,986**	64,963
Other income	**10,500**	-
	186,538	204,912

For the six months ended	**June 30, 2014**	June 30, 2013
	$	$
Interest income	**274,617**	254,924
Rental income	**150,339**	112,019
Other income	**10,500**	-
	435,456	366,943

19. NATURE OF EXPENSES

19.1 Employee costs (including remuneration of key management and directors as stated in note 23.1):

For the three months ended	**June 30, 2014**	June 30, 2013
	$	$
Wages and other benefits	**434,997**	423,221
Payment to defined contribution plans	**28,492**	26,314
Share-based payment	**-**	11,337
Total employee costs	**463,489**	460,872

For the six months ended	**June 30, 2014**	June 30, 2013
	$	$
Wages and other benefits	**934,092**	834,975
Payment to defined contribution plans	**54,954**	51,806
Share-based payment	**-**	50,695
Total employee costs	**989,046**	937,476

19.2 Depreciation:

For the three months ended	**June 30, 2014**	June 30, 2013
	$	$
Depreciation	**181,771**	106,943

For the six months ended	**June 30, 2014**	June 30, 2013
	$	$
Depreciation	**353,185**	218,572

(Express in United States Dollars)

20. ADDITIONAL GAIN ON DISPOSAL OF AN ASSOCIATE

Pursuant to the agreement and all supplemental agreements (the "Agreements") in relation to the disposal of Tongxing, the Group and the two local shareholders were entitled to an additional consideration (the "Additional Consideration") of $10,831,460 (HK$84,160,440) upon obtaining the New Mining Licence of the New Area on behalf of Tongxing and were responsible for the costs incurred in relation to the application. As at June 30, 2014, the New Mining Licence has been obtained and the Additional Consideration has been fully settled. Accordingly, a gain of $3,963,979 was recognised after deducting all related expenses of $3,424,942 and total amount paid and payable to two local shareholders of $3,442,539.

21. FINANCE COSTS

For the three months ended	**June 30, 2014**	June 30, 2013
	$	$
Finance charge under finance lease	**195**	765
Loan interest	**12,375**	10,042
Bank charges	**90**	1,685
Total finance costs	**12,660**	12,492

For the six months ended	**June 30, 2014**	June 30, 2013
	$	$
Finance charge under finance lease	**536**	1,668
Loan interest	**39,609**	10,042
Bank charges	**2,469**	3,458
Total finance costs	**42,614**	15,168

22. INCOME TAX

The Group calculated the income tax expenses for the period by using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expenses in the Condensed Interim Statements of Comprehensive Income were:

For the three months and six months ended	**June 30, 2014**	June 30, 2013
	$	$
Current income tax expense	**2,989,107**	-
Deferred income tax expense related to origination and reversal of deferred taxes	**(2,639,189)**	-
Total income tax expense	**349,918**	-

23. RELATED PARTY TRANSACTIONS

23.1 <u>Key management compensation</u>

The remuneration of key management and directors was as follows:

(Express in United States Dollars)

For the three months ended	June 30, 2014	June 30, 2013
	$	$
Wages, fees and other benefits	**158,876**	152,821
Payment to defined contribution plans	**3,128**	3,570
Share-based payment	**-**	8,651
	162,004	165,042

For the six months ended	June 30, 2014	June 30, 2013
	$	$
Wages, fees and other benefits	**293,104**	287,765
Payment to defined contribution plans	**6,087**	6,059
Share-based payment	**-**	45,253
	299,191	339,077

23.2 Related party transactions

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties:

		For the three months ended	
Relationship	Type of transactions	June 30, 2014	June 30, 2013
		$	$
Company controlled by a director	Rental income	**6,594**	6,435
An associate	Interest income	**33,513**	44,048
An associate	Rental income	**11,112**	-
An associate	Share of office common expenses	**1,382**	-

		For the six months ended	
Relationship	Type of transactions	June 30, 2014	June 30, 201
		$	$
Company controlled by a director	Rental income	**13,189**	12,870
Company controlled by a director	Gain on disposal of a motor vehicle	**-**	75,194
An associate	Interest income	**111,647**	68,286
An associate	Rental income	**11,112**	-
An associate	Share of office common expenses	**20,092**	-
An associate	Dividend income	**92,703**	-

As at June 30, 2014 and December 31, 2013, the Group has a mortgage loan facility as disclosed in note 15.2 to the financial statements, which was secured by a corporate guarantee given by an associate and a personal guarantee given by a director both to the extent of $2,059,202 (HK$16,000,000).

The Group provided a second legal charge over its leasehold land and buildings to secure a banking facility of $1,700,000 (December 31, 2013: $1,700,000) granted to an associate. As at June 30, 2014, the full amount of $1,700,000 was being utilized.

23.3 Advances to related parties

Advances made by the Group to related parties were disclosed as amounts due from an associate and deposit paid to related parties in notes 7 and 13 to the financial statements respectively.

(Express in United States Dollars)

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

24. COMMITMENTS

24.1 Capital commitments

The Group has the following capital commitment in relation to the Gold Project:

As at June 30, 2014	Contract Date	Contracted Sum	Capital Commitments
		$	$
Exploration services	April 7, 2010	758,378	**238,564**
Mine design and related facilities	October 31, 2011	1,318,919	**668,507**
Office building construction	April 18, 2012	4,570,190	**615,665**
Drilling and exploration services	June 25, 2012	10,620,974	**2,816,562**
Office building decoration	March 2, 2013	2,398,575	**2,068,845**
Retaining wall and leveling for the office building	December 16, 2013	542,547	**381,160**
Total capital commitments for the Gold Project		20,209,583	**6,789,303**

Other than the above capital commitments, the Group has contracted commitment for capital contributions payable to an associate of $527,568 (RMB3,200,000) (note 11).

24.2 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	June 30, 2014	December 31, 2013
	$	$
Within one year	**162,110**	94,392
In the second to fifth years inclusive	**151,813**	78,778
Total future minimum lease receivables	**313,923**	173,170

(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:

(Express in United States Dollars)

As at	**June 30, 2014**	December 31, 2013
	$	$
Within one year	**29,327**	89,425
In the second to fifth years inclusive	**36,418**	50,834
After five years	**-**	2,968
Total future minimum lease payables	**65,745**	143,227

25. DIVIDEND PAID

In June 2014, GobiMin paid an annual dividend of CAD0.01 per share for a total amount of $542,228 (2013: $592,165) in accordance with the Company's dividend policy and 2013 annual performance.

26. 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.

27. 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.

27.1 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.

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**
	$	**$**	**$**	**$**
June 30, 2014				
Listed debentures	**1,205,345**	**-**	**-**	**1,205,345**
Available-for-sale financial asset	**-**	**227,000**	**-**	**227,000**
	1,205,345	**227,000**	**-**	**1,432,345**
December 31, 2013				
Listed debentures	1,005,145	-	-	1,005,145
Available-for-sale financial asset	-	227,000	-	227,000
	1,005,145	227,000	-	1,232,145

27.2 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.

27.3 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 located in PRC, 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.

As at June 30, 2014, with other variables unchanged, a 1% strengthening (weakening) of the Chinese RMB against the Canadian dollar would have increased (decreased) net profit and other comprehensive income both by $10,000. 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.

27.4 Credit Risk

The Group is exposed to credit risk with respect to cash equivalents, other receivables, amount due from an associate, deposit paid to 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. 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.

27.5 Liquidity Risk

Liquidity risk is the risk that the Group may encounter difficulties in meeting obligations associated with financial liabilities. As at June 30, 2014, the Group held cash and cash equivalents of $39,255,404 and net current assets of $38,050,445. The Group considered that its cash and cash equivalents is more than sufficient in meeting its obligations associated with financial liabilities and fulfilling its capital commitments.

27.6 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.

28. 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 $85,093,622 consists of the items included in equity. The Board of Directors does not establish a quantitative return on capital criteria for management but promotes year-over-year sustainable earnings growth targets. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

The Group is not subject to externally imposed capital requirements.

29. EVENTS AFTER THE REPORTING DATE

29.1 On August 1, 2014, GobiMin repaid in full the outstanding amount of mortgage loan with principal and interest of $1,935,672 (HK$15,040,173). As such, the related pledged over the Group's leasehold land and buildings; corporate guarantee given by an associate to the extent of $2,059,202 (HK$16,000,000); and personal guarantee given by a director to the extent of $2,059,202 (HK$16,000,000) as disclosed in notes 8, 15.2 and 23.2 to the financial statements will be released accordingly.

29.2 On July 23, 2014, China Precision underwent a reorganisation and all the shares held by the then shareholders of China Precision were swapped for the shares of a newly incorporated Hong Kong company, Loco Hong Kong Holdings Limited ("Loco HK"). Thereafter, Loco HK (i) issued and allotted to the Group new shares in consideration of capitalisation of the loan in the amount of approximately $3.6 million (HK$27,714,506) originally due from China Precision to the Group; and (ii) placed 120,000,000 new shares at $0.05 (HK$0.36) per share and raised gross proceeds of approximately $6.0 million (HK$43,200,000). Accordingly, GobiMin through its wholly owned subsidiary holds 192,080,000 shares of Loco HK, representing approximately 48.02% of its total issued shares. The shares of Loco HK commenced dealings on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited on August 5, 2014 under the stock code 8162. Each of GobiMin and its two wholly owned subsidiaries, namely GobiMin Investments Limited and GobiMin Silver Limited, as well as its Chief Executive Officer, Mr. Felipe Tan, entered into non-competition undertakings and a tax indemnity in favour of Loco HK and all the shares in Loco HK held by the Group are subject to a twelve (12) months non-disposal undertaking.

GobiMin Inc.

(Incorporated in Canada under the Canada Business Corporations Act)

Management's Discussion and Analysis of Financial Results

June 30, 2014

(Expressed in United States Dollars except where otherwise noted)

(Expressed in United States Dollars)

The following discussion and analysis of the condensed operating results and financial condition of GobiMin Inc. for the quarter ended June 30, 2014 should be read in conjunction with its condensed interim financial statements for the three months and six months ended June 30, 2014 prepared in accordance with International Financial Reporting Standards ("IFRS") and its audited consolidated financial statements for the year ended December 31, 2013 prepared in accordance with IFRS.

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

1. Corporate Overview

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

GobiMin holds an equity interest of 70% in a company incorporated in China to explore, develop and operate the Sawayaerdun Gold Project (the "Gold Project") located in Xinjiang.

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

In addition, GobiMin owns 40% equity interests each in three companies incorporated in China to engage in base metals and precious metal exploration, including nickel, copper and gold, in Xinjiang, and a 3.5% equity interest in the Yanxi Copper Property (the "Yanxi Copper Property").

2. Financial Highlights

	3 months ended June 30		12 months ended
	2014	2013	December 31, 2013
	$	$	$
Revenue	**-**	-	**-**
Other revenue	**0.2 million**	0.2 million	1.5 million
Additional gain on disposal of an associate	**4.0 million**	-	-
Share of results of associates and a joint venture	**(0.2 million)**	0.1 million	0.3 million
Profit (loss) for the period	**2.3 million**	(0.8 million)	(3.6 million)
EBITDA (LBITDA) [1]	**2.8 million**	(0.8 million)	(4.2 million)
Basic and diluted earnings (losses) per share	**0.042**	(0.012)	(0.05)
EBITDA (LBITDA) per share[1]	**0.048**	(0.014)	(0.07)
Cash and cash equivalents	**39.3 million**	32.6 million	54.5 million
Cash and cash equivalents per share[1]	**0.68**	0.55	0.94
Working capital	**38.1 million**	37.9 million	39.7 million
Total non-current financial liabilities	**1.8 million**	2.0 million	4.5 million
Total liabilities	**8.8 million**	35.1 million	34.6 million
Total assets	**93.9 million**	120.8 million	118.3 million

Note:

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

3. Business Summary and Development

3.1. Gold Project in Xinjiang

(a) Background and Location

The Company owns a 70% equity interest in Xinjiang Tongyuan Minerals Limited ("Tongyuan") which is developing and operating the Gold Project in Xinjiang.

The Gold Project is located 200 km northwest of the city of Kashi, western Xinjiang, China and lies within the Tian Shan Gold Belt, which is one of the most promising gold belts in China.

(b) Mineralisation and Resource Estimate

Mineralisation is separated into two main areas, a western zone and an eastern zone, known as "Zone IV" and "Zone I" respectively, which form two distinct mineralised zones. Both areas contain multiple veins or mineralised bodies which have strike and dip extensions however all strike NE-SW, crosscut the stratigraphy at a low angle and generally dip steeply (60° to 80°) to the northwest. The bulk of the currently defined mineralisation is contained within two very continuous mineralised bodies, one in Zone IV and one in Zone I.

In April 2014, the NI 43-101 compliant resource estimate update has been published. At a cut-off grade of 1.0 grams/tonne gold, its Zone I and Zone IV are estimated to contain a total of approximately 22 million tonnes at an average grade of 1.8 grams/tonne Au (about 1.27 million contained oz Au) in the Measured and Indicated Resources category and approximately 62 million tonnes averaging 1.4 grams/tonne Au (about 2.7 million contained oz Au) in the Inferred Resources category. The exploration results of 2013 has further increased the confidence and understanding of the mineralization and thus provide more reliable data for the mining plan. The full report is available on SEDAR at www.sedar.com and the Company's website at www.gobimin.com.

(c) Update

The 2014 drilling program has commenced as scheduled in June 2014 after the setup of the drilling equipments for the program were completed. The drilling of approximately 237 meters has been completed in June 2014.

(d) Exploration and Evaluation Assets

During the second quarter of 2014, there were only an addition of $366,000 in exploration and evaluation assets, leaving the balance of $34.7 million as at June 30, 2014. The exploration and evaluation assets include mining rights, geological and geophysical costs, mine site and facilities construction, drilling and exploration expenses.

As at June 30, 2014, the Company also has a remaining contractual commitment of $6.8 million for the further development of the Gold Project, including drilling and exploration services, office building, design of mine and related facilities.

(e) Plan for 2014

In view of the current market situation, GobiMin plans to reduce the drilling program to approximately 6,500 meters for 2014. Along with this, GobiMin will continue to pursue the major design and/or construction of mine development, tailing ponds, camp facilities and access roads but in less extent as planned before.

GobiMin will keep negotiations for cooperation with major gold producer in China for development of the Gold Project.

3.2. <u>Silver Operation</u>

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

China Precision has established a processing workshop in Hong Kong since August 2010 for processing the silver into bars and granules with 99.99% purity for sale to industrial customers. To increase product variety and profit contribution, it will continue to source and explore new potential business opportunities in this sector.

(a) Update

The Group has made advances to China Precision to finance its silver inventory. As at June 30, 2014, amounts due from China Precision to the Group amounted to $4.8 million while China Precision had a silver inventory of 13.5 tonnes with a market value of $9.1 million. The Group recorded interest income of $34,000 on these advances for the three months ended June 30, 2014. China Precision recorded a net loss of about $0.4 million for three months ended June 30, 2014, with GobiMin's share amounting to $0.2 million.

To prepare for the listing of its shares on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited ("GEM"), in August 2014, China Precision has completed a capital reorganisation and all the shares held by the shareholders of China Precision have been swapped for the shares of a newly incorporated Hong Kong company, Loco Hong Kong Holdings Limited ("Loco HK"). Loco HK completed a placement of 120,000,000 placing shares at $0.05 (HK$0.36) per share and raised gross proceeds of approximately $6.0 million (HK$43,200,000). Concurrently with the placement, Loco HK capitalized an amount of approximately $3.6 million (HK$27,714,506) due to the Group from China Precision by issuing new shares of Loco HK at a price of $0.03 (HK$0.25) per share to the Group. All the remaining balance due from China Precision to the Group are then fully settled in cash. The dealings in the shares of Loco HK on the GEM commenced on August 5, 2014 under the stock code "8162". The equity interest of the Group in Loco HK remains approximately 48.02%.

3.3. Base Metal Exploration Projects in Xinjiang

(a) Three Exploration Companies

The Group owns 40% equity interests each in three exploration companies incorporated in Xinjiang, China for nickel, copper, and gold. They are treated as associates of the Group. The net cost of the investment in these three exploration companies amounted to $1.0 million (RMB6.3 million). The carrying value of these companies as at June 30, 2014 was $0.7 million (RMB4.0 million). Exploration programs of the three exploration companies will continue in 2014.

(b) Yanxi Copper Property

During the year ended December 31, 2012, GobiMin recorded a gain on disposal of the Yanxi Copper Property (the "Yanxi Disposal") of $8.2 million. After this disposal, GobiMin held 8% equity interest in Xinjiang Tongxing Minerals Limited ("Tongxing"), which is the licence holding company of the Yanxi Copper Property. In November 2013, the equity interest in Tongxing owned by the Group was further diluted from 8% to 3.5% due to the capital injection by one of its shareholders.

In respect of an area adjacent to the Yanxi Copper Property (the "New Area"), the Group and the two local shareholders were entitled to an additional consideration (the "Additional Consideration") of $10.8 million (HK$84,160,440), of which $5.4 million (HK$42.1 million) was received in 2012 and the remaining $5.4 million (HK$42.1 million) was received on June 30, 2014. After netting off the related payments and expenses of approximately $6.8 million including drilling work and costs in relation to the application of the mining licence of the New Area (the "New Mining Licence") and amount payable to the local shareholders, the Group recognised a gain of approximately $4.0 million for the New Area.

3.4. Normal Course Issuer Bid

On February 11, 2014, GobiMin was approved to renew its normal course issuer bid to repurchase an additional 2,900,149 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 February 11, 2015. For the six months ended June 30, 2014, a total of 231,500 common shares were repurchased at an aggregate cost of $87,341 (CAD93,091).

Management believes that the repurchase by the Company of its own shares can maximize shareholder value and is in the best interest of the Company and its shareholders. A copy of the related Notice of Intention to Make a Normal Course Issuer Bid for 2014 will be provided to shareholders upon receipt of written request to the Company at its registered office.

3.5. Liquidity and Capital Resources

As at June 30, 2014, the Group had a working capital of about $38.1 million (December 31, 2013: $39.7 million), by netting off its current assets of $45.1 million (December 31, 2013: $69.7 million) with current liabilities of $7.0 million (December 31, 2013: $30.0 million).

Among the cash and cash equivalents of $39.3 million, about $7.3 million are held in China. The subsidiaries in China are allowed to transfer funds to other Group companies outside China upon presentation of the proper documentation under current regulations, subject to the risks outlined hereinafter under the section "Risk Factors". The Group will carefully plan ahead to match the available funding with various payment obligations in China and elsewhere.

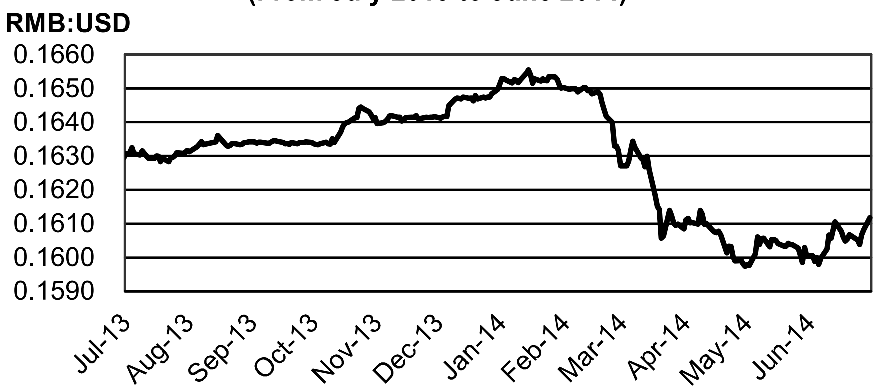
The Group has no difficulties in meeting obligations associated with its financial liabilities and commitment. The Group has determined that its cash and cash equivalents will be more than sufficient to finance its operation, including the current commitments of the Gold Project of approximately $6.8 million and the commitment for the capital contributions to the exploration company in Xinjiang of $0.5 million (RMB3.2 million).

4. Key Economic Trends

4.1. China Economy

Since GobiMin's activities are mostly conducted in China, the condition of the Chinese economy is a key factor on the Group's exploration business. Currency fluctuations may also have an impact on the Group's cost structure as the Group reports in U.S. dollars. For the quarter ended June 30, 2014, the Chinese Renminbi ("RMB") appreciated by 1% against the U.S. dollar comparing with the exchange rate on June 30, 2013.

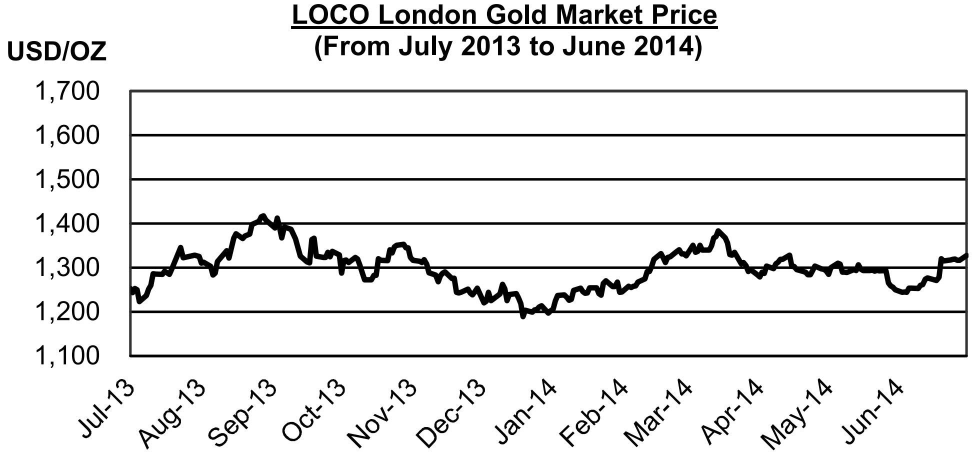
RMB - USD Exchange Rate
(From July 2013 to June 2014)



4.2. Gold Market

The price of gold has a strong influence on the Gold Project's value. As at June 30, 2014, the gold price has increased by around 7.5% against the price on June 30, 2013.

LOCO London Gold Market Price
(From July 2013 to June 2014)



5. Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported results. Changes to these estimates could materially impact the financial statements. The estimates made by the Group that are considered to be most critical are described below.

5.1. Exploration and evaluation assets

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.

5.2. 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 (if any) in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may be materially different from the amount included in the tax liabilities.

5.3. 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.

5.4. Functional currency

The determination the functional currency for the Company's subsidiaries, joint venture 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.

5.5. 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.

5.6. 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.

5.7. 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.

5.8. 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 from the actual results or if there are significant changes in environmental and/or regulatory requirements in the future.

6. Future Changes in Significant Accounting Policies

Standards issued but not yet effective up to the date of issuance of these condensed financial statements are listed below. The Group intends not to early adopt these standards and is currently evaluating their impact on its consolidated financial statements.

6.1 Amendments to IAS 19 *Employee contributions*

This amendment clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. The amendments are effective for annual periods beginning on or after July 1, 2014.

6.2 Annual Improvements 2010-2012 Cycle and Annual Improvements 2011-2013 Cycle

These amendments are effective for annual periods beginning on or after July 1, 2014.

6.3 IFRS 14 *Regulatory deferral accounts*

This standard was originally issued in January 2014 and applies to an entity's first annual IFRS financial statements for annual periods beginning on or after January 1, 2016.

6.4 Amendments to IFRS 11

This amendment is regarding the accounting for acquisitions of an interest in a joint operation and is effective for annual periods beginning on or after January 1, 2016.

(Expressed in United States Dollars)

6.5 Amendments to IAS 16 and amendments to IAS 38

These amendments provide clarification of acceptable methods of depreciation and amortization and they are effective for annual periods beginning on or after January 1, 2016.

6.6 IFRS 15 *Revenue from contracts with customers*

IFRS 15 specifies how and when the entities recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. It is effective for annual periods beginning on or after January 1, 2017.

6.7 IFRS 9 *Financial instruments*

IFRS 9 issued in July 2014 will replace IAS 39 *Financial Instruments: Recognition and Measurement*. This standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

7 Selected Quarterly Information

As at / For the three months ended	**June 30, 2014**	March 31, 2014	December 31, 2013	September 30, 2013
	$	$	$	$
Revenue	**-**	-	-	-
Profit (loss) for the period	**2,346,445**	(588,964)	(659,856)	(1,342,659)
Basic and diluted earnings (losses) per share	**0.042**	(0.009)	(0.01)	(0.018)
Cash and cash equivalents	**39,255,404**	40,910,039	54,487,747	33,830,149
Total assets	**93,929,966**	100,469,749	118,272,380	120,803,054

As at / For the three months ended	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012
	$	$	$	$
Revenue	-	-	-	-
Profit (loss) for the period	(826,441)	(765,700)	(639,989)	4,704,839
Basic and diluted earnings (losses) per share	(0.012)	(0.012)	(0.010)	0.084
Cash and cash equivalents	32,567,452	38,922,210	46,608,027	50,255,823
Total assets	120,823,499	117,418,355	121,082,985	112,206,072

The above financial information was prepared in accordance with IFRS.

For the three months ended June 30, 2014, the Group reported a net profit of $2.3 million (Q2 2013: loss $0.8 million) which mainly comprised additional gain from disposal of equity interest of Tongxing of $4.0 million (Q2 2013: nil) netting off the income tax provision of $0.3 million (Q2 2013: nil), general and administrative expenses of $1.0 million (Q2 2013: $1.2 million) and share of losses of associates of $0.2 million (Q2 2013: share of profits of joint venture and associates of $0.1 million).

In this quarter, the Group recorded a net cash outflow of $1.7 million (Q2 2013: cash outflow of $6.4 million). It was mainly the combined effect of $6.2 million balance of Additional Consideration received, netting off against the bank loan repayment of $5.0 million, the income tax paid of $0.8

million, the dividend paid of $0.5 million, $0.4 million deposit paid for the Gold Project, purchase of listed debentures of $0.2 million and the payment of the office expenses of $1.0 million.

The total assets decreased by $24.4 million from $118.3 million as at December 31, 2013 to $93.9 million in this quarter. It was mainly due to the settlement of $18.0 million payable to the local shareholders, $0.8 million income tax, repayment of bank loan of $3.5 million, share repurchased of $0.1 million and the office expenses incurred of $2.1 million.

8 Results of Operations

8.1. Revenue

No revenue (3 months and 6 months Q2 2013: Nil) from operations has been recorded in this quarter.

Other revenue in the second quarter of 2014 were $0.2 million (3 months Q2 2013: $0.2 million) which mainly including interest income of $0.1 million (3 months Q2 2013: $0.1 million) and rental income of $0.1 million (3 months Q2 2013: $0.1 million).

Other revenue for the six months ended June 30, 2014 were $0.4 million (6 months Q2 2013: $0.4 million) which mainly including interest income of $0.3 million (6 months Q2 2013: $0.3 million), rental income of $0.1 million (6 months Q2 2013: $0.1 million).

8.2. Additional gain on disposal of an associate

Pursuant to the agreement and all supplemental agreements in relation to the disposal of Tongxing, the Group and the two local shareholders were entitled to an Additional Consideration of $10.8 million (HK$84,160,440) upon obtaining the New Mining Licence of the New Area on behalf of Tongxing and were responsible for the costs incurred in relation to the application. As at June 30, 2014, the New Mining Licence has been obtained and the Additional Consideration has been fully settled. Accordingly, a gain of $3,963,979 was recognised after deducting all related expenses of $3.4 million and total amount paid and payable to two local shareholders of $3.4 million.

8.3. General and Administrative Expenses

General and administrative expenses were $1.0 million in this quarter (3 months Q2 2013: $1.2 million) and $2.0 million for the six months ended June 30, 2014 (6 months Q2 2013: $2.3 million). It mainly represents pre-operating expenses incurred for the Gold Project, office rental, staff costs and legal and professional fees.

8.4. Earnings (Losses) Per Share

The basic and diluted earnings per share were $0.042 for this quarter (3 months Q2 2013: losses of $0.012) and $0.032 for the six months ended June 30, 2014 (6 months Q2 2013: losses of $0.024).

8.5. EBITDA (LBITDA)

The earnings (losses) before interest income and expense, income taxes, depreciation and amortisation ("EBITDA (LBITDA)"), a non-IFRS performance measure, for the quarter were earnings of $2.8 million as compared to losses of $0.8 million in second quarter of 2013. The following table presents the calculation of EBITDA (LBITDA) for the period:

(Expressed in United States Dollars)

For the three months ended	June 30, 2014	June 30, 2013
	$	$
Profit (loss) for the period	**2,346,445**	(826,441)
Interest income	**(103,052)**	(139,949)
Income tax expense	**349,918**	-
Interest expense	**12,570**	10,807
Depreciation	**181,771**	106,943
EBITDA (LBITDA) (1)	**2,787,652**	(848,640)
EBITDA (LBITDA) per share (2)	**0.048**	(0.014)

Note:

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

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

8.6. Annual Dividend

On April 24, 2014, the Company declared an annual dividend of $0.01 (CAD0.01) per share in accordance with its dividend policy and 2013 performance. The dividend was paid on June 24, 2014 to shareholders of record on May 29, 2014.

9 Cash Flows

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

As at	June 30, 2014	December 31, 2013
	$	$
Cash and cash equivalents	**39,255,404**	54,487,747
Working capital (1)	**38,050,445**	39,659,419

For the three months ended	June 30, 2014	June 30, 2013
Net cash flow from (used in) operating activities	**4,649,792**	(4,041,076)
Net cash flow from (used in) financing activities	**(5,626,150)**	3,933,951
Net cash flow used in investing activities	**(678,277)**	(6,247,633)

For the six months ended	June 30, 2014	June 30, 2013
	$	$
Net cash flow used in operating activities	**(10,595,901)**	(11,053,359)
Net cash flow from (used in) financing activities	**(4,213,786)**	3,869,462
Net cash flow used in investing activities	**(422,656)**	(7,142,123)

Note:

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

9.1. Operating Activities

For the three months ended June 30, 2014

In this quarter, net cash inflow from operating activities was $4.6 million (3 months Q2 2013: cash outflow of $4.0 million) which mainly represents a $6.2 million balance of Additional Consideration received for the New Area netting with $0.3 million deposit paid for the Gold Project, and the payment of the office expenses of $1.0 million.

For the six months ended June 30, 2014

For the six months ended June 30, 2014, net cash outflow from operating activities was $10.6 million (6 months Q2 2013: cash outflow of $11.1 million) which was the combined effect of $6.2 million balance of Additional Consideration received (6 months Q2 2013: nil) and $6.8 million repayment from China Precision (6 months Q2 2013: $5.6 million advance to China Precision) netting off the net payment of $20.6 million (6 months Q2 2013: nil) related to the Yanxi Disposal, payments for the Gold Project of $0.3 million (6 months Q2 2013: $3.6 million) and office expenses incurred and the settlement of other payable of $2.4 million (6 months Q2 2013: $1.9 million).

9.2. Financing Activities

For the three months ended June 30, 2014

The cash outflow from financing activities was $5.6 million in this quarter (3 months Q2 2013: cash inflow of $3.9 million). The cash outflow for this quarter mainly comprises the repayment of bank loan of $5.0 million (3 months Q2 2013: nil) and the dividend payment of $0.5 million (3 months Q2 2013: $0.6 million).

For the six months ended June 30, 2014

The cash outflow from financing activities was $4.2 million for the six months ended June 30, 2014 (6 months Q2 2013: cash inflow of $3.9 million) which mainly represents the new bank loans raised of $4.9 million (6 months Q2 2013: $4.6 million) netting off the repayment of bank loan of $8.5 million (6 months Q2 2013: nil) and the dividend payment of $0.5 million (6 months Q2 2013: $0.6 million).

9.3. Investing Activities

For the three months ended June 30, 2014

The cash used in investing activities was $0.7 million in this quarter (3 months Q2 2013: cash outflow of $6.2 million). The cash outflow in this quarter mainly represents the additions of property, plant and equipment of $0.2 million (3 months Q2 2013: $5.5 million), payment for the exploration and evaluation assets of $0.4 million (3 months Q2 2013: $0.8 million) and purchase of listed debentures of $0.2 million (3 months Q2 2013: nil).

For the six months ended June 30, 2014

For the six months ended June 30, 2014, net cash used in investing activities was $0.4 million (6 months Q2 2013: cash outflow of $7.1 million) which mainly represents the additions of property, plant and equipment of $0.2 million (6 months Q2 2013: $6.6 million), additions of exploration and evaluation assets of $0.4 million (6 months Q2 2013: $0.9 million) and purchase of listed debentures of $0.2 million (6 months Q2 2013: nil) netting off against interest received of 0.3 million.

10 Statements of Financial Position

10.1. Cash and Cash Equivalents

The Group had approximately $39.3 million in cash and cash equivalents as at June 30, 2014, compared to $54.5 million as at December 31, 2013. The decrease of $15.2 million was mainly the combined effect of payment for the Yanxi Disposal $19.8 million, income tax of $0.8 million, bank loan of $3.5 million, dividend of $0.6 million, share repurchase of $0.1 million, purchase of bonds of $0.2 million, addition to property, plant and equipment and construction work of $0.5 million and the office expenses of $2.4 million, netting against the repayment from China Precision of $6.8 million and balance of Additional Consideration received of $6.2 million.

10.2. Exploration and Evaluation Assets

All the exploration and evaluation assets are related to the Gold Project, including mining rights, geological and geophysical costs, mine site and facilities construction, drilling and exploration expenses. For the three months ended June 30, 2014, there were additions of $366,000 in exploration and evaluation assets.

10.3. Deferred Expenditure

Pursuant to the supplemental agreement dated May 31, 2012 in relation to the Yanxi Disposal, the Group, together with the two shareholders of Tongxing, was entitled to an Additional Consideration of $10.8 million (HK$84,160,440) for the New Area upon obtaining the New Mining Licence. As at December 31, 2013, the Group had incurred expenditure of $2.7 million in relation to the New Mining Licence application and this expenditure was recognized as deferred expenditure.

As at June 30, 2014, the New Mining Licence has been obtained and the related expenditure incurred was charged to the Statements of Comprehensive Income.

10.4. Other Financial Assets

Other financial assets represented the $1.2 million listed debentures and the 3.5% indirect unlisted equity interest in Tongxing of $0.2 million.

10.5. Other Payables, Receipts in Advance and Accrued Liabilities

At June 30, 2014, the deposit of $5.4 million (HK$42,080,220) received from China Daye Non-Ferrous Metals Mining Limited as partial settlement of the consideration for the New Area has been recognized to the Statements of Comprehensive Income upon obtaining the New Mining Licence. The balance of the payables mainly represents the amount payable to the two local shareholders of $2.4 million (HK$18,935,280) on the final consideration received in June 2014 and the payable for the construction work of Tongyuan of approximately $2.1 million.

10.6. Share Capital

As at June 30, 2014, GobiMin had 57,779,482 common shares issued and outstanding. During this quarter ended June 30, 2014, 223,500 common shares were repurchased and cancelled respectively.

11 Related Party Transactions

The Group had the following transactions with related parties:

11.1. <u>During the six months ended June 30, 2014</u>

(a) Fees and other remunerations to directors and key management personnel of \$0.3 million (Q2 2013: \$0.3 million).
(b) Rental income of \$13,189 (Q2 2013: \$12,870) from the office building in Xinjiang received from related parties.
(c) Interest income of \$0.1 million (Q2 2013: \$68,286) from China Precision.
(d) Rental income and share of office common expenses of \$31,204 (Q2 2013: nil) from China Precision.
(e) Dividend income of \$92,703 (Q2 2013: Nil) from the associates in this quarter.

11.2. <u>As at June 30, 2014</u>

(a) Advance to China Precision of \$4.8 million (December 31, 2013: \$11.6 million), which were recorded as amount due from an associate. Such advance is unsecured, bears interest at the rate of 2% per annum and is repayable on demand.
(b) A deposit of \$82,432 (December 31, 2013: \$82,432) was paid to the non-controlling shareholder of an associate for exploration services.
(c) A deposit of \$0.5 million (December 31, 2013: \$0.5 million) was paid to the non-controlling shareholder of a non-wholly owned subsidiary for exploration services.

12 Capital Commitment

As at June 30, 2014, the Group had the following capital commitments of \$7.3 million in total that the Group had contracted, but not provided for:

(a) The Group had entered into agreements for exploration services, construction of an office building and mine design and related facilities in relation to the Gold Project. The total contracted amount is \$20.2 million (RMB122,582,716), of which \$13.4 million (RMB81,401,696) was paid with remaining balance of \$6.8 million (RMB41,181,020) as contractual commitment.

(b) The Group had contracted commitment for capital contributions payable to an associate of \$0.5 million (RMB3,200,000).

13 Off-Balance Sheet Arrangements

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

14 Proposed Transaction: Listing of China Precision

On July 23, 2014, China Precision underwent a reorganisation and all the shares held by the then shareholders of China Precision were swapped for the shares of Loco HK. Thereafter, Loco HK (i) issued and allotted to the Group new shares in consideration of capitalisation of the loan in the amount of approximately \$3.6 million (HK\$27,714,506) originally due from China Precision to the Group; and (ii) placed 120,000,000 new shares at \$0.05 (HK\$0.36) per share and raised gross proceeds of approximately \$6.0 million (HK\$43,200,000). Accordingly, GobiMin through its wholly owned subsidiary holds 192,080,000 shares of Loco HK, representing approximately 48.02% of its total issued shares. The shares of Loco HK commenced dealings on GEM on August 5, 2014 under the stock code 8162. Each of GobiMin and its two wholly owned subsidiaries, namely GobiMin Investments Limited and GobiMin Silver Limited, as well as its Chief Executive Officer, Mr. Felipe Tan, entered into non-competition undertakings and a tax indemnity in favour of Loco HK and all the shares in Loco HK held by the Group are subject to a twelve (12) months non-disposal undertaking.

(Expressed in United States Dollars)

15 Outstanding Share Data

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

As at	December 31, 2013	June 30, 2014	August 28, 2014
Number of Common Shares Outstanding	58,010,982	**57,779,482**	**57,779,482**
Number of Options Outstanding	1,738,000	**1,722,000**	**1,722,000**
Number of Common Shares Fully Diluted	59,748,982	**59,501,482**	**59,501,482**

16 Risk Factors

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

16.1. Metal Prices

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

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

16.2. Currency Risks

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

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

16.3. Exploration, Development and Operating Risks

The exploration and development of mineral deposits involves significant risks over a significant period of time, which even with a combination of careful evaluation, experience and knowledge may not be eliminated. Few properties that are explored are ultimately developed into producing mines. Major expenditures may be required to establish mineral reserves through drilling, to develop metallurgical processes and to develop the mining and processing facilities and infrastructure at any site chosen for mining. No assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economic viability of a mineral deposit depends on many factors, including size, grade, cost of operations, metal prices, cost of processing equipment, and continuing access to smelter facilities on acceptable terms, government regulations, land tenure, and environmental protection. The exact effect of these factors cannot be measured but the combinations of these factors may impact the success of the Group's mineral exploration, development and acquisition activities. Even after the commencement of mining operations, such operations may be subject to risks and hazards such as environmental hazards, industrial accidents, cave-ins, rock bursts, unusual or unexpected geological formations, ground control problems and flooding. The occurrence of any of the foregoing could result in damage to or destruction of mineral properties and production facilities, personal injuries, environmental damage, delays or interruptions of production, increases in production costs, monetary losses, legal liability and adverse government action.

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

The Group's properties are generally located in the Xinjiang region, a sector which has in the past experienced seismic activity of six to seven on the Richter scale. Therefore, planning for mines and infrastructures must consider seismicity in the design and there exist a risk that seismic activities may cause significant damages to the Group's infrastructures and operations in the area.

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

16.4. Uncertainty of Ore Reserves and Resource Estimates

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

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

16.5. Capital Requirements

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

16.6. Risks Relating to Conducting Business in China

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

China's local, provincial and central authorities exercise a substantial degree of control over the mining industry in China. The Group's operations are subject to Chinese laws, regulations, policies, standards and requirements in relation to, among other things, mine exploration, development, production, taxation, labor standards, occupational health and safety, waste treatment and environmental protection, and operation management. Any changes to these laws, regulations, policies, standards and requirements or to the interpretation or enforcement thereof may restrict the business operations of the Group or increase the Group's operating costs and thus adversely affect the Group's results.

16.7. Permits and Licences

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

GobiMin's exploration and exploitation licences are subject to annual audit by the Department of Land and Resources of Xinjiang, China. In their annual audit, the authorities may consider whether the Group's mining activities have been in compliance with the relevant laws and regulations. If the Group fails to meet the relevant requirements or materially breaches any laws or regulations, it may not pass such audit, in which case it may be subject to penalties in accordance with applicable laws, or be given a deadline to rectify deficiencies, or, in serious cases, have its permits and licences revoked. While the Group has never encountered such problems in the past, there can be no assurance that it will pass future audits. Should permits or licences be suspended or revoked, GobiMin's business and results of operations could be materially affected. The mining licence for the Gold Project was granted for an initial period of 8 years. As at June 30, 2014, the remaining valid period of the mining licence was approximately 4 years. There is no guarantee that such mining licence will be renewed at its expiration.

16.8. Environmental Regulation

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

16.9. Dependence on Key Managerial Employees

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

16.10. Competition

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

16.11. Dividend Policy

GobiMin has been declaring and paying an annual dividend to its shareholders since 2005. GobiMin currently intends to continue to pay annual dividends subject to earnings, capital availability and periodic determinations that cash dividends are in the best interest of the Group and our shareholders. Our dividend policy may change from time to time at the discretion of our board of directors and we may or may not continue to declare dividend payments. A change in our dividend policy could have a negative effect on our stock price.