

GobiMin Inc.

(Incorporated in Canada under the Canada Business Corporations Act)

Condensed Interim Financial Statements (unaudited)

March 31, 2017

(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 March 31, 2017 and December 31, 2016
(Expressed in United States Dollars)

	Note	March 31, 2017	December 31, 2016
ASSETS		\$	\$
Current			
Cash and cash equivalents	4	23,939,266	27,164,240
Prepayments, deposits and other receivables		194,420	184,383
Financial assets	8	5,785,468	3,886,101
Amounts due from a related company	5	3,500,000	3,500,000
Total current assets		33,419,154	34,734,724
Non-current			
Property, plant and equipment	6	13,723,441	13,929,097
Investment properties		1,684,436	1,714,109
Exploration and evaluation assets	7	29,335,449	29,335,449
Interests in associates		191,960	194,241
Financial assets	8	5,974,627	5,379,766
Deposit paid to related parties	12.3	28,700	28,700
Total non-current assets		50,938,613	50,581,362
Total assets		84,357,767	85,316,086
LIABILITIES			
Current			
Other payables, receipts in advance and accrued liabilities	9	1,212,382	1,413,985
Income taxes payable		1,127,107	1,235,586
Bank loan	10	1,149,163	1,195,109
Total current liabilities		3,488,652	3,844,680
Total liabilities		3,488,652	3,844,680
SHAREHOLDERS' EQUITY			
Share capital	11	22,228,994	22,346,312
Reserves and retained earnings		58,208,079	58,666,057
Equity attributable to shareholders of the Company		80,437,073	81,012,369
Non-controlling interests		432,042	459,037
Total shareholders' equity		80,869,115	81,471,406
Total liabilities and shareholders' equity		84,357,767	85,316,086

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

APPROVED BY THE BOARD ON MAY 25, 2017 AND SIGNED ON ITS BEHALF BY:

(Signed)
Felipe Tan
Director

(Signed)
Hubert Marleau
Director

GobiMin Inc.
Condensed Interim Statements of Comprehensive Income (Unaudited)
For the three months ended March 31, 2017 and 2016
(Expressed in United States Dollars)

		Three Months Ended	
	<i>Note</i>	March 31, 2017	March 31, 2016
		\$	\$
Revenue		-	-
Cost of sales		-	-
Selling and distribution cost		-	-
Gross profit		-	-
Other revenue		211,115	153,705
General and administrative expenses		(700,063)	(799,347)
Share of results of associates		(2,281)	(8,449)
Operating loss		(491,229)	(654,091)
Gain on disposal of financial assets		-	4,400
Loss on fair value changes of financial assets		(103,629)	-
Exchange loss		(419)	(17,494)
Finance costs		(8,526)	(2,508)
Loss before income tax		(603,803)	(669,693)
Income tax credit		108,479	-
Net loss and total comprehensive loss for the period		(495,324)	(669,693)
Loss for the period attributable to:			
Shareholders of the Company		(468,329)	(634,220)
Non-controlling interests		(26,995)	(35,473)
		(495,324)	(669,693)
Total comprehensive loss for the period attributable to:			
Shareholders of the Company		(468,329)	(634,220)
Non-controlling interests		(26,995)	(35,473)
		(495,324)	(669,693)
Net losses per share			
Basic and diluted	11.7	(0.009)	(0.012)
Weighted average number of shares outstanding		Share	Share
Basic and diluted	11.7	50,472,315	52,546,482

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 ended March 31, 2017 and 2016
(Expressed in United States Dollars)

	Attributable to shareholders of the Company					Retained earnings	Non-controlling interests	Total equity
	Share capital Note 11.1	Contributed surplus	Share option reserve	General reserve Note 11.3	Translation reserve Note 11.4			
At January 1, 2016	\$ 23,219,017	\$ 2,399,939	\$ 208,349	\$ 501,965	\$ 1,637,358	\$ 49,566,637	\$ 627,107	\$ 78,160,372
Loss for the period	-	-	-	-	-	(634,220)	(35,473)	(669,693)
Total comprehensive loss	-	-	-	-	-	(634,220)	(35,473)	(669,693)
Options cancelled	-	-	(774)	-	-	774	-	-
Share based payment	-	-	12,027	-	-	-	-	12,027
At March 31, 2016	23,219,017	2,399,939	219,602	501,965	1,637,358	48,933,191	591,634	77,502,706
At January 1, 2017	22,346,312	2,399,939	229,243	501,965	(911,152)	56,446,062	459,037	81,471,406
Loss for the period	-	-	-	-	-	(468,329)	(26,995)	(495,324)
Total comprehensive loss	-	-	-	-	-	(468,329)	(26,995)	(495,324)
Shares repurchased	(117,318)	-	-	-	-	9,279	-	(108,039)
Share based payment	-	-	1,072	-	-	-	-	1,072
At March 31, 2017	22,228,994	2,399,939	230,315	501,965	(911,152)	55,987,012	432,042	80,869,115

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

GobiMin Inc.
Condensed Interim Statements of Cash Flows (Unaudited)
For the three months ended March 31, 2017 and 2016
(Expressed in United States Dollars)

	Three Months Ended	
	March 31, 2017	March 31, 2016
	\$	\$
Operating activities		
Loss before income tax	(603,803)	(669,693)
Adjustments for items not involving cash:		
- Depreciation	240,653	251,574
- Share-based payment	1,072	12,027
- Share of results of associates	2,281	8,449
- Gain on disposal of financial assets	-	(4,400)
- Loss on fair value changes of financial assets	103,629	-
- Exchange difference	419	17,494
- Interest income	(123,410)	(61,353)
- Interest expense	6,986	863
	(372,173)	(445,039)
Working capital adjustments:		
- Prepayments, deposits and other receivables	(10,455)	(30,600)
- Other payables, receipts in advance and accrued liabilities	(189,773)	(211,875)
- Income tax paid	-	(263,548)
Net cash flow used in operating activities	(572,401)	(951,062)
Financing activities		
Interest paid	(6,986)	(863)
Shares repurchased	(108,039)	-
Repayment of bank loan	(45,946)	-
Repayment of obligations under finance lease	(11,830)	(11,830)
Net cash flow used in financing activities	(172,801)	(12,693)
Investing activities		
Interest received	123,410	61,353
Additions of property, plant and equipment	(5,324)	(40,149)
Additions of certificate of deposit	(2,002,997)	-
Net additions of debentures	(594,861)	(2,614,850)
Net cash flow used in investing activities	(2,479,772)	(2,593,646)
Decrease in cash and cash equivalents	(3,224,974)	(3,557,401)
Cash and cash equivalents at beginning of the period	27,164,240	26,065,086
Cash and cash equivalents at end of the period	23,939,266	22,507,685

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

GobiMin Inc.
Notes to Condensed Interim Financial Statements
For the quarter ended March 31, 2017
(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, as a Tier 2 mining issuer. Its registered office is situated at Suite 2110, 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 PREPARATION

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

These condensed interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2016. Operating results for these interim periods are not necessarily indicative of the results that may be expected for the full financial year ending December 31, 2017.

In preparing these condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2016.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed interim financial statements are consistent with the policies disclosed in notes 2 and 3 to the consolidated financial statements for the year ended December 31, 2016.

The Group has not early adopted any other standard, interpretation or amendment that has been issued by the International Accounting Standards Board but is not yet effective.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents were held in following locations:

Location	March 31, 2017	December 31, 2016
	\$	\$
Canada	77,610	283,752
Hong Kong	22,433,365	25,385,468
China	1,428,291	1,495,020
Total	23,939,266	27,164,240

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

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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.

5. AMOUNTS DUE FROM A RELATED COMPANY

The loan is made to a subsidiary of Loco Hong Kong Holdings Limited (“Loco HK”) and is unsecured, bears interest rate at 3.5% per annum. It is repayable on October 6, 2017 or on demand with 3 days’ notice.

At March 31, 2017, the Company has an equity interest of 10.06% in Loco HK, of which Mr. Felipe Tan, Chief Executive Officer of GobiMin, is a director. Such investment has been classified as financial assets as disclosed in note 8 to the financial statements.

6. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land & buildings	Leasehold improvements	Furniture, fixture & equipment	Computer hardware & equipment	Motor vehicles	Total
Cost:	\$	\$	\$	\$	\$	\$
At January 1, 2016	15,457,717	196,958	397,619	644	1,028,284	17,081,222
Exchange difference	(436,438)	-	(23,414)	(42)	(49,030)	(508,924)
Additions	231,660	40,149	-	-	-	271,809
At December 31, 2016	15,252,939	237,107	374,205	602	979,254	16,844,107
Additions	-	-	5,324	-	-	5,324
At March 31, 2017	15,252,939	237,107	379,529	602	979,254	16,849,431
Depreciation and impairment:						
At January 1, 2016	985,851	109,693	277,585	644	758,005	2,131,778
Exchange difference	(18,374)	-	(16,544)	(42)	(37,675)	(72,635)
Depreciation for the year	599,505	78,030	37,942	-	140,390	855,867
At December 31, 2016	1,566,982	187,723	298,983	602	860,720	2,915,010
Depreciation for the period	152,000	19,553	9,320	-	30,107	210,980
At March 31, 2017	1,718,982	207,276	308,303	602	890,827	3,125,990
Net book value:						
At December 31, 2016	13,685,957	49,384	75,222	-	118,534	13,929,097
At March 31, 2017	13,533,957	29,831	71,226	-	88,427	13,723,441

As at March 31, 2017, the carrying amount of property, plant and equipment which were located in Hong Kong amounted to \$7,962,915 (December 31, 2016: \$8,083,950). The remaining property, plant and equipment were located in China.

The carrying value of the motor vehicles held under finance lease at March 31, 2017 amounted to \$53,372 (December 31, 2016: \$62,019). The lease does not include contingent rentals. The leased asset was pledged as security for the related finance lease.

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The leasehold land and buildings with carrying value of \$5,607,893 (December 31, 2016: \$5,673,868) has been pledged as security of a loan facility of \$1,287,002. As at March 31, 2017, the outstanding balance amounted to \$1,149,163 (December 31, 2016: \$1,195,109). For details of the bank loan, please refer to note 10 to the financial statements.

7. EXPLORATION AND EVALUATION ASSETS

	Mining rights Note 7.1	Others Note 7.2	Total
Cost:	\$	\$	\$
At January 1, 2016	7,899,612	23,563,153	31,462,765
Exchange difference	(516,488)	(1,540,592)	(2,057,080)
Disposals	-	(70,236)	(70,236)
At December 31, 2016	7,383,124	21,952,325	29,335,449
At March 31, 2017	7,383,124	21,952,325	29,335,449

7.1 Mining Rights

The mining rights represented the mining and exploration rights of the Sawayaerdun Gold Project (“Gold Project”) located at 200 km northwest of the city of Kashi, western Xinjiang, China. As at March 31, 2017, the remaining valid period of the exploration licence and mining licence was approximately 1 year.

7.2 Others

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

8. FINANCIAL ASSETS

As at	March 31, 2017	December 31, 2016
	\$	\$
Current		
Listed securities	3,782,471	3,886,101
Certificate of deposit	2,002,997	-
	5,785,468	3,886,101
Non-current		
Debentures	5,777,043	5,182,182
Available-for-sale financial asset	197,584	197,584
	5,974,627	5,379,766
Total	11,760,095	9,265,867

As at March 31, 2017, the listed securities represented the investment in an equity interest of 10.06% in Loco HK that are designated at fair value through profit or loss as disclosed in note 5 to the financial statements. The fair value of the investment is determined with reference to quoted market price. Certificate of deposit represented deposit placed with a bank which will mature in August 2017 with coupon rate of 1.530% per annum and is stated at amortised cost. Debentures are classified as financial assets at fair value through profit or loss, with coupon rates ranged from 4.250% to 9.000% (December 31, 2016: 4.250% to 9.000%) per annum and maturities ending between November 3, 2019 and perpetual (December

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31, 2016: November 3, 2019 and perpetual). Available-for-sale financial asset represent the equity interest in Xinjiang Tongxing Minerals Limited which is measured at cost less any identified impairment loss.

9. OTHER PAYABLES, RECEIPTS IN ADVANCE AND ACCRUED LIABILITIES

As at March 31, 2017 and December 31, 2016, the balances of other payables, receipts in advance and accrued liabilities comprised mainly the payable related to the construction work of the office building, exploration work, mine design and related facilities of the Gold Project and accrual of office expenses.

As at	March 31, 2017	December 31, 2016
	\$	\$
Other payables	872,811	868,164
Accrued liabilities	177,664	416,460
Receipts in advance	139,774	97,022
Deposit received	8,897	7,462
Obligation under finance leases – current	13,236	24,877
	1,212,382	1,413,985

10. BANK LOAN

As at	March 31, 2017	December 31, 2016
	\$	\$
Bank loan due for repayment within one year	183,784	183,784
Bank loan due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	965,379	1,011,325
Total bank loan, secured and interest bearing	1,149,163	1,195,109

The bank loan is denominated in Hong Kong dollars and bears interest at Hong Kong Interbank Offered Rate plus 1.75% per annum. It is secured by (i) the leasehold land and buildings of the Group; and (ii) a personal guarantee given by a director to an extent of \$1,930,502 (HK\$15,000,000) as disclosed in notes 6 and 12.2 to the financial statements. The bank loan is repayable by 84 monthly instalments with the last instalment on September 28, 2023.

11. SHARE CAPITAL AND STOCK OPTIONS

11.1 Common Shares

	Number	Amount
Authorized:		\$
Unlimited number of common shares		
Issued and outstanding:		
At January 1, 2016	52,546,482	23,219,017
Shares repurchased and cancelled	(1,975,000)	(872,705)
At December 31, 2016	50,571,482	22,346,312
Shares repurchased and cancelled	(265,500)	(117,318)
At March 31, 2017	50,305,982	22,228,994

11.2 Preferred Shares

The Company did not authorize or issue any preferred shares.

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11.3 General Reserve

The general reserve represents statutory reserves of the Group's Chinese operating subsidiaries. During the three months ended March 31, 2017, there was no movement in the general reserve.

11.4 Translation Reserve

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

11.5 Normal Course Issuer Bid

On February 8, 2017, GobiMin was granted approval to renew its normal course issuer bid to repurchase up to an additional 2,528,574 common shares (2016: 2,627,324), 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, 2018. For the three months ended March 31, 2017, 265,500 common shares were repurchased at an aggregate cost of \$108,039 (CAD145,361) under the renewed issuer bid. All shares repurchased has been returned to treasury for cancellation.

11.6 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, 2016: 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:

	Three months ended		Three months ended	
	March 31, 2017		March 31, 2016	
	Number	Weighted Average	Number	Weighted Average
	of Options	Exercise Price	of Options	Exercise Price
		\$		\$
Outstanding, beginning of the period	2,280,000	0.37	2,450,000	0.43
Forfeited during the period	-	-	(6,000)	0.43
Outstanding, end of the period	2,280,000	0.37	2,444,000	0.43

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

Exercise Price	Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
CAD	\$			\$			\$
At March 31, 2017							
0.50	0.37	2,000,000	0.75	0.37	2,000,000	0.75	0.37
0.50	0.37	280,000	2.75	0.37	168,000	2.75	0.37
		2,280,000	1.00	0.37	2,168,000	0.90	0.37
At December 31, 2016							
0.50	0.37	2,000,000	1.00	0.37	2,000,000	1.00	0.37
0.50	0.37	280,000	3.00	0.37	168,000	3.00	0.37
		2,280,000	1.25	0.37	2,168,000	1.15	0.37

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:

<u>Grant date</u>	December 19, 2014	December 19, 2014
Exercise Price (CAD)	0.50	0.50
Expected life (year)	3	5
Expected volatility	38%	38%
Dividend yield	-	-
Discount rate	1.10%	1.66%
Forfeiture rate	-	-

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.

11.7 Basic and Diluted Losses Per Share

<u>For the three months ended</u>	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Net losses attributable to shareholders		
Basic and diluted	(\$468,329)	(\$634,220)
Weighted average number of shares outstanding		
Basic and diluted	50,472,315	52,546,482
Basic and diluted losses per share	(\$0.009)	(\$0.012)

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

12. RELATED PARTY TRANSACTIONS

12.1 Key management compensation

The remuneration of key management and directors was as follows:

For the three months ended	March 31, 2017	March 31, 2016
	\$	\$
Wages, fees and other benefits	89,073	130,364
Payment to defined contribution plans	579	2,641
Share-based payment	333	10,439
	89,985	143,444

12.2 Related party transactions

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

Relationship	Type of transactions	For the three months ended	
		March 31, 2017	March 31, 2016
		\$	\$
Companies controlled by a director	Rental income	11,918	8,201
An associate	Rental income	-	30,116
	Share of office common expenses and staff cost	-	46,936
A company with common director who has controlling interest in the Company	Rental income	30,116	-
	Interest income	30,205	-
	Share of office common expenses and staff cost	25,862	-

As at March 31, 2017, the Group has a loan facility secured by a guarantee given by a director as disclosed in note 10 to the financial statements.

12.3 Advances to related parties

The deposit paid to related parties represented deposit payment to a non-controlling shareholder of an associate for exploration services.

Amount due from a related company was disclosed in note 5 to the financial statements.

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

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13. COMMITMENTS

13.1 Capital commitments

The Group has the following capital commitment:

<u>As at March 31, 2017</u>	<u>Contract Date</u>	<u>Contracted Sum</u>	<u>Capital Commitments</u>
		\$	\$
Exploration services	April 7, 2010	660,103	157,381
Mine design and related facilities	October 31, 2011	1,148,005	631,403
Office building renovation	March 2, 2013	1,884,147	830,524
Research on gold processing method	June 1, 2016	121,976	64,575
Total capital commitments for the Gold Project		3,814,231	1,683,883

13.2 Operating lease commitments

The Group as lessor

The Group has entered into operating leases on its investment properties, with lease terms ranging from one to five years.

Future minimum lease receivables under non-cancellable operating leases are as follows:

<u>As at</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>
	\$	\$
Within one year	159,746	90,808
In the second to fifth years inclusive	156,663	189,173
Total future minimum lease receivables	316,409	279,981

14. 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.

15. 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.

15.1 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.

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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
	\$	\$	\$	\$
<u>As at March 31, 2017</u>				
Listed securities	3,782,471	-	-	3,782,471
Debentures	5,777,043	-	-	5,777,043
	<u>9,559,514</u>	<u>-</u>	<u>-</u>	<u>9,559,514</u>
<u>As at December 31, 2016</u>				
Listed securities	3,886,101	-	-	3,886,101
Debentures	5,182,182	-	-	5,182,182
	<u>9,068,283</u>	<u>-</u>	<u>-</u>	<u>9,068,283</u>

15.2 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.

15.3 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 China, are subject to foreign exchange controls and require the approval of the China State Administration of Foreign Exchange. Developments relating to the Chinese's economy and actions taken by the Chinese 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

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dollars and other foreign currencies will not adversely affect its results of operations, financial condition and cash flows.

15.4 Credit Risk

The Group is exposed to credit risk with respect to cash equivalents, other receivables, 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.

15.5 Liquidity Risk

Liquidity risk is the risk that the Group may encounter difficulties in meeting obligations associated with financial liabilities. As at March 2017, the Group held cash and cash equivalents of \$23,939,266 and net current assets of \$29,930,502. 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.

15.6 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.

16. 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 \$80,869,115 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.

17. EVENTS AFTER THE REPORTING DATE

- 17.1 For the period from April 1, 2017 to May 25, 2017, a total of 40,500 common shares were repurchased at an aggregate cost of \$16,444 (CAD22,124). All shares repurchased were or will be returned to treasury for cancellation.
- 17.2 On April 20, 2017, GobiMin declared an annual dividend of \$0.01 (CAD0.01) per share in accordance with its dividend policy and the 2016 performance. The dividend will be payable on June 22, 2017 to shareholders of record on May 26, 2017.

GobiMin Inc.

(Incorporated in Canada under the Canada Business Corporations Act)

Interim Management's Discussion and Analysis of Financial Results

- Quarterly Highlights

March 31, 2017

(Expressed in United States Dollars except where otherwise noted)

GobiMin Inc.
Interim MD&A – Quarterly Highlights
For the quarter ended March 31, 2017
(Expressed in United States Dollars)
May 25, 2017

The Quarterly Highlights of GobiMin Inc. (the “Company” or “GobiMin”) provide material updates to the business operations, liquidity and capital resources of the Company since its last annual management discussion & analysis, being the Management Discussion & Analysis (the “Annual MD&A”) for the fiscal year ended December 31, 2016. The Quarterly Highlights do not provide a general update to the Annual MD&A, or reflect any non-material events since the date of the Annual MD&A.

The Quarterly Highlights have been prepared by management as of May 25, 2017 and in compliance with the requirements of section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with its condensed interim financial statements for the quarter ended March 31, 2017 prepared in accordance with International Financial Reporting Standards (“IFRS”), its audited consolidated financial statements for the year ended December 31, 2016 prepared in accordance with IFRS and the Annual MD&A.

Additional information is accessible at the Company’s website www.gobimin.com or through the Company’s public filing at www.sedar.com.

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, 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”).

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.

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.

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2. Financial Highlights

	3 months ended March 31		12 months ended
	2017	2016	December 31, 2016
	\$	\$	\$
Net profit (loss) for the period/year	(0.5 million)	(0.7 million)	6.9 million
EBITDA (LBITDA) ⁽¹⁾	(0.5 million)	(0.5 million)	7.6 million
Basic and diluted earnings (losses) per share	(0.009)	(0.012)	0.136
EBITDA (LBITDA) per share ⁽¹⁾	(0.010)	(0.009)	0.146
Cash and cash equivalents	23.9 million	22.5 million	27.2 million
Cash and cash equivalents per share ⁽¹⁾	0.48	0.43	0.54
Working capital	29.9 million	20.0 million	30.9 million
Total liabilities	3.5 million	2.7 million	3.8 million
Total assets	84.4 million	80.2 million	85.3 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

The Company owns a 70% equity interest in Xinjiang Tongyuan Minerals Limited which is developing and operating the Gold Project in Xinjiang. Development of the Gold Project is still on hold and GobiMin will focus on the conversion of the exploration licence into a mining licence. As at March 31, 2017, the Company has submitted two geological reports and received approval for the first report. It is expected that the Company may obtain the approval of the second report in the third or fourth quarter of 2017 and the mining license by the end of 2018. In addition, GobiMin will keep seeking potential investors for the Gold Project.

As at March 31, 2017, there was no addition to the exploration and evaluation assets and the Group had a contractual commitment of \$1.7 million for the future development of the Gold Project.

3.2 Base Metal Exploration Projects in Xinjiang

The Group owns a 40% equity interest in each of the three companies incorporated in Xinjiang, China, which are engaged in exploration of nickel, copper, and gold. As at March 31, 2017, the carrying value of these companies, which are regarded as associates of the Group, amounted to \$0.2 million (RMB1.3 million) in aggregate.

3.3 Normal Course Issuer Bid (“NCIB”)

On February 8, 2017, GobiMin was granted approval by the TSX Venture Exchange to renew its NCIB to repurchase up to an additional 2,528,574 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, 2018. For the three months ended March 31, 2017, 265,500 common shares were repurchased under the NCIB at an aggregate cost of \$108,039 (CAD145,361). For the period from April 1, 2017 to May 25, 2017, a total of 40,500 common shares were repurchased at an aggregate cost of \$16,444 (CAD22,124) under the NCIB. All shares repurchased were or will be returned to treasury for cancellation.

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 NCIB will be provided to shareholders upon receipt of written request to the Company at its registered office.

3.4 Liquidity and Capital Resources

As at March 31, 2017, the working capital of the Group amounted to approximately \$29.9 million (December 31, 2016: \$30.9 million), by netting off its current assets of \$33.4 million (December 31, 2016: \$34.7 million) with current liabilities of \$3.5 million (December 31, 2016: \$3.8 million).

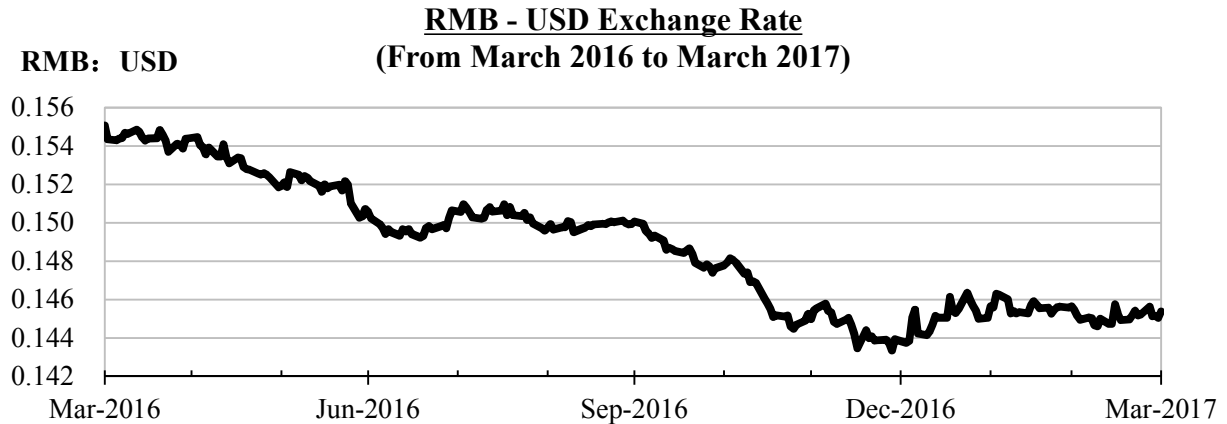
Among the cash and cash equivalents of \$23.9 million, approximately \$1.4 million were held in China. The subsidiaries in China are allowed to transfer funds to other Group companies outside China upon presentation of the relevant documentation required by applicable regulations, subject to the risks set out under the section named “Risk Factors” in the Company’s Annual MD&A for the fiscal year ended December 31, 2016, available on SEDAR at www.sedar.com. The Group will take precautions to ensure that the available capitals match with its various payment obligations in China and elsewhere.

Taking into account of its financial position, the management of the Group considered that its cash and cash equivalents will be more than sufficient to finance its operation, including the contractual commitments of the Gold Project of approximately \$1.7 million.

4. Key Economic Trends

4.1 China Economy

As GobiMin’s activity are mostly conducted in China, the conditions of the Chinese economy plays a paramount role in the Group’s exploration business. Since the Group reports in U.S. dollars, the Group’s cost structure may potentially be impacted by currency fluctuations. As at March 31, 2017, the exchange rate of the Chinese Renminbi against the U.S. dollar decreased by 6.24%, as compared with that as at March 31, 2016.



4.2 Gold Market

The changes in price of gold have a strong influence on the Gold Project's value. As at March 31, 2017, the gold price increased by 1.33% from that on March 31, 2016.



5. Selected Quarterly Information

For the three months ended March 31, 2017, the Group reported a net loss of \$0.5 million (Q1 2016: \$0.7 million) which mainly comprised administrative expenses of \$0.7 million (Q1 2016: \$0.8 million), netting against other revenue of \$0.2 million (Q1 2016: \$0.2 million).

In this quarter, the Group recorded a net cash outflow of \$3.2 million (Q1 2016: cash outflow of \$3.6 million). It mainly represented addition of certificate of deposit and debentures of \$2.6 million and payment for office expenses of \$0.5 million.

The total assets decreased by \$0.9 million from \$85.3 million as at December 31, 2016 to \$84.4 million in this quarter which mainly represented the payment for office expenses of \$0.5 million, settlement of other payables of \$0.2 million and share repurchase of \$0.1 million.

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6. Results of Operations

6.1 Revenue

No revenue (3 months Q1 2016: Nil) from operations has been recorded in this quarter.

Other revenue in the first quarter of 2017 were \$0.2 million (3 months Q1 2016: \$0.2 million) which mainly comprises of interest income of \$0.1 million (3 months Q1 2016: \$0.1 million) and rental income of \$0.1 million (3 months Q1 2016: \$0.1 million).

6.2 General and Administrative Expenses

General and administrative expenses were \$0.7 million for this quarter (3 months Q1 2016: \$0.8 million). It mainly included pre-operating expenses incurred for the Gold Project, office rental, staff costs and legal and professional fees.

6.3 Losses Per Share

The basic and diluted losses per share were \$0.009 for this quarter (3 months Q1 2016: \$0.012).

6.4 LBITDA

The losses before interest income and expense, income taxes, depreciation and amortisation (“LBITDA”), a non-IFRS performance measure, for this quarter were \$0.5 million as compared to losses of \$0.5 million incurred in the corresponding period last year. The calculation of LBITDA was set out in the table below:

For the three months ended	March 31, 2017	March 31, 2016
	\$	\$
Loss for the period	(495,324)	(669,693)
Interest income	(123,410)	(61,353)
Interest expense	6,986	863
Income tax credit	(108,479)	-
Depreciation	240,653	251,574
LBITDA ⁽¹⁾	(479,574)	(478,609)
LBITDA per share ⁽²⁾	(0.010)	(0.009)

Note:

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

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

6.5 Annual Dividend

On April 20, 2017, the Company declared an annual dividend of \$0.01 (CAD0.01) per share in accordance with its dividend policy and 2016 performance. The dividend is payable on June 22, 2017 to shareholders of record on May 26, 2017.

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7. Cash Flows

The following table summarised the Group’s cash flows and cash on hand:

As at	March 31, 2017	March 31, 2016
	\$	\$
Cash and cash equivalents	23,939,266	22,507,685
Working capital ⁽¹⁾	29,930,502	20,026,772
For the three months ended	March 31, 2017	March 31, 2016
	\$	\$
Net cash flow used in operating activities	(572,401)	(951,062)
Net cash flow used in financing activities	(172,801)	(12,693)
Net cash flow used in investing activities	(2,479,772)	(2,593,646)
Decrease in cash and cash equivalents	(3,224,974)	(3,557,401)

Note:

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

7.1 Operating Activities

In this quarter, the Company recorded a net cash outflow from operating activities of \$0.6 million (3 months Q1 2016: \$1.0 million), mainly representing net cash payment of office expenses of \$0.5 million (3 months Q1 2016: \$0.8 million).

7.2 Financing Activities

In this quarter, the Company recorded a cash outflow from financing activities of \$0.2 million (3 months Q1 2016: \$13,000), mainly representing share repurchase of \$0.1 million (3 months Q1 2016: nil) and repayment of bank loan and obligation under finance lease of \$0.1 million (3 months Q1 2016: \$12,000).

7.3 Investing Activities

In this quarter, the Company recorded a cash outflow from investing activities of \$2.5 million (3 months Q1 2016: \$2.6 million), mainly representing the net addition of certificate of deposit of \$2.0 million (3 months Q1 2016: \$nil) and debentures of \$0.6 million (3 months Q1 2016: \$2.6 million).

8. Statements of Financial Position

8.1 Cash and Cash Equivalents

The Group had approximately \$23.9 million in cash and cash equivalents as at March 31, 2017, compared to \$27.2 million as at December 31, 2016. The decrease of \$3.3 million was mainly due to payment of the office expenses of \$0.5 million and net addition of certificate of deposit and debentures of \$2.6 million.

8.2 Exploration and Evaluation Assets

The exploration and evaluation assets are mainly 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 March 31, 2017, there was no addition in exploration and evaluation assets.

8.3 Financial Assets

Financial assets comprised:

- (a) \$3.8 million investment in the 10.06% equity interest in Loco Hong Kong Holdings Limited (“Loco HK”), the shares of which are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited under the stock code 8162.
- (b) \$2.0 million certificate of deposit with coupon rate of 1.530% per annum and maturity in August 2017.
- (c) \$5.8 million debentures with coupon rates ranged from 4.250% to 9.000% per annum and maturities ranged between November 3, 2019 and perpetual.
- (d) \$0.2 million investment in the 2.66% equity interest in Xinjiang Tongxing Minerals Limited, which is the licence holder of the Yanxi Copper Property.

8.4 Share Capital

As at March 31, 2017, GobiMin had 50,305,982 common shares issued and outstanding. For the three months ended March 31, 2017, a total of 265,500 common shares were repurchased and cancelled.

9. Related Party Transactions

The Group had the following transactions with related parties:

9.1 During the three months ended March 31, 2017

- (a) Fees and other remunerations to directors and key management amounted to \$0.1 million (Q1 2016: \$0.1 million).
- (b) Rental income of \$11,918 (Q1 2016: \$8,201) from companies controlled by a director.
- (c) Rental income of \$30,116 (Q1 2016: nil) from a subsidiary of Loco HK.
- (d) Interest income of \$30,205 (Q1 2016: nil) from a subsidiary of Loco HK.
- (e) Share of office common expenses and staff cost of \$25,862 (Q1 2016: \$46,936) from a subsidiary of Loco HK.

9.2 As at March 31, 2017

- (a) A deposit of \$28,700 (December 31, 2016: \$28,700) paid to the non-controlling shareholder of an associate for exploration services.
- (b) The principal amount of a loan of \$3.5 million (December 31, 2016: \$3.5 million) together with the accrued interest due from a subsidiary of Loco HK.
- (c) Bank loan facility of \$1.3 million (December 31, 2016: \$1.3 million) secured by a director.

10. Capital Commitment

As at March 31, 2017, the Group had capital commitments with an aggregate amount of \$1.7 million in relation to the exploration services, office building renovation, mine design and related facilities and research on gold processing method. The total contracted amount is \$3.8 million (RMB26.6 million), of which \$2.1 million (RMB14.8 million) has been provided for.

11. Off-Balance Sheet Arrangements

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

12. Future plans for material investments

The Group does not have any plan for material investments in the near future.

13. Outstanding Share Data

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

As at	December 31, 2016	March 31, 2017	May 25, 2017
Number of Common Shares Outstanding	50,571,482	50,305,982	50,265,482
Number of Options Outstanding	2,280,000	2,280,000	2,280,000
Number of Common Shares Fully Diluted	52,851,482	52,585,982	52,545,482

14. Risk Factors

The mining business conducted by the Group is subject to a number of risks. 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. Prospective investors should carefully consider the risks factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risk Factors" in the Company's Annual MD&A for the fiscal year ended December 31, 2016, available on SEDAR at www.sedar.com.