

# **GobiMin Inc.**

*(Incorporated in Canada under the Canada Business Corporations Act)*

## **Condensed Interim Financial Statements (unaudited)**

**June 30, 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 June 30, 2017 and December 31, 2016**  
(Expressed in United States Dollars)

	Note	June 30, 2017	December 31, 2016
<b>ASSETS</b>		\$	\$
<b>Current</b>			
Cash and cash equivalents	4	22,797,256	27,164,240
Prepayments, deposits and other receivables		235,599	184,383
Financial assets	8	4,852,804	3,886,101
Amounts due from a related company	5	3,500,000	3,500,000
<b>Total current assets</b>		<b>31,385,659</b>	<b>34,734,724</b>
<b>Non-current</b>			
Property, plant and equipment	6	13,546,990	13,929,097
Investment properties		1,654,764	1,714,109
Exploration and evaluation assets	7	29,335,449	29,335,449
Interests in associates		191,627	194,241
Financial assets	8	6,076,643	5,379,766
Deposit paid to related parties	12.3	28,700	28,700
<b>Total non-current assets</b>		<b>50,834,173</b>	<b>50,581,362</b>
<b>Total assets</b>		<b>82,219,832</b>	<b>85,316,086</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Other payables, receipts in advance and accrued liabilities	9	1,116,152	1,413,985
Income taxes payable		1,127,107	1,235,586
Bank loan	10	1,103,218	1,195,109
<b>Total current liabilities</b>		<b>3,346,477</b>	<b>3,844,680</b>
<b>Total liabilities</b>		<b>3,346,477</b>	<b>3,844,680</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	11	22,189,446	22,346,312
Reserves and retained earnings		56,281,203	58,666,057
<b>Equity attributable to shareholders of the Company</b>		<b>78,470,649</b>	<b>81,012,369</b>
Non-controlling interests		402,706	459,037
<b>Total shareholders' equity</b>		<b>78,873,355</b>	<b>81,471,406</b>
<b>Total liabilities and shareholders' equity</b>		<b>82,219,832</b>	<b>85,316,086</b>

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

APPROVED BY THE BOARD ON AUGUST 17, 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 six months ended June 30, 2017 and 2016**  
(Expressed in United States Dollars)

	<i>Note</i>	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
		<b>June 30, 2017</b>	June 30, 2016	<b>June 30, 2017</b>	June 30, 2016
		\$	\$	\$	\$
Revenue		-	-	-	-
Cost of sales		-	-	-	-
Selling and distribution cost		-	-	-	-
<b>Gross profit</b>		-	-	-	-
Other revenue		<b>221,719</b>	169,327	<b>432,834</b>	323,032
General and administrative expenses		<b>(680,596)</b>	(798,930)	<b>(1,380,659)</b>	(1,598,277)
Share of results of associates		<b>(333)</b>	205,190	<b>(2,614)</b>	196,741
<b>Operating loss</b>		<b>(459,210)</b>	(424,413)	<b>(950,439)</b>	(1,078,504)
Gain on disposal of property, plant and equipment		<b>9,009</b>	-	<b>9,009</b>	-
Gain on disposal of financial assets		<b>8,890</b>	26,700	<b>8,890</b>	31,100
Loss on fair value changes of listed securities		<b>(932,664)</b>	-	<b>(1,036,293)</b>	-
Impairment loss on available-for-sale financial asset	8	<b>(197,584)</b>	-	<b>(197,584)</b>	-
Exchange loss		<b>(8,350)</b>	(59,695)	<b>(8,769)</b>	(77,189)
Finance costs		<b>(6,715)</b>	(1,195)	<b>(15,241)</b>	(3,703)
<b>Loss before income tax</b>		<b>(1,586,624)</b>	(458,603)	<b>(2,190,427)</b>	(1,128,296)
Income tax credit		-	-	<b>108,479</b>	-
<b>Net loss and total comprehensive loss for the period</b>		<b>(1,586,624)</b>	(458,603)	<b>(2,081,948)</b>	(1,128,296)
<b>Loss for the period attributable to:</b>					
Shareholders of the Company		<b>(1,557,288)</b>	(426,243)	<b>(2,025,617)</b>	(1,060,463)
Non-controlling interests		<b>(29,336)</b>	(32,360)	<b>(56,331)</b>	(67,833)
		<b>(1,586,624)</b>	(458,603)	<b>(2,081,948)</b>	(1,128,296)
<b>Total comprehensive loss for the period attributable to:</b>					
Shareholders of the Company		<b>(1,557,288)</b>	(426,243)	<b>(2,025,617)</b>	(1,060,463)
Non-controlling interests		<b>(29,336)</b>	(32,360)	<b>(56,331)</b>	(67,833)
		<b>(1,586,624)</b>	(458,603)	<b>(2,081,948)</b>	(1,128,296)
<b>Net losses per share</b>					
Basic and diluted	11.7	<b>(0.031)</b>	(0.008)	<b>(0.040)</b>	(0.020)
<b>Weighted average number of shares outstanding</b>		<b>Share</b>	Share	<b>Share</b>	Share
Basic and diluted	11.7	<b>50,270,790</b>	51,899,817	<b>50,370,996</b>	52,223,150

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

**GobiMin Inc.**  
**Condensed Interim Statements of Changes in Equity (Unaudited)**  
**For the six months ended June 30, 2017 and 2016**  
(Expressed in United States Dollars)

	Attributable to shareholders of the Company						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	Retained earnings		
<b>At January 1, 2016</b>	\$ 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	-	-	-	-	-	(1,060,463)	(67,833)	(1,128,296)
Total comprehensive loss	-	-	-	-	-	(1,060,463)	(67,833)	(1,128,296)
Dividend paid	-	-	-	-	-	(373,701)	-	(373,701)
Shares repurchased	(392,164)	2,177	-	-	-	128,884	-	(261,103)
Option cancelled	-	-	(744)	-	-	744	-	-
Share based payment	-	-	24,054	-	-	-	-	24,054
<b>At June 30, 2016</b>	<b>22,826,853</b>	<b>2,402,116</b>	<b>231,629</b>	<b>501,965</b>	<b>1,637,358</b>	<b>48,262,131</b>	<b>559,274</b>	<b>76,421,326</b>
<b>At January 1, 2017</b>	<b>22,346,312</b>	<b>2,399,939</b>	<b>229,243</b>	<b>501,965</b>	<b>(911,152)</b>	<b>56,446,062</b>	<b>459,037</b>	<b>81,471,406</b>
Loss for the period	-	-	-	-	-	(2,025,617)	(56,331)	(2,081,948)
Total comprehensive loss	-	-	-	-	-	(2,025,617)	(56,331)	(2,081,948)
Dividend paid	-	-	-	-	-	(373,836)	-	(373,836)
Shares repurchased	(156,866)	-	-	-	-	12,444	-	(144,422)
Share based payment	-	-	2,155	-	-	-	-	2,155
<b>At June 30, 2017</b>	<b>22,189,446</b>	<b>2,399,939</b>	<b>231,398</b>	<b>501,965</b>	<b>(911,152)</b>	<b>54,059,053</b>	<b>402,706</b>	<b>78,873,355</b>

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

**GobiMin Inc.**  
**Condensed Interim Statements of Cash Flows (Unaudited)**  
**For the six months ended June 30, 2017 and 2016**  
(Expressed in United States Dollars)

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30, 2017</b>	June 30, 2016	<b>June 30, 2017</b>	June 30, 2016
	\$	\$	\$	\$
<b>Operating activities</b>				
Loss before income tax	<b>(1,586,624)</b>	(458,603)	<b>(2,190,427)</b>	(1,128,296)
Adjustments for items not involving cash:				
- Depreciation	<b>206,625</b>	252,711	<b>447,278</b>	504,285
- Share-based payment	<b>1,083</b>	12,027	<b>2,155</b>	24,054
- Share of results of associates	<b>333</b>	(205,190)	<b>2,614</b>	(196,741)
- Gain on disposal of property, plant and equipment	<b>(9,009)</b>	-	<b>(9,009)</b>	-
- Gain on disposal of financial assets	<b>(8,890)</b>	(26,700)	<b>(8,890)</b>	(31,100)
- Loss on fair value changes of listed securities	<b>932,664</b>	-	<b>1,036,293</b>	-
- Impairment loss on available-for-sale financial asset	<b>197,584</b>	-	<b>197,584</b>	-
- Exchange difference	<b>8,350</b>	59,695	<b>8,769</b>	77,189
- Interest income	<b>(133,822)</b>	(73,121)	<b>(257,232)</b>	(134,474)
- Interest expense	<b>6,148</b>	695	<b>13,134</b>	1,558
	<b>(385,558)</b>	(438,486)	<b>(757,731)</b>	(883,525)
Working capital adjustments:				
- Prepayments, deposits and other receivables	<b>(49,529)</b>	(127,554)	<b>(59,984)</b>	(158,154)
- Amount due from an associate	-	(1,912,753)	-	(1,912,753)
- Other payables, receipts in advance and accrued liabilities	<b>(86,998)</b>	(82,253)	<b>(276,771)</b>	(294,128)
- Income tax paid	-	(13,023)	-	(276,571)
<b>Net cash flow used in operating activities</b>	<b>(522,085)</b>	(2,574,069)	<b>(1,094,486)</b>	(3,525,131)
<b>Financing activities</b>				
Interest paid	<b>(6,148)</b>	(695)	<b>(13,134)</b>	(1,558)
Shares repurchased	<b>(36,383)</b>	(261,103)	<b>(144,422)</b>	(261,103)
Repayment of obligations under finance lease	<b>(9,231)</b>	(11,829)	<b>(21,061)</b>	(23,659)
Dividend paid	<b>(373,836)</b>	(373,701)	<b>(373,836)</b>	(373,701)
(Repayment of)/proceeds from bank loan	<b>(45,946)</b>	1,287,002	<b>(91,892)</b>	1,287,002
<b>Net cash flow from/(used in) financing activities</b>	<b>(471,544)</b>	639,674	<b>(644,345)</b>	626,981
<b>Investing activities</b>				
Interest received	<b>133,822</b>	73,121	<b>257,232</b>	134,474
Additions of property, plant and equipment	<b>(502)</b>	(1,648)	<b>(5,826)</b>	(41,797)
Proceeds from disposal of property, plant and equipment	<b>9,009</b>	-	<b>9,009</b>	-
Net disposal/(addition) of debentures	<b>(290,710)</b>	218,450	<b>(885,571)</b>	(2,396,400)
Addition of certificate of deposit	-	-	<b>(2,002,997)</b>	-
<b>Net cash flow from/(used in) investing activities</b>	<b>(148,381)</b>	289,923	<b>(2,628,153)</b>	(2,303,723)
<b>Decrease in cash and cash equivalents</b>	<b>(1,142,010)</b>	(1,644,472)	<b>(4,366,984)</b>	(5,201,873)
<b>Cash and cash equivalents at beginning of the period</b>	<b>23,939,266</b>	22,507,685	<b>27,164,240</b>	26,065,086
<b>Cash and cash equivalents at end of the period</b>	<b>22,797,256</b>	20,863,213	<b>22,797,256</b>	20,863,213

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

**GobiMin Inc.**  
**Notes to Condensed Interim Financial Statements**  
**For the quarter ended June 30, 2017**  
(Express in United States Dollars)

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**1. CORPORATE INFORMATION**

GobiMin Inc. (the “Company” or “GobiMin”) is a limited liability company incorporated in Canada under the Canada Business Corporations Act. It is listed on the TSX Venture Exchange, having the symbol GMN, 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:

<b>Location</b>	<b>June 30, 2017</b>	<b>December 31, 2016</b>
	\$	\$
Canada	777,617	283,752
Hong Kong	20,736,593	25,385,468
China	1,283,046	1,495,020
<b>Total</b>	<b>22,797,256</b>	<b>27,164,240</b>

**GobiMin Inc.**  
**Notes to Condensed Interim Financial Statements**  
**For the quarter ended June 30, 2017**  
(Express in United States Dollars)

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.

**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 June 30, 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**

	<b>Leasehold land &amp; buildings</b>	<b>Leasehold improvements</b>	<b>Furniture, fixture &amp; equipment</b>	<b>Computer hardware &amp; equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
<b>Cost:</b>	\$	\$	\$	\$	\$	\$
<b>At January 1, 2016</b>	<b>15,457,717</b>	<b>196,958</b>	<b>397,619</b>	<b>644</b>	<b>1,028,284</b>	<b>17,081,222</b>
Exchange difference	(436,438)	-	(23,414)	(42)	(49,030)	(508,924)
Additions	231,660	40,149	-	-	-	271,809
<b>At December 31, 2016</b>	<b>15,252,939</b>	<b>237,107</b>	<b>374,205</b>	<b>602</b>	<b>979,254</b>	<b>16,844,107</b>
Additions	-	-	5,826	-	-	5,826
Disposals	-	-	-	-	(140,026)	(140,026)
<b>At June 30, 2017</b>	<b>15,252,939</b>	<b>237,107</b>	<b>380,031</b>	<b>602</b>	<b>839,228</b>	<b>16,709,907</b>
<b>Depreciation and impairment:</b>						
<b>At January 1, 2016</b>	<b>985,851</b>	<b>109,693</b>	<b>277,585</b>	<b>644</b>	<b>758,005</b>	<b>2,131,778</b>
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
<b>At December 31, 2016</b>	<b>1,566,982</b>	<b>187,723</b>	<b>298,983</b>	<b>602</b>	<b>860,720</b>	<b>2,915,010</b>
Depreciation for the period	304,000	28,257	16,910	-	38,766	387,933
Eliminated on disposals	-	-	-	-	(140,026)	(140,026)
<b>At June 30, 2017</b>	<b>1,870,982</b>	<b>215,980</b>	<b>315,893</b>	<b>602</b>	<b>759,460</b>	<b>3,162,917</b>
<b>Net book value:</b>						
<b>At December 31, 2016</b>	<b>13,685,957</b>	<b>49,384</b>	<b>75,222</b>	<b>-</b>	<b>118,534</b>	<b>13,929,097</b>
<b>At June 30, 2017</b>	<b>13,381,957</b>	<b>21,127</b>	<b>64,138</b>	<b>-</b>	<b>79,768</b>	<b>13,546,990</b>

**GobiMin Inc.**  
**Notes to Condensed Interim Financial Statements**  
**For the quarter ended June 30, 2017**  
(Express in United States Dollars)

As at June 30, 2017, the carrying amount of property, plant and equipment which were located in Hong Kong amounted to \$7,854,645 (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 June 30, 2017 amounted to \$19,666 (December 31, 2016: \$62,019). The lease does not include contingent rentals. The leased asset was pledged as security for the related finance lease.

The leasehold land and buildings with carrying value of \$5,541,918 (December 31, 2016: \$5,673,868) has been pledged as security of a loan facility of \$1,133,848 (December 31, 2016: \$1,287,002). As at June 30, 2017, the outstanding balance amounted to \$1,103,218 (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
<b>Cost:</b>	\$	\$	\$
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)
<b>At December 31, 2016</b>	<b>7,383,124</b>	<b>21,952,325</b>	<b>29,335,449</b>
<b>At June 30, 2017</b>	<b>7,383,124</b>	<b>21,952,325</b>	<b>29,335,449</b>

**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 June 30, 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. OTHER FINANCIAL ASSETS**

As at	June 30, 2017	December 31, 2016
	\$	\$
<b>Current</b>		
Listed securities	2,849,807	3,886,101
Certificate of deposit	2,002,997	-
	<b>4,852,804</b>	3,886,101
<b>Non-current</b>		
Debentures	6,076,643	5,182,182
Available-for-sale financial asset	-	197,584
	<b>6,076,643</b>	5,379,766
<b>Total</b>	<b>10,929,447</b>	9,265,867



**GobiMin Inc.**  
**Notes to Condensed Interim Financial Statements**  
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(Express in United States Dollars)

As at June 30, 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 31, 2016: November 3, 2019 and perpetual).

Available-for-sale financial asset represented the equity interest in Xinjiang Tongxing Minerals Limited (“Tongxing”). In July 2017, Tongxing received a notice from the Department of Land and Resources of Yizhou District, Hami City of the PRC and Tongxing was ordered to terminate its mining, exploration and development activities located in Xinjiang Lop Nur Wild Camel National Grade Natural Reserve. Considering the minimal probability to recover the investment, the Company fully impaired the investment in Tongxing and recognized an impairment loss on available-for-sale financial asset of \$197,584 in June 2017.

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

As at June 30, 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.

<b>As at</b>	<b>June 30, 2017</b>	<b>December 31, 2016</b>
	\$	\$
Other payables	<b>855,043</b>	868,164
Accrued liabilities	<b>153,342</b>	416,460
Receipts in advance	<b>94,834</b>	97,022
Deposit received	<b>8,897</b>	7,462
Obligation under finance leases – current portion	<b>4,036</b>	24,877
	<b>1,116,152</b>	1,413,985

**10. BANK LOAN**

<b>As at</b>	<b>June 30, 2017</b>	<b>December 31, 2016</b>
	\$	\$
Bank loan due for repayment within one year	<b>183,784</b>	183,784
Bank loan due for repayment after one year but contained a repayment on demand clause (shown under current liabilities)	<b>919,434</b>	1,011,325
<b>Total bank loan, secured and interest bearing</b>	<b>1,103,218</b>	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.

**GobiMin Inc.**  
**Notes to Condensed Interim Financial Statements**  
**For the quarter ended June 30, 2017**  
(Express in United States Dollars)

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**11. SHARE CAPITAL AND STOCK OPTIONS**

**11.1 Common Shares**

	Number	Amount
<b><u>Authorized:</u></b>		\$
Unlimited number of common shares		
<b><u>Issued and outstanding:</u></b>		
<b>At January 1, 2016</b>	<b>52,546,482</b>	<b>23,219,017</b>
Shares repurchased and cancelled	(1,975,000)	(872,705)
<b>At December 31, 2016</b>	<b>50,571,482</b>	<b>22,346,312</b>
Shares repurchased and cancelled	(355,000)	(156,866)
<b>At June 30, 2017</b>	<b>50,216,482</b>	<b>22,189,446</b>

**11.2 Preferred Shares**

The Company did not authorize or issue any preferred shares.

**11.3 General Reserve**

The general reserve represents statutory reserves of the Group's Chinese operating subsidiaries. During the six months ended June 30, 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 six months ended June 30, 2017, 355,000 common shares were repurchased at an aggregate cost of \$144,422 (CAD194,313) 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.

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a) **Status of the outstanding employee stock options:**

	Six months ended June 30, 2017		Six months ended June 30, 2016	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
<b>Outstanding, beginning of the period</b>	<b>2,280,000</b>	<b>\$ 0.37</b>	2,450,000	0.43
Forfeited during the period	-	-	(6,000)	0.43
<b>Outstanding, end of the period</b>	<b>2,280,000</b>	<b>0.37</b>	2,444,000	0.43

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

Exercise Price	Exercise Price	Number of Options Outstanding	Weighted Average Contractual Life	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Contractual Life	Weighted Average Exercise Price
<b>At June 30, 2017</b>							
0.50	0.37	2,000,000	0.50	0.37	2,000,000	0.50	0.37
0.50	0.37	280,000	2.50	0.37	168,000	2.50	0.37
		<b>2,280,000</b>	<b>0.75</b>	<b>0.37</b>	<b>2,168,000</b>	<b>0.65</b>	<b>0.37</b>
<b>At December 31, 2016</b>							
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
		<b>2,280,000</b>	<b>1.25</b>	<b>0.37</b>	<b>2,168,000</b>	<b>1.15</b>	<b>0.37</b>

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:

<b>Grant date</b>	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.

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**11.7 Basic and Diluted Losses Per Share**

<b>For the three months ended</b>	<b>June 30, 2017</b>	June 30, 2016
<b>Net losses attributable to shareholders</b>		
Basic and diluted	(\$1,557,288)	(\$426,243)
<b>Weighted average number of shares outstanding</b>		
Basic and diluted	50,270,790	51,899,817
<b>Basic and diluted losses per share</b>	<b>(\$0.031)</b>	<b>(\$0.008)</b>
<b>For the six months ended</b>	<b>June 30, 2017</b>	June 30, 2016
<b>Net losses attributable to shareholders</b>		
Basic and diluted	(\$2,025,617)	(\$1,060,463)
<b>Weighted average number of shares outstanding</b>		
Basic and diluted	50,370,996	52,223,150
<b>Basic and diluted losses per share</b>	<b>(\$0.040)</b>	<b>(\$0.020)</b>

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 losses per share.

**12. RELATED PARTY TRANSACTIONS**

**12.1 Key management compensation**

The remuneration of key management and directors was as follows:

<b>For the three months ended</b>	<b>June 30, 2017</b>	June 30, 2016
	\$	\$
Wages, fees and other benefits	108,098	147,157
Payment to defined contribution plans	579	2,658
Share-based payment	336	10,439
	<b>109,013</b>	<b>160,254</b>
<b>For the six months ended</b>	<b>June 30, 2017</b>	June 30, 2016
	\$	\$
Wages, fees and other benefits	197,171	277,521
Payment to defined contribution plans	1,158	5,299
Share-based payment	669	20,878
	<b>198,998</b>	<b>303,698</b>

**GobiMin Inc.**  
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**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:

<b>Relationship</b>	<b>Type of transactions</b>	<b>For the three months ended</b>	
		<b>June 30, 2017</b>	<b>June 30, 2016</b>
		\$	\$
Companies controlled by a director	Rental income	<b>11,917</b>	12,320
An associate	Rental income	-	30,116
	Interest income	-	12,753
	Share of office common expenses and staff cost	-	20,330
A company with common director who has controlling interest in the Company	Rental income	<b>30,116</b>	-
	Interest income	<b>30,542</b>	-
	Share of office common expenses and staff cost	<b>25,540</b>	-

<b>Relationship</b>	<b>Type of transactions</b>	<b>For the six months ended</b>	
		<b>June 30, 2017</b>	<b>June 30, 2016</b>
		\$	\$
Companies controlled by a director	Rental income	<b>23,835</b>	20,521
An associate	Rental income	-	60,232
	Interest income	-	12,753
	Share of office common expenses and staff cost	-	67,266
A company with common director who has controlling interest in the Company	Rental income	<b>60,232</b>	-
	Interest income	<b>60,747</b>	-
	Share of office common expenses and staff cost	<b>51,402</b>	-

As at June 30, 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 June 30, 2017</u>	<u>Contract Date</u>	<u>Contracted Sum</u>	<u>Capital Commitments</u>
		\$	\$
Exploration services	April 7, 2010	660,103	<b>157,381</b>
Mine design and related facilities	October 31, 2011	1,148,005	<b>631,403</b>
Office building renovation	March 2, 2013	1,884,147	<b>830,524</b>
Research on gold processing method	June 1, 2016	121,976	<b>43,050</b>
<b>Total capital commitments for the Gold Project</b>		<b>3,814,231</b>	<b>1,662,358</b>

**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>June 30, 2017</u>	<u>December 31, 2016</u>
	\$	\$
Within one year	<b>150,395</b>	90,808
In the second to fifth years inclusive	<b>133,840</b>	189,173
<b>Total future minimum lease receivables</b>	<b>284,235</b>	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.

	<b>Fair Value Measurements at Reporting Date Using</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	\$	\$	\$	\$
<b><u>As at June 30, 2017</u></b>				
Listed securities	2,849,807	-	-	2,849,807
Debentures	6,076,643	-	-	6,076,643
	<b>8,926,450</b>	-	-	<b>8,926,450</b>
<b><u>As at December 31, 2016</u></b>				
Listed securities	3,886,101	-	-	3,886,101
Debentures	5,182,182	-	-	5,182,182
	<b>9,068,283</b>	-	-	<b>9,068,283</b>

**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 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

**GobiMin Inc.**  
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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.

**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 June 30, 2017, the Group held cash and cash equivalents of \$22,797,256 and net current assets of \$28,039,182. 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 \$78,873,355 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 July 1, 2017 to August 3, 2017, a total of 211,000 common shares were repurchased at an aggregate cost of \$85,251 (CAD114,702). All shares repurchased were returned to treasury for cancellation. The Normal Course Issuer Bid was discontinued on August 3, 2017.

**17.2** The Company announced a proposed change of its business from mineral exploration to an investment company (the "Proposed COB") on August 8, 2017. Upon completion of the Proposed COB, the Company's primary focus will be to seek superior returns by making investments in equity, debt or other securities of publicly traded or private companies or other entities as well as direct ownership stakes in projects. Completion of the Proposed COB is subject to the acceptance of TSX Venture Exchange and shareholders' approval. Please refer to the announcement dated August 8, 2017 for details.



# **GobiMin Inc.**

*(Incorporated in Canada under the Canada Business Corporations Act)*

## **Interim Management's Discussion and Analysis of Financial Results - Quarterly Highlights**

**June 30, 2017**

*(Expressed in United States Dollars except where otherwise noted)*

**GobiMin Inc.**  
**Interim MD&A – Quarterly Highlights**  
**For the quarter ended June 30, 2017**  
(Expressed in United States Dollars)  
August 17, 2017

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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 August 17, 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 June 30, 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](http://www.gobimin.com) or through the Company’s public filing at [www.sedar.com](http://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”), was 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”). The Company proposed to change its business from “mining issuer” to an “investment issuer” (the “Proposed COB”) which is subject to the approval of TSX Venture Exchange and shareholders at the annual general and special meeting to be held on September 5, 2017.

Currently, 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.

**GobiMin Inc.**  
**Interim MD&A – Quarterly Highlights**  
**For the quarter ended June 30, 2017**  
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**2. Financial Highlights**

	<b>3 months ended June 30</b>		12 months ended
	<b>2017</b>	2016	December 31, 2016
	\$	\$	\$
Net profit (loss) for the period	<b>(1.6 million)</b>	(0.5 million)	6.9 million
EBITDA (LBITDA) <sup>(1)</sup>	<b>(1.5 million)</b>	(0.3 million)	7.6 million
Basic and diluted earnings (losses) per share	<b>(0.031)</b>	(0.008)	0.136
EBITDA (LBITDA) per share <sup>(1)</sup>	<b>(0.030)</b>	(0.005)	0.146
Cash and cash equivalents	<b>22.8 million</b>	20.9 million	27.2 million
Cash and cash equivalents per share <sup>(1)</sup>	<b>0.45</b>	0.40	0.54
Working capital	<b>28.0 million</b>	20.3 million	30.9 million
Total liabilities	<b>3.3 million</b>	3.8 million	3.8 million
Total assets	<b>82.2 million</b>	80.3 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. In this quarter, GobiMin continued to focus on applications for conversion and renewal of the exploration and mining licences. As at June 30, 2017, two of the three required Chinese standard geological reports for the conversion application were approved. The third report concerning the development plan is under schedule of preparation. The Company has also progressed with the application for renewal of the existing exploration and mining licence which was expired in February 2017. In addition, the Company is working towards the preparation of an updated NI 43-101 mineral resource estimate for the Gold Project. GobiMin will keep seeking potential investors for the Gold Project.

As at June 30, 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 June 30, 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 six months ended June 30, 2017, 355,000 common shares were repurchased under the NCIB at an aggregate cost of \$144,422 (CAD194,313). For the period from July 1, 2017 to August 3, 2017, a total of 211,000 common shares were repurchased at an aggregate cost of \$85,251 (CAD114,702). All shares repurchased were returned to treasury for cancellation. The NCIB was discontinued on August 3, 2017.

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 Proposed COB**

The Company announced the Proposed COB on August 8, 2017. Upon completion of the Proposed COB, the Company's primary focus will be to seek superior returns by making investments in equity, debt or other securities of publicly traded or private companies or other entities as well as direct ownership stakes in projects. As an Investment Issuer on the TSX Venture Exchange, the Company is no longer required and limited to own mineral exploration properties or hold direct interests in mining assets. New investments will be directed by an Investment Committee and guided by the Company's Investment Policy which govern its investment activities and investment strategy. Completion of the Proposed COB is subject to the acceptance of TSX Venture Exchange and shareholders' approval. Please refer to the announcement dated August 8, 2017 for details.

### **3.5 Liquidity and Capital Resources**

As at June 30, 2017, the working capital of the Group amounted to approximately \$28.0 million (December 31, 2016: \$30.9 million), by netting off its current assets of \$31.4 million (December 31, 2016: \$34.7 million) with current liabilities of \$3.3 million (December 31, 2016: \$3.8 million).

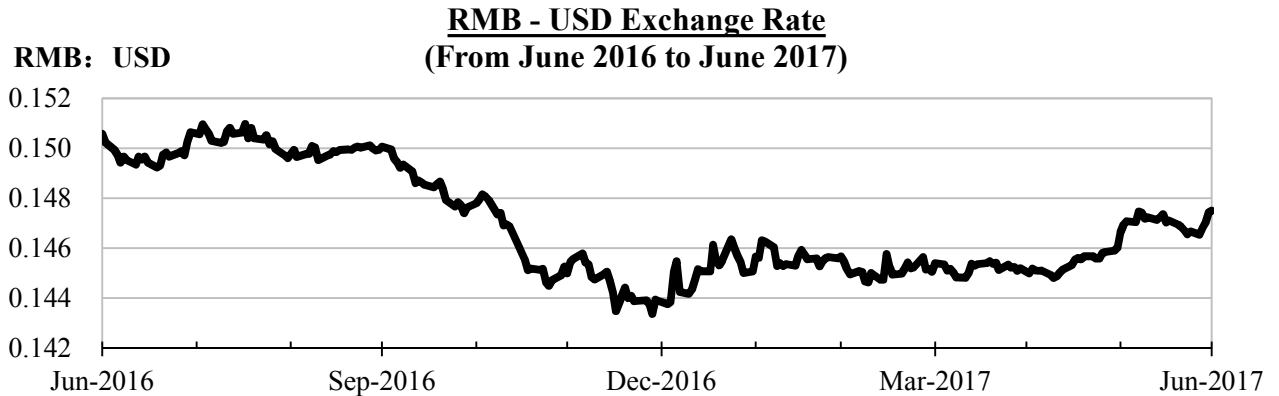
Among the cash and cash equivalents of \$22.8 million, approximately \$1.3 million were held in China. The subsidiaries in China are allowed to transfer funds to other Group companies outside China upon presentation of the relevant documentation required by applicable regulations, subject to the risks 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](http://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 June 30, 2017, the exchange rate of the Chinese Renminbi against the U.S. dollar decreased by 2.04%, as compared with that as at June 30, 2016.



#### 4.2 Gold Market

The changes in price of gold have a strong influence on the Gold Project’s value. As at June 30, 2017, the gold price increased by 6.07% from that on June 30, 2016.



#### 5. Selected Quarterly Information

For the three months ended June 30, 2017, the Group reported a net loss of \$1.6 million (Q2 2016: \$0.5 million) which mainly comprised loss on fair value changes of listed securities of \$0.9 million (Q2 2016: nil), administrative expenses of \$0.7 million (Q2 2016: \$0.8 million).

In this quarter, the Group recorded a net cash outflow of \$1.1 million (Q2 2016: cash outflow of \$1.6 million). It mainly represented net addition of debentures of \$0.3 million, dividend paid of \$0.4 million and payment for office expenses of \$0.5 million.

The total assets decreased by \$3.1 million from \$85.3 million as at December 31, 2016 to \$82.2 million in this quarter which mainly represented the payment for office expenses of \$1.0 million, loss on fair value changes of listed securities of \$1.0 million, dividend paid of \$0.4 million, settlement of other payables of \$0.3 million, impairment loss on available-for-sale financial asset of \$0.2 million and share repurchase of \$0.1 million.

## **6. Results of Operations**

### **6.1 Revenue**

No revenue (3 months Q2 2016: Nil) from operations has been recorded in this quarter.

Other revenue in the second quarter of 2017 were \$0.2 million (3 months Q2 2016: \$0.2 million) which mainly comprises of interest income of \$0.1 million (3 months Q2 2016: \$0.1 million) and rental income of \$0.1 million (3 months Q2 2016: \$0.1 million).

Other revenue for the six months ended June 30, 2017 were \$0.4 million (6 months Q2 2016: \$0.3 million) which mainly comprises of interest income of \$0.2 million (6 months Q2 2016: \$0.1 million) and rental income of \$0.2 million (6 months Q2 2016: \$0.2 million).

### **6.2 General and Administrative Expenses**

General and administrative expenses were \$0.7 million for this quarter (3 months Q2 2016: \$0.8 million) and \$1.4 million for the six months ended June 30, 2017 (6 months Q2 2016: \$1.6 million). It mainly included pre-operating expenses incurred for the Gold Project, office rental, staff costs and legal and professional fees.

### **6.3 Loss on fair value changes of listed securities**

Loss on fair value changes of listed securities was \$0.9 million for this quarter (3 months Q2 2016: nil) and \$1.0 million for the six months ended June 30, 2017 (6 months Q2 2016: nil). The amount represented the fair value change on the 10.06% equity interest in Loco Hong Kong Holdings Limited (“Loco HK”) with reference to quoted market prices at the end of each reporting period.

### **6.4 Impairment loss on available-for-sale financial asset**

Impairment loss on available-for-sale financial asset was \$0.2 million for the three and six months ended June 30, 2017 (3 months Q2 2016 and 6 months Q2 2016: nil). The amount represented the impairment loss on equity interest in Xinjiang Tongxing Minerals Limited (“Tongxing”). In July 2017, Tongxing received a notice from the Department of Land and Resources of Yizhou District, Hami City of the PRC. It was ordered to terminate its mining, exploration and development activities located in Xinjiang Lop Nur Wild Camel National Grade Natural Reserve, which is the main assets of Tongxing. Considering the minimal probability to recover the investment, the Company fully impaired the investment in Tongxing in this quarter.

### **6.5 Losses Per Share**

The basic and diluted losses per share were \$0.031 for this quarter (3 months Q2 2016: \$0.008) and \$0.040 for the six months ended June 30, 2017 (6 months Q2 2016: \$0.020).

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**6.6 LBITDA**

The losses before interest income and expense, income taxes, depreciation and amortisation (“LBITDA”), a non-IFRS performance measure, for this quarter were \$1.5 million as compared to losses of \$0.3 million incurred in the corresponding period last year. The calculation of LBITDA was set out in the table below:

For the three months ended	June 30, 2017	June 30, 2016
	\$	\$
Loss for the period	<b>(1,586,624)</b>	(458,603)
Interest income	<b>(133,822)</b>	(73,121)
Interest expense	<b>6,148</b>	695
Depreciation	<b>206,625</b>	252,711
LBITDA <sup>(1)</sup>	<b>(1,507,673)</b>	(278,318)
LBITDA per share <sup>(2)</sup>	<b>(0.030)</b>	(0.005)

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.

**6.7 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 was paid on June 22, 2017 to shareholders of record on May 26, 2017.

**7. Cash Flows**

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

As at	June 30, 2017	December 31, 2016
	\$	\$
Cash and cash equivalents	<b>22,797,256</b>	27,164,240
Working capital <sup>(1)</sup>	<b>28,039,182</b>	30,890,044
For the three months ended	June 30, 2017	June 30, 2016
	\$	\$
Net cash flow used in operating activities	<b>(522,085)</b>	(2,574,069)
Net cash flow from (used in) financing activities	<b>(471,544)</b>	639,674
Net cash flow from (used in) investing activities	<b>(148,381)</b>	289,923
Decrease in cash and cash equivalents	<b>(1,142,010)</b>	(1,644,472)
For the six months ended	June 30, 2017	June 30, 2016
	\$	\$
Net cash flow used in operating activities	<b>(1,094,486)</b>	(3,525,131)
Net cash flow from (used in) financing activities	<b>(644,345)</b>	626,981
Net cash flow used in investing activities	<b>(2,628,153)</b>	(2,303,723)
Decrease in cash and cash equivalents	<b>(4,366,984)</b>	(5,201,873)

Note:

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

## **7.1 Operating Activities**

### *For the three months ended June 30, 2017*

In this quarter, the Company recorded a net cash outflow from operating activities of \$0.5 million (3 months Q2 2016: \$2.6 million), mainly representing net cash payment of office expenses of \$0.5 million (3 months Q2 2016: \$0.8 million). The decrease in cash outflow is mainly due to the loan to an associate of \$1.9 million which only incurred in 2016.

### *For the six months ended June 30, 2017*

For the six months ended June 30, 2017, net cash outflow from operating activities was \$1.1 million (6 months Q2 2016: cash outflow of \$3.5 million), mainly representing net cash payment of the office expenses of \$1.0 million (6 months Q2 2016: \$1.6 million). The decrease in cash outflow is mainly due to the loan to an associate of \$1.9 million which only incurred in 2016.

## **7.2 Financing Activities**

### *For the three months ended June 30, 2017*

In this quarter, the Company recorded a cash outflow from financing activities of \$0.5 million (3 months Q2 2016: cash inflow of \$0.6 million) which mainly represented dividend paid of \$0.4 million (3 months Q2 2016: 0.4 million). While there is no proceeds from bank loan in 2017 (3 months Q2 2016: \$1.3 million) and therefore the cash outflow increased by \$1.1 million compared with the same period in 2016.

### *For the six months ended June 30, 2017*

The cash outflow from financing activities was \$0.6 million for the six months ended June 30, 2017 (6 months Q2 2016: cash inflow of \$0.6 million) which mainly represent dividend paid of \$0.4 million (6 months Q2 2016: \$0.4 million), share repurchase of \$0.1 million (6 months Q2 2016: \$0.3 million) and \$0.1 million repayment of bank loan (6 months Q2 2016: proceeds from bank loan of \$1.3 million). The increase in net cash outflow of \$1.3 million was mainly due to proceeds from bank loan of \$1.3 million only incurred in 2016.

## **7.3 Investing Activities**

### *For the three months ended June 30, 2017*

In this quarter, the Company recorded a cash outflow from investing activities of \$0.1 million (3 months Q2 2016: cash inflow of \$0.3 million), mainly representing the net addition of debentures of \$0.3 million (3 months Q2 2016: net disposal of \$0.2 million) and netting off the interest income of \$0.1 million (3 months Q2 2016: \$0.1 million).

### *For the six months ended June 30, 2017*

For the six months ended June 30, 2017, net cash used in investing activities was \$2.6 million (6 months Q2 2016: \$2.3 million) which mainly represents the net addition of certificate of deposit of \$2.0 million (3 months Q2 2016: \$nil), net addition of debentures of \$0.9 million (6 months Q2 2016: \$2.4 million) and netting off against the interest income of \$0.3 million (6 months Q2 2016: \$0.1 million). The increase in net cash outflow was mainly due to the increase in listed debentures and certificate of deposit purchased.



## **8. Statements of Financial Position**

### **8.1 Cash and Cash Equivalents**

The Group had approximately \$22.8 million in cash and cash equivalents as at June 30, 2017, compared to \$27.2 million as at December 31, 2016. The decrease of \$4.4 million was mainly due to net addition of certificate of deposit and debentures of \$2.9 million, payment of the office expenses of \$1.0 million and dividend paid of \$0.4 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 six months ended June 30, 2017, there was no addition in exploration and evaluation assets.

### **8.3 Financial Assets**

As at June 30, 2017, financial assets comprised:

- (a) \$2.8 million investment in the 10.06% equity interest in 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) \$6.1 million debentures with coupon rates ranged from 4.250% to 9.000% per annum and maturities ranged between November 3, 2019 and perpetual.

### **8.4 Share Capital**

As at June 30, 2017, GobiMin had 50,216,482 common shares issued and outstanding. For the six months ended June 30, 2017, a total of 355,000 common shares were repurchased and cancelled.

## **9. Related Party Transactions**

The Group had the following transactions with related parties:

### **9.1 During the six months ended June 30, 2017**

- (a) Fees and other remunerations to directors and key management amounted to \$0.2 million (Q2 2016: \$0.3 million).
- (b) Rental income of \$23,835 (Q2 2016: \$20,521) from companies controlled by a director.
- (c) Rental income of \$60,232 (Q2 2016: \$60,232) from a subsidiary of Loco HK.
- (d) Interest income of \$60,747 (Q2 2016: \$12,753) from a subsidiary of Loco HK.
- (e) Share of office common expenses and staff cost of \$51,402 (Q2 2016: \$67,266) from a subsidiary of Loco HK.

### **9.2 As at June 30, 2017**

- (a) A deposit of \$30,708 (December 31, 2016: \$28,700) was paid to the non-controlling shareholder of an associate for exploration services.

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- (b) The principal amount of a loan of \$3.5 million (December 31, 2016: \$3.5 million) together with the accrued interest was due from a subsidiary of Loco HK.
- (c) Bank loan facility of \$1.1 million (December 31, 2016: \$1.3 million) secured by a director.

**10. Capital Commitment**

As at June 30, 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 (RMB15.0 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**

Upon completion of the Proposed COB, the Group intends to use its available funds to invest in each of equity, debt instruments and other investments as part of its focus as an investment issuer. The Company currently intends to make investments of up to \$6 million in the next 12 months.

**13. Outstanding Share Data**

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

<b>As at</b>	<b>December 31, 2016</b>	<b>June 30, 2017</b>	<b>August 17, 2017</b>
Number of Common Shares Outstanding	50,571,482	<b>50,216,482</b>	<b>50,005,482</b>
Number of Options Outstanding	2,280,000	<b>2,280,000</b>	<b>2,280,000</b>
Number of Common Shares Fully Diluted	52,851,482	<b>52,496,482</b>	<b>52,285,482</b>

**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](http://www.sedar.com).