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

Audited Consolidated Financial Statements

December 31, 2016 and 2015
(Expressed in United States Dollars except where otherwise noted)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of GobiMin Inc.

We have audited the accompanying consolidated financial statements of GobiMin Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, and the consolidated statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2016 and December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of GobiMin Inc. and its subsidiaries as at December 31, 2016 and December 31, 2015, and its results of operations and its cash flows for the years ended December 31, 2016 and December 31, 2015 in accordance with International Financial Reporting Standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario
April 20, 2017

GobiMin Inc.
Consolidated Statements of Financial Position
As at December 31, 2016 and 2015
(Expressed in United States Dollars)

	Note	**December 31, 2016**	December 31, 2015
ASSETS		**$**	$
Current			
Cash and cash equivalents	*5*	**27,164,240**	26,065,086
Prepayments, deposits and other receivables		**184,383**	156,088
Financial assets	*11*	**3,886,101**	-
Amounts due from a related company	*6*	**3,500,000**	-
Total current assets		**34,734,724**	26,221,174
Non-current			
Property, plant and equipment	*7*	**13,929,097**	14,949,444
Investment properties	*8*	**1,714,109**	1,972,325
Exploration and evaluation assets	*9*	**29,335,449**	31,462,765
Interests in associates	*10*	**194,241**	4,562,089
Financial assets	*11*	**5,379,766**	2,116,420
Deposit paid to related parties		**28,700**	30,708
Total non-current assets		**50,581,362**	55,093,751
Total assets		**85,316,086**	81,314,925
LIABILITIES			
Current			
Other payables, receipts in advance and accrued liabilities	*12*	**1,413,985**	1,606,029
Income taxes payable		**1,235,586**	1,519,746
Bank loan	*13*	**1,195,109**	-
Total current liabilities		**3,844,680**	3,125,775
Non-current			
Other payables, receipts in advance and accrued liabilities	*12.1*	**-**	28,778
Total non-current liabilities		**-**	28,778
Total liabilities		**3,844,680**	3,154,553
SHAREHOLDERS' EQUITY			
Share capital	*14*	**22,346,312**	23,219,017
Reserves and retained earnings		**58,666,057**	54,314,248
Equity attributable to shareholders of the Company		**81,012,369**	77,533,265
Non-controlling interests	*15*	**459,037**	627,107
Total shareholders' equity		**81,471,406**	78,160,372
Total liabilities and shareholders' equity		**85,316,086**	81,314,925

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

APPROVED BY THE BOARD ON APRIL 20, 2017 AND SIGNED ON ITS BEHALF BY:

(Signed)
Felipe Tan
Director

(Signed)
Hubert Marleau
Director

GobiMin Inc.

Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2016 and 2015
(Expressed in United States Dollars)

	Note	**December 31, 2016**	December 31, 2015
		$	$
Revenue		**-**	-
Cost of sales		**-**	-
Selling and distribution cost		**-**	-
Gross profit		**-**	-
Other revenue	*16*	**708,508**	611,430
General and administrative expenses	*17*	**(3,609,684)**	(3,538,377)
Share of results of associates		**359,448**	(140,046)
Loss from operations		**(2,541,728)**	(3,066,993)
Gain/(loss) on disposal of financial assets		**86,790**	(15,375)
Gain on disposal of interest in an associate	*6*	**9,461,025**	3,475,639
Gain on fair value changes of financial assets		**103,629**	-
Exchange loss		**(180,153)**	(330,381)
Finance costs	*18*	**(18,120)**	(17,373)
Profit before income tax		**6,911,443**	45,517
Income tax expense	*19*	**-**	-
Net profit for the year		**6,911,443**	45,517
Other comprehensive loss, net of tax			
Other comprehensive loss to be reclassified to profit or loss in subsequent year:			
Exchange differences on translation of foreign operations		**(2,589,511)**	(1,903,274)
Total comprehensive income/(loss) for the year		**4,321,932**	(1,857,757)
Profit/(loss) for the year attributable to:			
Shareholders of the Company		**7,038,512**	185,068
Non-controlling interests	*15*	**(127,069)**	(139,551)
		6,911,443	45,517
Total comprehensive income/(loss) for the year attributable to:			
Shareholders of the Company		**4,490,002**	(1,682,219)
Non-controlling interests		**(168,070)**	(175,538)
		4,321,932	(1,857,757)
Net earnings per share			
Basic and diluted	*14.7*	**0.136**	0.003
Weighted average number of shares outstanding		**Share**	Share
Basic and diluted	*14.7*	**51,773,582**	53,665,416

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

GobiMin Inc.
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2016 and 2015
(Expressed in United States Dollars)

	Attributable to shareholders of the Company							
	Share capital *Note 14.1*	**Contributed surplus**	**Share option reserve**	**General reserve** *Note 14.3*	**Translation reserve** *Note 14.4*	**Retained earnings**	**Non-controlling interests** *Note 15*	**Total equity**
	$	$	$	$	$	$	$	$
At January 1, 2015	**24,804,948**	**2,399,939**	**142,250**	**424,203**	**3,482,082**	**49,758,344**	**802,645**	**81,814,411**
Net profit (loss) for the year	-	-	-	-	-	185,068	(139,551)	45,517
Other comprehensive loss	-	-	(22,563)	-	(1,844,724)	-	(35,987)	(1,903,274)
Total comprehensive income (loss)	-	-	(22,563)	-	(1,844,724)	185,068	(175,538)	(1,857,757)
Transfer to reserve	-	-	-	77,762	-	(77,762)	-	-
Dividend paid (Note 22)	-	-	-	-	-	(387,784)	-	(387,784)
Shares repurchased (Note 14.1)	(1,585,931)	-	-	-	-	-	-	(1,585,931)
Options cancelled	-	-	(88,771)	-	-	88,771	-	-
Share-based payment	-	-	177,433	-	-	-	-	177,433
At December 31, 2015	**23,219,017**	**2,399,939**	**208,349**	**501,965**	**1,637,358**	**49,566,637**	**627,107**	**78,160,372**
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**
Net profit (loss) for the year	**-**	**-**	**-**	**-**	**-**	**7,038,512**	**(127,069)**	**6,911,443**
Other comprehensive loss	**-**	**-**	**-**	**-**	**(2,548,510)**	**-**	**(41,001)**	**(2,589,511)**
Total comprehensive income (loss)	**-**	**-**	**-**	**-**	**(2,548,510)**	**7,038,512**	**(168,070)**	**4,321,932**
Dividend paid (Note 22)	**-**	**-**	**-**	**-**	**-**	**(384,299)**	**-**	**(384,299)**
Shares repurchased (Note 14.1)	**(872,705)**	**-**	**-**	**-**	**-**	**193,390**	**-**	**(679,315)**
Options cancelled	**-**	**-**	**(31,822)**	**-**	**-**	**31,822**	**-**	**-**
Share-based payment	**-**	**-**	**52,716**	**-**	**-**	**-**	**-**	**52,716**
At December 31, 2016	**22,346,312**	**2,399,939**	**229,243**	**501,965**	**(911,152)**	**56,446,062**	**459,037**	**81,471,406**

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

GobiMin Inc.

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015
(Expressed in United States Dollars)

	December 31, 2016	December 31, 2015
	$	$
Operating activities		
Profit before income tax	**6,911,443**	45,517
Adjustments for items not involving cash:		
- Depreciation	**974,557**	861,610
- Share-based payment	**52,716**	177,433
- Share of results of associates	**(359,448)**	140,046
- (Gain)/loss on disposal of financial assets	**(86,790)**	15,375
- Gain on disposal of interest in an associate	**(9,461,025)**	(3,475,639)
- Gain on fair value changes of financial assets	**(103,629)**	-
- Exchange difference	**180,153**	330,381
- Interest income	**(350,621)**	(302,893)
- Interest expense	**15,158**	13,261
	(2,227,486)	(2,194,909)
Working capital adjustments:		
- Prepayments, deposits and other receivables	**27,060**	362,691
- Deposit paid to related parties	**-**	39,920
- Other payables, receipts in advance and accrued liabilities	**(199,175)**	(3,080,476)
- Income tax paid	**(258,488)**	(92,681)
Net cash flow used in operating activities	**(2,658,089)**	(4,965,455)
Financing activities		
Interest paid	**(15,158)**	(13,261)
Shares repurchased	**(679,315)**	(1,585,931)
Proceeds from bank loan	**1,287,002**	-
Repayment of bank loan	**(91,893)**	-
Repayment of obligations under finance lease	**(47,319)**	(45,974)
Dividend paid	**(384,299)**	(387,784)
Net cash flow from/(used in) financing activities	**69,018**	(2,032,950)
Investing activities		
Interest received	**350,621**	302,893
Additions of property, plant and equipment	**(271,809)**	(2,226,112)
(Additions)/disposal of exploration and evaluation assets	**70,236**	(891,523)
Net additions of debentures	**(3,190,378)**	(116,014)
Purchase of shares in an associate	**-**	(120,312)
Net proceeds from disposal of equity interest in an associate	**10,392,669**	4,636,302
Advance to a related company	**(3,500,000)**	-
Return of capital from an associate	**-**	184,247
Capital contribution to an associate	**-**	(184,247)
Net cash flow from investing activities	**3,851,339**	1,585,234
Increase/(decrease) in cash and cash equivalents	**1,262,268**	(5,413,171)
Effect of foreign exchange rate changes	**(163,114)**	(319,640)
Cash and cash equivalents at beginning of the year	**26,065,086**	31,797,897
Cash and cash equivalents at end of the year	**27,164,240**	26,065,086

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

(Express in United States Dollars)

1. CORPORATE INFORMATION

GobiMin Inc. (the "Company" or "GobiMin") is a limited liability company incorporated in Canada under the Canada Business Corporations Act. It is listed on the TSX Venture Exchange, having the symbol GMN-V, as a Tier 2 mining issuer. Its registered office is situated at Suite 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").

As at December 31, 2016, particulars of major subsidiaries of the Group are as follows:

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

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

2. BASIS OF PRESENTATION

(a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The policies set out below were consistently applied to all the years presented unless otherwise noted. These consolidated financial statements were approved and authorized for issue by the Board of Directors on April 20, 2017.

(b) Basis of Measurement

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

(c) Functional and Presentation Currency

The functional currency of GobiMin has been changed from United States dollars to Canadian dollars upon the disposal of the Company's investment in 113,000,000 shares of Loco Hong Kong Holdings Limited, the then associate of the Company, on August 23, 2016. The functional currency of certain British Virgin Islands subsidiaries is United States dollars. The functional currency of Hong Kong and the remaining British Virgin Islands subsidiaries is Hong Kong dollars. The functional currency of the Group's subsidiaries in China is Chinese Renminbi ("RMB"). The consolidated financial statements are presented in United States dollars. The change in the functional currency has no material impact on the Company's consolidated financial statements.

(d) Use of Estimates and Judgments

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

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

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

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

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

(iii) Functional Currency:
The determination of the functional currency for the Company's subsidiaries and associates is a significant judgment. The determination of functional currency requires the Company to assess the primary economic environment in which each of the entities operates and affects how the Company translates foreign currency balances and transactions.

(iv) Power to Exercise Control, Joint Control or Significant Influence:
Significant judgment is required in determining whether the Company has the power to exercise control, joint control or significant influence over another entity. In making this decision, the Company reviews the degree of influence it has to govern the relevant activities of another entity, taking into consideration the Company's equity interest, voting interest, ability to appoint senior management and officers and the Company's exposure to variable returns from the entity.

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

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

(vii) Impairment of Available-For-Sale Financial Asset:
The fair value of available-for-sale financial asset, which is not traded in an active market and in which fair value cannot be reliably measured, is initially recognized at cost. The Group uses its judgment to determine if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets and to determine whether there is an impairment that should be recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

(i) Subsidiaries:
Subsidiaries are entities controlled by the Group. Control exists when all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date that control commences until the date that control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

(ii) Interest in Associates:
Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates are initially recognized at cost plus the Group's share of their post-acquisition results less dividends received.

The statements of comprehensive income reflect the share of the results of operations of the associates. Where there has been a change recognized directly in the equity of the associates, the Group recognizes its share of any changes and discloses this, when applicable, in the statements of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the Group's investments in the associates, except where unrealized losses provide evidence of an impairment of the asset transferred.

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

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

(b) Foreign Currency Translation

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

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

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate).

(c) Cash and Cash Equivalents

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

(d) <u>Property, Plant and Equipment</u>

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

Leasehold land and buildings:	4% - 5%
Leasehold improvement:	19% - 33.33%
Furniture, fixture and equipment:	19% - 33.33%
Computer hardware and equipment:	19% - 33.33%
Motor vehicles:	19% - 25%

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

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment and other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

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

Investment properties are properties held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are stated at cost less accumulated depreciation and accumulated impairment, if any. Depreciation is charged so as to write off the cost of investment properties net of expected residual value over the estimated useful live using straight-line method. The useful live, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

(f) <u>Exploration and Evaluation Assets</u>

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

(g) Income Taxes

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

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

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

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

(h) Revenue Recognition

Interest income from financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income is recognized on a straight line basis over the term of the lease.

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

(i) Earnings Per Share

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

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

(j) Financial Instruments

(i) Financial Assets:

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss (“FVTPL”), loans and receivables, or available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition. The Group classifies cash and cash equivalents, listed securities and debentures at fair value through profit or loss, other receivables and amounts due from an associate as loans and receivables and available-for-sale financial asset as available-for-sale. The Group has not classified any of its financial assets as held to maturity.

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs. The subsequent measurement of financial assets depends on their classification as follows:

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

For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for each financial asset.

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

Financial assets at FVTPL
Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the other income or other expenses.

Available-for-sale financial assets
The investment in common shares of Tongxing, a company incorporated in China are classified as available-for-sale.

The above available-for-sale investments are recorded on a trade date basis and initially and subsequently measured at fair value. The fair value of the investment has been determined directly by reference to the net asset value. (Level 3 valuation).

The Group assesses at each reporting date whether there is objective evidence that an investment is impaired.

(ii) Financial Liabilities:

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or other financial liabilities, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value net of directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in statement of comprehensive income.

Other financial liabilities are carried at amortized cost using the EIR.

The Group classifies its financial liabilities, other payables, accrued liabilities and bank loans as other financial liabilities.

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

(k) <u>Provisions and Contingent Liabilities</u>

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

(l) <u>Leasing</u>

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

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

(ii) The Group as Lessee:

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

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

(m) Share Capital

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

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

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

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

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]

1. Effective for annual periods beginning on or after January 1, 2018
2. Effective for annual periods beginning on or after January 1, 2019

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

The final version of IFRS 9 bring together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from January 1, 2018. During 2016, the Group performed a high-level assessment of the impact of the adoption of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of IFRS 9 are summarized as follows:

(a) Classification and measurement
The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognized.

(b) Impairment
IFRS 9 requires an impairment on debt instruments recorded at amortized cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its other receivables upon the adoption of IFRS 9.

IFRS 16 replaces IAS 17 Leases, IFRIC-Int 4 Determining whether an Arrangement contains a Lease, SIC-Int 15 Operating Leases – Incentives and SIC-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt IFRS 16 on January 1, 2019 and is currently assessing the impact of IFRS 16 upon adoption.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents were held in following locations:

Location	**December 31, 2016**	December 31, 2015
	$	$
Canada	**283,752**	121,731
Hong Kong	**25,385,468**	23,448,555
China	**1,495,020**	2,494,800
Total	**27,164,240**	26,065,086

As at December 31, 2016, cash and cash equivalents located in Hong Kong included approximately $0.02 million (RMB0.15 million) (2015: $0.02 million (RMB0.14 million)) cash balance denominated in RMB.

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

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

6. AMOUNTS DUE FROM A RELATED COMPANY / GAIN ON DISPOSAL OF INTEREST IN AN ASSOCIATE

On April 7, 2016, the Group entered into a loan agreement with China Precision Material Limited ("China Precision"), the then associate in which the Group had an indirect equity interest of 38.30%, with respect to a $4,000,000 revolving loan facility in favor of China Precision. The loan is unsecured, bears interest rate at 3.5% per annum and is repayable on demand with 3 days' notice. The agreement has an initial 6-month term ending on October 6, 2016 and has been extended for another 6 months to April 6, 2017. On April 6, 2017, GobiMin further extended the repayment term from April 6, 2017 to October 6, 2017.

(Express in United States Dollars)

Upon the disposal of the Company's investment in 113,000,000 shares of Loco Hong Kong Holdings Limited, the ultimate holding company of China Precision, in August 2016, China Precision was derecognized as the Company's associate company and the Group recognized a gain of $9,461,025 from the disposal.

At December 31, 2016, the Company held an indirect equity interest of 10.06% in China Precision, of which Mr. Felipe Tan, Chief Executive Officer of GobiMin, is a director. Such investment has been classified as listed securities as disclosed in note 11.1 to the financial statements.

In September 2015, the Group disposed of 40,000,000 shares of Loco Hong Kong Holdings Limited and recognized a gain of $3,475,639. GobiMin retained a 38.30% equity interest subsequent to this disposition.

7. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land & buildings	Leasehold improvements	Furniture, fixture & equipment	Computer hardware & equipment	Motor vehicles	Total
Cost:	$	$	$	$	$	$
At January 1, 2015	**7,368,182**	**196,958**	**413,426**	**674**	**1,011,041**	**8,990,281**
Exchange difference	(34,005)	-	(16,765)	(30)	(35,201)	(86,001)
Additions	2,172,710	-	958	-	52,444	2,226,112
Transfer from exploration and evaluation assets	5,950,830	-	-	-	-	5,950,830
At December 31, 2015	**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**
Depreciation and impairment:						
At January 1, 2015	**553,365**	**44,040**	**241,405**	**674**	**595,626**	**1,435,110**
Exchange difference	(6,015)	-	(10,228)	(30)	(21,676)	(37,949)
Depreciation for the year	438,501	65,653	46,408	-	184,055	734,617
At December 31, 2015	**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**
Net book value:						
At December 31, 2015	**14,471,866**	**87,265**	**120,034**	**-**	**270,279**	**14,949,444**
At December 31, 2016	**13,685,957**	**49,384**	**75,222**	**-**	**118,534**	**13,929,097**

As at December 31, 2016, the carrying amount of property, plant and equipment which were located in Hong Kong amounted to $8,083,950 (2015: $8,287,599). The remaining property, plant and equipment were located in China.

(Express in United States Dollars)

The carrying value of the motor vehicles held under finance lease at December 31, 2016 amounted to $62,019 (2015: $96,608). 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 $5,673,868 has been pledged as security for a loan facility of $1,287,002. The outstanding balance of the loan facility amounted to $1,195,109 (2015: nil) as at December 31, 2016. For details of the bank loan, please refer to note 13 to the financial statements.

8. INVESTMENT PROPERTIES

Cost:	$
At January 1, 2015	**2,799,264**
Exchange difference	(125,507)
At December 31, 2015	**2,673,757**
Exchange difference	**(174,814)**
At December 31, 2016	**2,498,943**
Depreciation and impairment:	
At January 1, 2015	**593,813**
Exchange difference	(19,374)
Depreciation for the year	126,993
At December 31, 2015	**701,432**
Exchange difference	**(35,288)**
Depreciation for the year	**118,690**
At December 31, 2016	**784,834**
Net book value:	
At December 31, 2015	**1,972,325**
At December 31, 2016	**1,714,109**

Investment properties comprised commercial properties in China that are leased to third parties and related parties (note 20.2).

The estimated fair value of the Group's investment properties as at December 31, 2016 was approximately $3,490,558 (2015: $3,747,685). The estimated fair value was arrived at based on management assessment by reference to recent market prices for similar properties in the same locations and similar conditions.

(Express in United States Dollars)

9. EXPLORATION AND EVALUATION ASSETS

	Mining rights *Note 9.1*	**Others** *Note 9.2*	**Total**
Cost:	$	$	$
At January 1, 2015	**8,270,424**	**29,459,183**	**37,729,607**
Exchange difference	(370,812)	(1,320,828)	(1,691,640)
Additions	-	1,375,628	1,375,628
Transfer to property, plant and equipment	-	(5,950,830)	(5,950,830)
At December 31, 2015	**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**

9.1 Mining Rights

The mining rights represented the mining and exploration rights of the Gold Project located at 200 km northwest of the city of Kashi, western Xinjiang, China. As at December 31, 2016, the remaining valid period of the exploration licence and mining licence is approximately 1 year.

9.2 Others

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

During 2016, there were research and development cost of $70,236 being disposed of.

During 2015, there were addition of $1,375,628 in the exploration and evaluation assets which represented the internal construction work of the office building. The total construction cost of $5,950,830, including the $1,375,628 addition in 2015, was transferred to property, plant and equipment accordingly when the construction work completed and part of the office building being occupied during 2015.

10. INTERESTS IN ASSOCIATES

As at	**December 31, 2016**	December 31, 2015
	$	$
Share of net assets	**194,241**	4,562,089
Total	**194,241**	4,562,089

(Express in United States Dollars)

Set out below are the associates of the Group as at December 31, 2016.

Company name	Place of incorporation and principal place of business	Total issued shares / paid-up capital	Attributable interest held by the Company	Principal activities
新疆同安礦業有限公司 Xinjiang Tongan Minerals Limited (1)	Xinjiang, China	RMB2,000,000	**40.00%**	Exploration of mineral resources
新疆同德礦業有限責任公司 Xinjiang Tongde Minerals Limited (1)	Xinjiang, China	RMB5,000,000	**40.00%**	Exploration of mineral resources
新疆同成礦業有限責任公司 Xinjiang Tongcheng Minerals Limited (1)	Xinjiang, China	RMB5,000,000	**40.00%**	Exploration of mineral resources

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

In August 2016, the Company disposed of 113,000,000 shares of Loco Hong Kong Holdings Limited with a remaining equity interest of 10.06% which has been classified as listed securities since the disposal as disclosed in note 11.1.

Set out below are the associates of the Group as at December 31, 2015.

Company name	Place of incorporation and principal place of business	Total issued shares / paid-up capital	Attributable interest held by the Company	Principal activities
Loco Hong Kong Holdings Limited	Hong Kong, China	400,170,000 Ordinary shares	38.30%	Investment holding
Loco HK Limited	British Virgin Islands	10 Ordinary shares	38.30%	Investment holding
China Precision Material Limited	Hong Kong, China	20,000,000 Ordinary shares	38.30%	Trading of metals & commodity forward contracts
CPM Silver Limited	Hong Kong, China	10,000 Ordinary shares	38.30%	Processing of silver & property holding
United Bridge Limited	Hong Kong, China	10,000 Ordinary shares	38.30%	Dormant
新疆同安礦業有限公司 Xinjiang Tongan Minerals Limited (1)	Xinjiang, China	RMB2,000,000	40.00%	Exploration of mineral resources
新疆同德礦業有限責任公司 Xinjiang Tongde Minerals Limited (1)	Xinjiang, China	RMB5,000,000	40.00%	Exploration of mineral resources

(Express in United States Dollars)

Company name	**Place of incorporation and principal place of business**	**Total issued shares / paid-up capital**	**Attributable interest held by the Company**	**Principal activities**
新疆同成礦業有限責任公司 Xinjiang Tongcheng Minerals Limited (1)	Xinjiang, China	RMB5,000,000	40.00%	Exploration of mineral resources

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

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

As at	**December 31, 2016**	December 31, 2015
	$	$
Current assets	**606,603**	13,891,511
Non-current assets	**717**	475,556
Current liabilities	**(121,717)**	(2,972,147)
Non-current liabilities	**-**	(9,419)
Net assets	**485,603**	11,385,501
Group's share of net assets	**194,241**	4,652,089

For the year ended	**December 31, 2016**	December 31, 2015
	$	$
Revenue	**201,153,244**	138,491,186
Profit/(loss) for the year	**937,891**	(276,720)
Other comprehensive income/(loss)	**-**	-
Total comprehensive income/(loss)	**937,891**	(276,720)
Group's share of total comprehensive income/(loss) for the year	**359,448**	(140,046)

11. FINANCIAL ASSETS

As at	*Note*	**December 31, 2016**	December 31, 2015
		$	$
Current			
Listed securities	*11.1*	**3,886,101**	-
Non-current			
Debentures	*11.2*	**5,182,182**	1,905,014
Available-for-sale financial asset	*11.3*	**197,584**	211,406
		5,379,766	2,116,420
Total		**9,265,867**	2,116,420

(Express in United States Dollars)

11.1 Listed Securities

As at December 31, 2016, the listed securities represented the investment in a Hong Kong listed security designated at fair value through profit or loss in which the Company has an equity interest of 10.06% as disclosed in note 6 to the financial statements. The fair value of the investment is determined with reference to quoted market prices.

11.2 Debentures

They represented the debentures held by the Group with coupon rates ranging from 4.250% to 9.000% (2015: 5.125% to 9.000%) per annum and maturities ending between November 3, 2019 and perpetual (2015: May 21, 2020 and perpetual). Debentures are classified as financial assets at fair value through profit or loss.

11.3 Available-for-sale Financial Asset

It represented a 2.66% (2015: 2.66%) equity interest in Tongxing, a company incorporated in China, measured at cost less any identified impairment loss.

In consideration of no significant development of Tongxing since its recognition as available-for-sale financial asset, the Directors considered the net asset value of Tongxing is the best representation of its fair value.

12. OTHER PAYABLES, RECEIPTS IN ADVANCE AND ACCRUED LIABILITIES

As at 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	*Note*	**December 31, 2016**	December 31, 2015
		$	$
Other payables		**868,164**	1,117,440
Accrued liabilities		**416,460**	307,552
Receipts in advance		**97,022**	110,985
Deposit received		**7,462**	29,075
Obligation under finance lease – current	*12.1*	**24,877**	40,977
Total		**1,413,985**	1,606,029

12.1 Obligation Under Finance Lease

The Group has finance lease contract for motor vehicles. The Group's obligations under finance lease are secured by the lessor's title to the leased asset. Future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as follows:

	December 31, 2016		December 31, 2015	
	Minimum payments	**Present value**	Minimum payments	Present value
	$	**$**	$	$
Within one year	**25,097**	**24,877**	43,283	40,977
In the second to fifth years inclusive	**-**	**-**	29,132	28,778
Total minimum lease payment	**25,097**	**24,877**	72,415	69,755
Less amounts representing finance charges	**(220)**	**-**	(2,660)	-
Present value of minimum lease payments	**24,877**	**24,877**	69,755	69,755

13. BANK LOAN

As at	**December 31, 2016**	December 31, 2015
	$	$
Bank loan due for repayment within one year	**183,784**	-
Bank loan due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	**1,011,325**	-
Total bank loan, secured and interest bearing	**1,195,109**	-

The bank loan with principal of $1,287,002 (HK$10,000,000) is denominated in Hong Kong dollars and bears interest at one month Hong Kong Interbank Offered Rate plus 1.75% per annum. It is secured by (i) the leasehold land and buildings of the Group with carrying value as at December 31, 2016 of $5,673,868; and (ii) a personal guarantee given by a director to an extent of $1,930,502 (HK$15,000,000) as disclosed in notes 7 and 20.2 to the financial statements. The bank loan is repayable by 84 monthly instalments with the last instalment on September 28, 2023.

14. SHARE CAPITAL AND STOCK OPTIONS

14.1 Common Shares

	Number	Amount
Authorized:		$
Unlimited number of common shares		
Issued and outstanding:		
At January 1, 2015	**56,392,982**	**24,804,948**
Shares repurchased and cancelled	(3,846,500)	(1,585,931)
At December 31, 2015	**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**

14.2 Preferred Shares

The Company did not authorize or issue any preferred share.

(Express in United States Dollars)

14.3 General Reserve

The general reserve represents statutory reserves of the Group's Chinese operating subsidiaries. Pursuant to Accounting Regulations for Business Enterprises in China, the Group's Chinese operating subsidiaries are required to make appropriation of retained earnings to a general reserve fund. The allocation of the reserve must be made before the distribution of dividends to shareholders. The reserve is not available for distribution to shareholders other than in liquidation and is recorded as a component of equity. During 2016, no net earnings (2015: $77,762) of the Company's subsidiaries in China was transferred to general reserve.

14.4 Translation Reserve

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

14.5 Normal Course Issuer Bid

On January 25, 2016, GobiMin was approved to renew its normal course issuer bid to repurchase up to an additional 2,627,324 common shares (2015: 2,765,599), representing approximately 5% of the then common shares outstanding. Purchases were made in accordance with applicable regulations over a maximum period of 12 months ended February 11, 2017. For the year ended December 31, 2016, a total of 1,975,000 common shares were repurchased for an aggregate cost of $679,315 (CAD913,988). All shares repurchased has been returned to treasury for cancellation.

14.6 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 (2015: 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:

	2016		2015	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
		$		$
Outstanding, beginning of the year	**2,450,000**	**0.43**	2,791,400	0.47
Forfeited	**(170,000)**	**0.56**	(341,400)	0.70
Outstanding, end of the year	**2,280,000**	**0.37**	2,450,000	0.43

(Express in United States Dollars)

b) **Summary of the Employee Stock Options Outstanding and Exercisable:**

Exercise Price	Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
CAD	**$**		**(Years)**	**$**		**(Years)**	**$**
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**
At December 31, 2015							
0.60	0.60	129,000	1.00	0.60	129,000	1.00	0.60
0.50	0.43	2,000,000	2.00	0.43	1,200,000	2.00	0.43
0.50	0.43	321,000	4.00	0.43	132,000	4.00	0.43
		2,450,000	2.21	0.43	1,461,000	2.09	0.45

(i) The weighted average remaining contractual life for the options exercisable as at December 31, 2016 was 1.15 years (2015: 2.09 years).
(ii) The weighted average remaining contractual life for the options outstanding as at December 31, 2016 was 1.25 years (2015: 2.21 years).
(iii) The range of exercise price for options outstanding as at December 31, 2016 was $0.37 (2015: $0.43 to $0.60).

c) **Share-Based Payments**

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

Grant date	December 19, 2014	December 19, 2014	November 23, 2011
Exercise Price (CAD)	0.50	0.50	0.60
Expected life (year)	3	5	5
Expected volatility	38%	38%	53%
Dividend yield	-	-	-
Discount rate	1.10%	1.66%	0.88%
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.

(Express in United States Dollars)

14.7 Basic and Diluted Earnings Per Share

For the year ended	December 31, 2016	December 31, 2015
Net earnings attributable to shareholders		
Basic and diluted	**$7,038,512**	$185,068
Weighted average number of shares outstanding		
Basic and diluted	**51,773,582**	53,665,416
Basic and diluted earnings per share	**$0.136**	$0.003

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

15. NON-CONTROLLING INTERESTS

Non-controlling interests represented the 30% (2015: 30%) equity interest in Xinjiang Tongyuan Minerals Limited ("Tongyuan") not held by the Group.

As at	December 31, 2016	December 31, 2015
	$	$
Non-controlling interest	**459,037**	627,107

The summarized financial information of Tongyuan is as follows:

For the year ended	December 31, 2016	December 31, 2015
	$	$
Revenue	**-**	-
Total expenses and comprehensive loss	**423,565**	465,167
Loss for the year allocated to non-controlling interest	**127,069**	139,551

As at	December 31, 2016	December 31, 2015
	$	$
Current assets	**434,913**	569,405
Non-current assets	**34,859,922**	37,759,745
Current liabilities	**(856,744)**	(1,130,631)
Non-current liabilities	**(32,907,969)**	(34,995,097)
Net assets	**1,530,122**	2,203,422

For the year ended	December 31, 2016	December 31, 2015
	$	$
Net cash flow used in operating activities	**(344,867)**	(533,581)
Net cash flow used in investing activities	**-**	(841,615)
Net cash flow from financing activities	**200,900**	1,275,386
Net decrease in cash and cash equivalents	**(143,967)**	(99,810)

(Express in United States Dollars)

16. OTHER REVENUE

For the year ended	December 31, 2016	December 31, 2015
	$	$
Interest income	**350,621**	302,893
Rental income	**357,193**	308,537
Other income	**694**	-
Total other revenue	**708,508**	611,430

17. NATURE OF EXPENSES

17.1 Employee Costs (including remuneration of key management and directors as stated in note 20.1):

For the year ended	December 31, 2016	December 31, 2015
	$	$
Wages and other benefits	**1,702,191**	1,476,743
Payment to defined contribution plans	**67,854**	82,644
Share-based payment	**52,716**	177,433
Total employee costs	**1,822,761**	1,736,820

17.2 Depreciation:

For the year ended	December 31, 2016	December 31, 2015
	$	$
Depreciation	**974,557**	861,610

18. FINANCE COSTS

For the year ended	December 31, 2016	December 31, 2015
	$	$
Finance charge under finance lease	**2,441**	5,738
Loan interest	**12,717**	7,523
Bank charges	**2,962**	4,112
Total finance costs	**18,120**	17,373

19. INCOME TAX

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

(Express in United States Dollars)

For the year ended	**December 31, 2016**	December 31, 2015
	$	$
Profit before income tax	**6,911,443**	45,517
Statutory tax rates	**26.5%**	26.5%
Tax charged at statutory tax rates	**1,831,532**	12,062
Tax rate differential	**(2,334,167)**	(603,589)
Non-taxable revenues	**(70,241)**	(42,446)
Non-deductible expenses and other differences	**952,091**	60,640
Operating losses not set up as deferred tax asset	**411,522**	573,333
Tax effect of tax losses utilized	**(790,737)**	-
Tax expense	**-**	-

As at December 31, 2016, the Group has unused tax losses of $105,237 (2015: $2,955,661) available for offset future profits which is subject to the final approval of respective tax authorities. The Group was required to include certain inter-company loans into income for Canadian tax purposes resulting in a reduction of tax loss carry forwards. When these loans are subsequently repaid, they will be deductible against income at that time. As at December 31, 2016, no deferred tax asset has been recognized in respect of the unused tax losses due to the unpredictability of future profit streams. The following table summarized the unrecognized tax losses by year of expiry:

Unrecognized Tax Losses:

For the year ended	**December 31, 2016**	December 31, 2015
Year of expiry	**$**	$
- December 31, 2036	**-**	-
- December 31, 2035	**105,237**	468,892
- December 31, 2031	**-**	65,056
- December 31, 2030	**-**	382,684
- December 31, 2029	**-**	514,281
- December 31, 2028	**-**	789,120
- December 31, 2027	**-**	700,458
- December 31, 2026	**-**	35,170
Total	**105,237**	2,955,661

20. RELATED PARTY TRANSACTIONS

20.1 Key Management Compensation

The remuneration of key management and directors was as follows:

For the year ended	**December 31, 2016**	December 31, 2015
	$	$
Wages, fees and other benefits	**841,936**	659,963
Payment to defined contribution plans	**8,136**	10,746
Share-based payment	**31,829**	158,582
	881,901	829,291

(Express in United States Dollars)

20.2 Related Party Transactions

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties. These transactions were conducted in the normal course of the Group's business with terms mutually agreed by both parties.

For the year ended		**December 31,2016**	December 31, 2015
Related party relationship	**Type of transactions**	**$**	$
Companies controlled by a director	Rental income	**43,552**	24,566
An associate	Rental income	**80,309**	59,305
	Interest income	**28,767**	-
	Share of office common expenses and staff cost	**70,855**	217,786
A company with common director who has controlling interest in the Company	Rental income	**40,154**	-
	Interest income	**40,945**	-
	Share of office common expenses and staff cost	**65,517**	-

As at December 31, 2016, the Group has a loan facility as disclosed in note 13 to the financial statements, which was secured by a guarantee given by a director.

20.3 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 6 to the financial statements.

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

21. COMMITMENTS

21.1 Capital Commitments

The Group has the following capital commitments:

As at December 31, 2016	**Contract Date**	**Contracted Sum**	**Capital Commitments**
		$	**$**
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**

(Express in United States Dollars)

21.2 Operating Lease Commitments

(a) 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:

As at	December 31, 2016	December 31, 2015
	$	$
Within one year	**90,808**	103,660
In the second to fifth years inclusive	**189,173**	260,175
Total future minimum lease receivables	**279,981**	363,835

(b) The Group as Lessee

The Group has entered into operating leases on certain office premises, with lease terms between one to nine years. Future minimum lease payables under non-cancellable operating leases are as follows:

As at	December 31, 2016	December 31, 2015
	$	$
Within one year	**19,591**	38,498
In the second to fifth years inclusive	**8,782**	16,029
After five years	**-**	-
Total future minimum lease payables	**28,373**	54,527

22. DIVIDEND PAID

In June 2016, GobiMin paid an annual dividend of CAD0.01 per share for a total amount of $384,299 (2015: $387,784) in accordance with the Company's dividend policy and 2015 annual performance.

23. SEGMENTED INFORMATION

The Group conducted its business as a single operating segment, being the development, exploration and exploitation of mineral properties. It is engaged in the development of the Gold Project and other exploration projects. All mineral property interests and capital assets are located in China.

24. 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.

24.1 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.

(Express in United States Dollars)

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

Level 1 – Quoted (unadjusted) prices for identical assets or liabilities in active markets.
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including:
- ♦ Quoted prices for similar assets/liabilities in active markets;
- ♦ Quoted prices for identical or similar assets in non-active markets (few transactions, limited information, non-current prices, high variability over time);
- ♦ Inputs other than quoted prices that are observable for the asset/liability (e.g. interest rates, yield curves, volatilities, default rates, etc.); and
- ♦ Inputs that are derived principally from or corroborated by other observable market data.

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

	Fair Value Measurements at Reporting Date			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
December 31, 2016				
Listed securities	**3,886,101**	**-**	**-**	**3,886,101**
Debentures	**5,182,182**	**-**	**-**	**5,182,182**
	9,068,283	**-**	**-**	**9,068,283**
December 31, 2015				
Debentures	1,905,014	-	-	1,905,014
	1,905,014	-	-	1,905,014

24.2 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.

24.3 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 give any assurance that any future movements in the exchange rates of RMB against the United States dollars and other foreign currencies will not adversely affect its results of operations, financial condition and cash flows.

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

	2016			2015		
The Group	Increase (decrease) in foreign exchange rate	Increase (decrease) in profit for the year and retained profits	Effect on other components of equity	Increase (decrease) in foreign exchange rate	Increase (decrease) in loss for the year and retained profits	Effect on other components of equity
		US$	US$		US$	US$
RMB	**5%**	**33,523**	**1,897,229**	5%	39,685	2,079,897
	(5%)	**(33,523)**	**(1,897,229)**	(5%)	(39,685)	(2,079,897)
CAD	**1%**	**4,064**	**1,629**	1%	6,206	54
	(1%)	**(4,064)**	**(1,629)**	(1%)	(6,206)	(54)

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

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. In this respect, it is assumed that the pegged rate between the Hong Kong dollars and the United States dollars would be materially unaffected by any changes in movement in value of the United States dollars against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' profit (loss) for the year and equity measured in the respective functional currencies, translated into United States dollars at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis is performed on the same basis for 2015.

24.4 Credit Risk

The Group is exposed to credit risk with respect to cash and cash equivalents, other receivables, deposit paid to related parties and 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 and 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.

24.5 Liquidity Risk

Liquidity risk is the risk that the Group may encounter difficulties in meeting obligations associated with financial liabilities. As at December 31, 2016, the Group held cash and cash equivalents of $27,164,240 and net current assets of $30,890,044. 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.

24.6 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.

25. 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 $81,471,406 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.

26. EVENTS AFTER THE REPORTING DATE

26.1 On February 8, 2017, GobiMin was approved to renew its normal course issuer bid to repurchase on the TSX Venture Exchange 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.

26.2 For the period from January 1, 2017 to April 20, 2017, a total of 273,500 common shares were repurchased at an aggregate cost of $111,258 (CAD149,692). All shares repurchased were or will be returned to treasury for cancellation.

26.3 On April 6, 2017, GobiMin extended the repayment term from April 6, 2017 to October 6, 2017 with respect to the $4 million revolving term loan facility bearing an interest rate of 3.5% per annum in favor of China Precision as disclosed in note 6. The outstanding balance of the loan, together with the accrued interest, due from China Precision was $3,506,712 as at April 20, 2017.

26.4 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)

Management's Discussion and Analysis of Financial Results

For the year ended December 31, 2016

(Expressed in United States Dollars except where otherwise noted)

The following discussion and analysis of the consolidated operating results and financial condition of GobiMin Inc. for the year ended December 31, 2016 was prepared on April 20, 2017 and should be read in conjunction with its audited consolidated financial statements for the year ended December 31, 2016. The financial information was prepared in accordance with International Financial Reporting Standards ("IFRS"). Additional information relating to the Company is available on SEDAR at www.sedar.com and the Company's website at www.gobimin.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

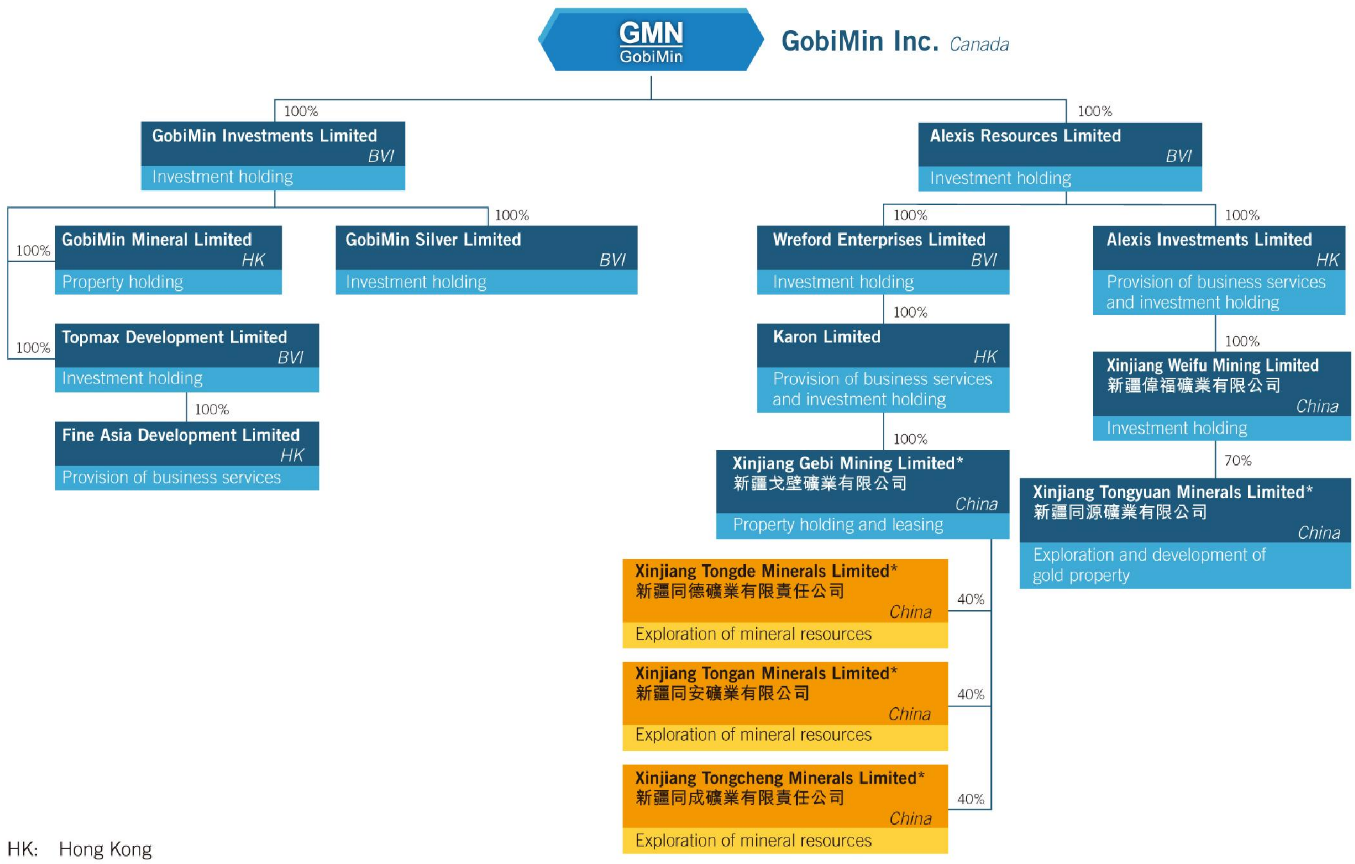
GobiMin Inc. (the "Company" or "GobiMin"), together with its subsidiaries (collectively the "Group"), is engaged in the development and exploration of mineral properties, mainly in the Xinjiang Uygur Autonomous Region ("Xinjiang") of the People's Republic of China ("China").

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.

GobiMin also holds an equity interest of 10.06% in Loco Hong Kong Holdings Limited ("Loco HK"), a company incorporated in Hong Kong and the shares of which are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited under the stock code 8162. Loco HK and its subsidiaries (collectively the "Loco HK Group") are principally engaged in the trading of metals and commodity forward contracts in Hong Kong.

In addition, GobiMin owns a 40% equity interest in each of the three companies incorporated in China to engage in base metals and precious metal exploration, including nickel, copper and gold, in Xinjiang, and a 2.66% equity interest in the Yanxi Copper Property (the "Yanxi Copper Property").

Group Chart with major subsidiaries and associates as at April 20, 2017 is as follows:



HK: Hong Kong
BVI: British Virgin Islands
*unofficial English name translated from Chinese registered name of the company

(Expressed in United States Dollars)

2. Financial Highlights

As at / For the year ended December 31,	2016	2015	2014
		$	$
Revenue	**-**	-	-
Other revenue	**0.7 million**	0.6 million	0.7 million
Share of results of associates	**0.4 million**	(0.1 million)	0.1 million
Gain/additional gain on disposal of interest in an associate	**9.5 million**	3.5 million	3.9 million
Gain on fair value changes of financial assets	**0.1 million**	-	-
Net profit for the year	**6.9 million**	46,000	0.3 million
EBITDA(1)	**7.6 million**	0.6 million	0.6 million
Basic and diluted earnings per share	**0.136**	0.003	0.009
EBITDA per share(1)	**0.146**	0.012	0.011
Cash and cash equivalents	**27.2 million**	26.1 million	31.8 million
Cash and cash equivalents per share(1)	**0.54**	0.50	0.56
Working capital	**30.9 million**	23.1 million	26.0 million
Total non-current financial liabilities	**-**	29,000	42,000
Total liabilities	**3.8 million**	3.2 million	6.4 million
Total assets	**85.3 million**	81.3 million	88.2 million
Annual dividend per share	**0.01**	0.01	0.01

Note:

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

3. Business Summary and Development

(a) Gold Project in Xinjiang

(i) Background and Location

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

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

(ii) Mineralization

The main zones of mineralization have been defined within the project area, and are referred to as Zone I and Zone IV. The mineralized domains generally consists of low to medium grade gold mineralization developed within quartz filled ductile shear zones formed within a meta-sedimentary sequence. The Zone IV domain is approximately 3 km long and has been defined to a depth of 700 m. This is the most continuous zone so far defined within the project area. The defined mineralized domains dip at between 60° and 80° toward the northwest and therefore strike northeast. Mineralized zones can range from less than 1 m to 50 m in thickness.

The NI 43-101 compliant resource estimate update was published in April 2015 and was amended and restated in January 2016. At a cut-off grade of 1.0 grams/tonne gold, its Zone I and Zone IV are estimated to contain a total of approximately 27 million tonnes at an average grade of 1.79 grams/tonne Au (about 1.55 million contained oz Au) in the Measured and Indicated Resources category and approximately 59 million tonnes averaging 1.38 grams/tonne Au (about 2.6 million contained oz Au) in the Inferred Resources category. The exploration results of 2014 have further increased the confidence and understanding of the mineralization and thus provide more reliable data for the mining plan. The full report is available on SEDAR at www.sedar.com and the Company's website at www.gobimin.com.

(iii) Update

Up to December 31, 2016, the Gold project has completed accumulatively 254 surface drill holes for a total of 86,919 meters and concluded the exploration stage of work. Before the commencement of the development work on the property, GobiMin has continued to seek and negotiate with various business investors for the Gold Project during 2016.

In respect of the conversion of the exploration licence into a mining licence, the Group is required to provide three Chinese standard geological reports. So far as at December 31, 2016, GobiMin has submitted two geological reports. We received approval for the first report and are awaiting the approval of the second report. In practice, the reports submitted would be amended subject to the comments of the relevant authorities. It is expected that it would take about six months to get the approval of each report. If the process goes well, GobiMin expects to obtain the approval of the second report in the third or fourth quarter of 2017 and the mining licence by the end of 2018. However, the Company is unable to control the length of the process which might be delayed subject to regulatory conditions. The most important costs associated with the application process are the report preparation costs and mining licence fees. The fees for preparing the three reports are currently estimated at about $0.1 million, of which about $43,000 is not yet incurred. The mining licence fees would be determined by the relevant authorities at the final stage before granting the licence.

(iv) Exploration and Evaluation Assets

During 2016, there were no addition to the exploration and evaluation assets with only research and development cost of $70,236 being disposed of. The balance of the exploration and evaluation assets of $29.3 million at the year-end were mainly composed of mining rights, geological and geophysical costs, mine site and facilities construction, drilling and exploration expenses for the Gold Project.

As at December 31, 2016, the Group had a contractual commitment of $1.7 million for the future development of the Gold Project, including mine design and related facilities, research on gold processing method and office building renovation.

(v) Plan for 2017

GobiMin will hold the development work of the Gold Project and focus on the conversion of the exploration licence into a mining licence. The new mining licence would have enlarged mining area and production capacity. In the meantime, GobiMin will keep looking for business investors for the project, in order to minimize the related risks and maximize the benefit to the Group.

(b) Silver Operation

Loco HK Group engages in the trading of metals and commodity forward contracts, including silver, tin and gold. Its processing workshop has operated in Hong Kong since August 2010 for processing silver into bars and granules with 99.99% purity. In August 2016, the Group disposed of 113,000,000 shares of Loco HK to third parties for net proceeds of $10.4 million and the equity interest in Loco HK held by GobiMin was reduced from 38.3% to 10.06% accordingly. At the date of disposal, Loco HK was derecognized as the Company's associate and the Group recognized a gain of $9.5 million. The remaining 10.06% interest in Loco HK was then accounted for as listed securities.

For the period from January 1, 2016 to the date of disposal, Loco HK recorded a net profit of approximately $0.9 million, with GobiMin's share amounting to approximately $0.4 million.

(c) Base Metal Exploration Projects in Xinjiang

(i) Three Exploration Companies

The Group owns a 40% equity interest in each of the three companies incorporated in Xinjiang, China, which are engaged in the exploration of nickel, copper, and gold and are regarded as associates of the Group. As at December 31, 2016, the carrying value of these companies amounted to $0.2 million (RMB1.4 million) in aggregate. No exploration works have been carried out during 2016. As the potential of further exploration work is low, the proposal on dissolution of these three exploration companies is under consideration.

(ii) Yanxi Copper Property

During the year ended December 31, 2016, GobiMin held 2.66% equity interest in Xinjiang Tongxing Minerals Limited ("Tongxing"), which is the licence holder of the Yanxi Copper Property. It is classified as an available-for-sale financial asset of the Group.

(d) Normal Course Issuer Bid ("NCIB")

On January 25, 2016, GobiMin was approved to renew its NCIB to repurchase an additional 2,627,324 common shares, accounting for approximately 5% of the then common shares outstanding and purchases were made in accordance with applicable regulations over a maximum period of 12 months ended February 11, 2017. Under its 2016 NCIB Program, the Company repurchased 1,975,000 common shares in total at a consideration of $679,315 (CAD913,988) for the year ended December 31, 2016. On February 8, 2017, GobiMin was approved to renew its NCIB to repurchase on the TSX Venture Exchange up to an additional 2,528,574 common shares, representing approximately 5% of the then common shares outstanding over a maximum period of 12 months ending February 11, 2018. During the period from January 1, 2017 to April 20, 2017, the Company repurchased 273,500 common shares in total at a consideration of $111,258 (CAD149,692). All shares repurchased were or will be returned to treasury for cancellation.

The decision regarding repurchase of shares was made by management to maximize shareholder value. Accordingly, the Company is of the view that the repurchase is in the best interest of the Company and its shareholders as a whole. A copy of the related Notice of Intention to Make a Normal Course Issuer Bid will be provided to shareholders upon receipt of written request to the Company at its registered office.

(e) Liquidity and Capital Resources

As at December 31, 2016, the Group had a working capital of about $30.9 million (2015: $23.1 million), by netting off its current assets of $34.7 million (2015: $26.2 million) with current liabilities of $3.8 million (2015: $3.1 million).

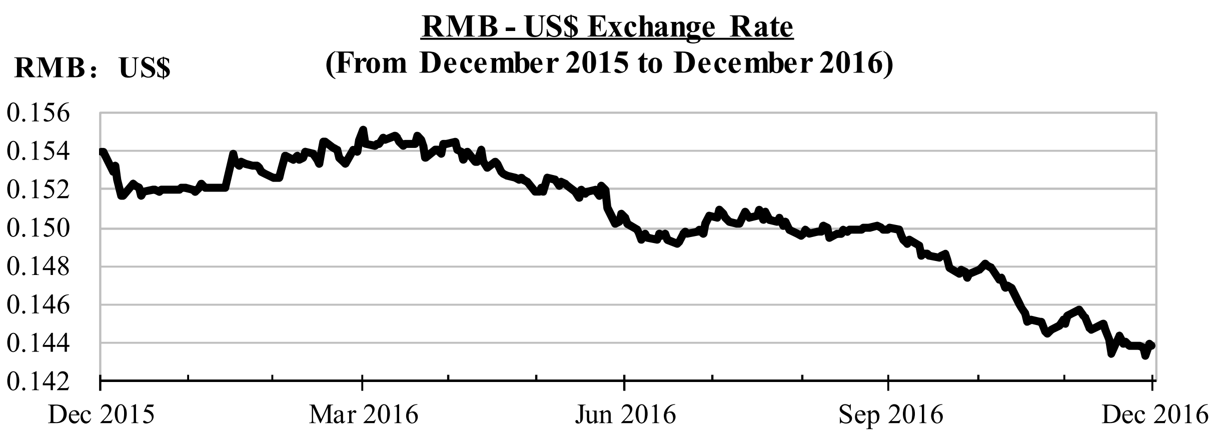
Among the cash and cash equivalents of $27.2 million, about $1.5 million were held in China. The subsidiaries in China are allowed to transfer funds to other Group companies outside China upon presentation of the proper documentation under current regulations, subject to the risks outlined hereinafter under the section "Risk Factors". The Group will carefully plan ahead to match the available funding with various payment obligations in China and elsewhere.

The Group has no difficulties in meeting obligations associated with its financial liabilities and commitment. The Group has determined that its cash and cash equivalents will be more than sufficient to finance its operation, including the current commitments of the Gold Project of approximately $1.7 million.

4. Key Economic Trends

(a) China Economy

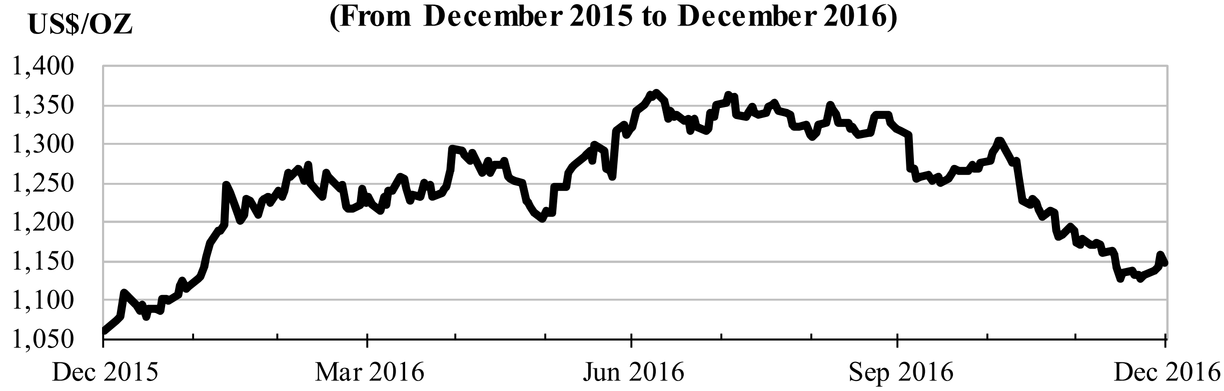
Since GobiMin's activities are mostly conducted in China, the condition of the Chinese economy is a key factor on the Group's exploration business. Currency fluctuations may also have an impact on the Group's cost structure as the Group reports in U.S. dollars. For the year ended December 31, 2016, the Chinese Renminbi ("RMB") depreciated by approximately 6.57% against the U.S. dollar comparing with the exchange rate on December 31, 2015.



(b) Gold Market

The price of gold has a strong influence on the Gold Project's value. For the year ended December 31, 2016, the gold price has increased by around 8.14% against the price on December 31, 2015.

LOCO London Gold Market Price
(From December 2015 to December 2016)



5. Critical Accounting Estimates

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

(a) Exploration and Evaluation Assets

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

(b) Income Taxes

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

(c) Functional Currency

The determination of the functional currency for the Company's subsidiaries and associates is a significant judgment. The determination of functional currency requires the Company to assess the primary economic environment in which each of the entities operates and affects how the Company translates foreign currency balances and transactions.

(d) Power to Exercise Control, Joint Control or Significant Influence

Significant judgment is required in determining whether the Company has the power to exercise control, joint control or significant influence over another entity. In making this decision, the Company reviews the degree of influence it has to govern the relevant activities of another entity, taking into consideration the Company's equity interest, voting interest, ability to appoint senior management and officers and the Company's exposure to variable returns from the entity.

(e) Carrying Value of Property, Plant and Equipment

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

(f) Impairment of Non-Financial Assets (Other Than Goodwill)

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

(g) Impairment of Available-For-Sale Financial Asset

The fair value of available-for-sale financial asset, which is not traded in an active market and in which fair value cannot be reliably measured, is initially recognized at cost. The Group uses its judgment to determine if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets and to determine whether there is an impairment that should be recognized in profit or loss.

6. Future Changes in Significant Accounting Policies

(a) IFRS 9 (2014) - Financial Instruments

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

(b) IFRS 15 - Revenue from Contracts with Customers

IFRS 15 specifies how and when entities recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. It is effective for annual periods beginning on or after January 1, 2018.

(Expressed in United States Dollars)

(c) IFRS 16 - Leases

IFRS 16 issued in January 2016 and will replace IAS 17 *Leases*. This standard specifies how an entity would recognize, measure, present and disclose leases. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

7. Selected Quarterly Information

As at / For the three months ended	**December 31, 2016**	September 30, 2016	June 30, 2016	March 31, 2016
	$	$	$	$
Revenue	**-**	-	-	-
Net profit (loss) for the period	**(875,973)**	8,915,712	(458,603)	(669,693)
Basic and diluted earnings (losses) per share	**(0.017)**	0.173	(0.008)	(0.012)
Cash and cash equivalents	**27,164,240**	28,966,803	20,863,213	22,507,685
Total assets	**85,316,086**	89,150,924	80,268,523	80,170,006

As at / For the three months ended	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
	$	$	$	$
Revenue	-	-	-	-
Net profit (loss) for the period	(1,047,003)	2,505,810	(710,707)	(702,583)
Basic and diluted earnings (losses) per share	(0.02)	0.05	(0.01)	(0.01)
Cash and cash equivalents	26,065,086	28,812,950	27,628,559	29,754,577
Total assets	81,314,925	86,751,936	84,429,216	86,438,918

The above financial information was prepared in accordance with IFRS.

For the three months ended December 31, 2016, the Group reported a net loss of $0.9 million (2015: $1.0 million) which mainly comprised administrative expenses of $1.0 million (2015: $0.9 million).

During this quarter, the Group recorded a net cash outflow of $1.8 million (2015: $2.7 million). It mainly represented $1.3 million addition of debentures and $0.4 million used for share repurchase.

The total assets decreased by $3.9 million from $89.2 million as at September 30, 2016 to $85.3 million as at December 31, 2016. It mainly represented the exchange differences on translation of foreign operations at year end of $2.8 million and share repurchase of $0.4 million.

8. Results of Operations

(a) Revenue

No revenue (2015: Nil) from operations has been recorded in this year.

Other revenue in 2016 were $0.7 million (2015: $0.6 million) which mainly included interest income of $0.3 million (2015: $0.3 million) and rental income of $0.4 million (2015: $0.3 million).

(Expressed in United States Dollars)

(b) General and Administrative Expenses

General and administrative expenses incurred in this year were \$3.6 million (2015: \$3.5 million). They mainly represented pre-operating expenses incurred for the Gold Project, office rental, staff costs and legal and professional fees.

(c) Gain on Disposal of Interest in An Associate

In August 2016, the Group realized part of its equity interest in Loco HK by disposal of its investment in 113,000,000 shares, being its partial shareholding, of Loco HK to third parties for net proceeds of approximately \$10.4 million (HK\$80.75 million). The Group recognized a gain of \$9.5 million and derecognized Loco HK as the Company's associate. After the disposal, GobiMin held a 10.06% equity interest in Loco HK which was accounted for as listed securities as at December 31, 2016.

(d) Gain on Fair Value Changes of Financial Assets

The fair value of the investment in the shares of Loco HK, which is a Hong Kong listed security, was determined with reference to quoted market price. As at December 31, 2016, the gain on fair value changes of such investment amounted to \$0.1 million.

(e) Earnings Per Share

The basic and diluted earnings per share in 2016 were \$0.136 (2015: \$0.003).

(f) EBITDA

In 2016, the earnings before interest income and expense, income taxes, depreciation and amortization ("EBITDA"), a non-IFRS performance measure, was \$7.6 million as compared to \$0.6 million in 2015. The following table presents the calculation of EBITDA for the years:

For the year ended December 31,	**2016**	2015
	$	$
Profit for the year	**6,911,443**	45,517
Net interest income	**(335,463)**	(289,632)
Depreciation	**974,557**	861,610
EBITDA [1]	**7,550,537**	617,495
EBITDA per share [2]	**0.146**	0.012

Note:

(1) As non-IFRS measurements, ***EBITDA*** *and* ***EBITDA 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.

(g) Annual Dividend

On June 23, 2016, the Company paid an annual dividend of \$0.01 (CAD0.01) per share for a total amount of \$0.4 million (2015: \$0.4 million) in accordance with its dividend policy and 2015 performance.

(Expressed in United States Dollars)

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.

9. Cash Flows

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

As at December 31,	**2016**	2015
	$	$
Cash and cash equivalents	**27,164,240**	26,065,086
Working capital [(1)]	**30,890,044**	23,095,399

For the year ended December 31,	**2016**	2015
	$	$
Net cash flow used in operating activities	**(2,658,089)**	(4,965,455)
Net cash flow from/(used in) financing activities	**69,018**	(2,032,950)
Net cash flow from investing activities	**3,851,339**	1,585,234
Increase/(decrease) in cash and cash equivalents	**1,262,268**	(5,413,171)

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

(a) Operating Activities

In 2016, net cash outflow used in operating activities was $2.7 million (2015: $5.0 million) which mainly represented cash payment of office expenses of $2.2 million (2015: $2.2 million), income taxes of $0.3 million (2015: $0.1 million) and settlement of payables and accrual of $0.2 million (2015: $3.1 million). The decrease in net cash outflow as compared with 2015 was mainly due to the decrease in other payables by $2.9 million.

(b) Financing Activities

The net cash inflow from financing activities was $69,018 in 2016 (2015: net cash outflow of $2.0 million) which mainly represented the $1.3 million new bank loan raised (2015: nil) netting off dividend paid of $0.4 million (2015: $0.4 million) and share repurchase of $0.7 million (2015: $1.6 million). The increase in net cash inflow of $2.1 million as compared with 2015 was mainly due to decrease in shares repurchase by $0.9 million and the new bank loan raised of $1.3 million in 2016.

(c) Investing Activities

The cash inflow from investing activities was $3.9 million in 2016 (2015: $1.6 million), which mainly represented the net proceeds from disposal of equity interest in an associate of $10.4 million (2015: $4.6 million) netting off the net addition of debentures of $3.2 million (2015: $0.1 million) and loan to a related company of $3.5 million (2015: nil). The increase in cash inflow by $2.3 million as compared with 2015 was mainly due to the increase in net proceeds from disposal of equity interest in an associate by $5.8 million offsetting the loan to a related company of $3.5 million in 2016.

10. Statements of Financial Position

(a) Cash and Cash Equivalents

The Group had approximately $27.2 million in cash and cash equivalents as at December 31, 2016, compared to $26.1 million as at December 31, 2015. The increase of $1.1 million was mainly the combined effect of net proceeds from disposal of equity interest in an associate of $10.4 million netting off loan to a related company of $3.5 million, net addition of debentures of $3.2 million and $2.2 million net cash payment of office expenses and income taxes of $0.3 million.

(b) 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 year ended December 31, 2016, there was no addition in exploration and evaluation assets but there was research and development cost of $70,236 being disposed of.

(c) Financial Assets

Financial assets represent $3.9 million investment in a Hong Kong listed security, $5.2 million debentures and the equity interest in Tongxing of $0.2 million.

(d) Share Capital

As at December 31, 2016, GobiMin had 50,571,482 common shares issued and outstanding. During the year, 1,975,000 common shares were repurchased and cancelled and 170,000 stock options were forfeited.

11. Related Party Transactions

The Group had the following transactions with related parties:

(a) During the Year Ended December 31, 2016

(i) Fees and other remunerations to directors and key management personnel of $0.9 million (2015: $0.8 million).
(ii) Rental income of $164,015 (2015: $83,871) from related parties.
(iii) Interest income of $69,712 (2015: nil), share of office common expenses and staff cost of $0.1 million (2015: $0.2 million) from Loco HK Group.
(iv) Bank loan facility of $1.3 million (2015: nil) secured by a guarantee given by a director.

(b) As at December 31, 2016

(i) A deposit of $28,700 (2015: $30,708) paid to the non-controlling shareholder of an associate for exploration services.
(ii) The principal amount of a loan of $3.5 million (2015: nil) due from a related company.

12. Capital Commitment

As at December 31, 2016, 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.

(Expressed in United States Dollars)

13. Off-Balance Sheet Arrangements

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

14. Future Plans for Material Investments

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

15. Outstanding Share Data

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

As at	December 31, 2015	**December 31, 2016**	**April 20, 2017**
Number of Common Shares Outstanding	52,546,482	**50,571,482**	**50,297,982**
Number of Options Outstanding	2,450,000	**2,280,000**	**2,280,000**
Number of Common Shares Fully Diluted	54,996,482	**52,851,482**	**52,577,982**

16. Risk Factors

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

(a) Metal Prices

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

(b) Currency Risks

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

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

(c) Exploration, Development and Operating Risks

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

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

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

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

(d) Uncertainty of Ore Reserves and Resource Estimates

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

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

(e) <u>Capital Requirements</u>

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

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

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

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

(g) <u>Permits and Licences</u>

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

GobiMin's exploration and exploitation licences are subject to annual audit by the Department of Land and Resources of Xinjiang, China. In their annual audit, the authorities may consider whether the Group's mining activities have been in compliance with the relevant laws and regulations. If the Group fails to meet the relevant requirements or materially breaches any laws or regulations, it may not pass such audit, in which case it may be subject to penalties in accordance with applicable laws, or be given a deadline to rectify deficiencies, or, in serious cases, have its permits and licences revoked. While the Group has never encountered such problems in the past, there can be no assurance that it will pass future audits. Should permits or licences be suspended or revoked, GobiMin's business and results of operations could be materially affected. The mining licence for the Gold Project was granted for an initial period of 8 years. As at December 31, 2016, the remaining valid period of the mining licence was approximately 1 year. There is no guarantee that such mining licence will be renewed at its expiration.

(h) Environmental Regulation

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

(i) Dependence on Key Managerial Employees

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

(j) Competition

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

(k) Dividend Policy

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