# GobiMin Inc.

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

## Condensed Interim Financial Statements (unaudited)

## March 31, 2015

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

Notice to readers:

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

**GobiMin Inc.**
**Condensed Interim Statements of Financial Position (Unaudited)**
**As at March 31, 2015**
(Expressed in United States Dollars)

| | Note | **March 31, 2015** | December 31, 2014 |
|---|---|---|---|
| **ASSETS** | | **$** | $ |
| **Current** | | | |
| Cash and cash equivalents | 4 | **29,754,577** | 31,797,897 |
| Prepayments, deposits and other receivables | | **556,337** | 530,672 |
| Total current assets | | **30,310,914** | 32,328,569 |
| | | | |
| **Non-current** | | | |
| Property, plant and equipment | 5 | **7,453,442** | 7,555,171 |
| Investment properties | | **2,172,212** | 2,205,451 |
| Exploration and evaluation assets | 6 | **37,729,607** | 37,729,607 |
| Interests in associates | | **5,804,836** | 5,756,390 |
| Other financial assets | 7 | **2,425,705** | 2,025,705 |
| Deposit paid to related parties | 8 | **587,202** | 587,202 |
| Total non-current assets | | **56,173,004** | 55,859,526 |
| | | | |
| **Total assets** | | **86,483,918** | 88,188,095 |
| | | | |
| **LIABILITIES** | | | |
| **Current** | | | |
| Other payables, receipts in advance and accrued liabilities | 9 | **4,284,190** | 4,695,989 |
| Income taxes payable | | **1,538,176** | 1,635,208 |
| Total current liabilities | | **5,822,366** | 6,331,197 |
| | | | |
| **Non-current** | | | |
| Other payables, receipts in advance and accrued liabilities | 9 | **62,517** | 42,487 |
| Total non-current liabilities | | **62,517** | 42,487 |
| | | | |
| **Total liabilities** | | **5,884,883** | 6,373,684 |
| | | | |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 10 | **24,217,213** | 24,804,948 |
| Reserves | | **55,620,691** | 56,206,818 |
| **Equity attributable to shareholders of the Company** | | **79,837,904** | 81,011,766 |
| Non-controlling interests | | **761,131** | 802,645 |
| | | | |
| **Total shareholders' equity** | | **80,599,035** | 81,814,411 |
| | | | |
| **Total liabilities and shareholders' equity** | | **86,483,918** | 88,188,095 |

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

APPROVED BY THE BOARD ON MAY 28, 2015 AND SIGNED ON ITS BEHALF BY:

(Signed)
**Felipe Tan**
Director

(Signed)
**Hubert Marleau**
Director

**GobiMin Inc.**
**Condensed Interim Statements of Comprehensive Income (Unaudited)**
**For the quarter ended March 31, 2015**
(Expressed in United States Dollars)

| | Note | **Three Months Ended March 31 , 2015** | March 31, 2014 |
|---|---|---|---|
| | | **$** | **$** |
| Revenue | | **-** | - |
| Cost of sales | | **-** | - |
| Selling and distribution cost | | **-** | - |
| **Gross profit** | | **-** | - |
| Other revenue | | **158,633** | 248,918 |
| General and administrative expenses | | **(950,363)** | (1,025,307) |
| Share of results of associates | | **48,447** | 159,374 |
| **Operating loss** | | **(743,283)** | (617,015) |
| Exchange gain | | **44,963** | 58,005 |
| Finance costs | | **(4,263)** | (29,954) |
| **Loss before income tax** | | **(702,583)** | (588,964) |
| Income tax expense | | **-** | - |
| **Loss for the period** | | **(702,583)** | (588,964) |
| **Other comprehensive loss, net of tax** | | | |
| Exchange differences on translation of foreign operations that will or may be reclassified to profit or loss | | **-** | - |
| **Total comprehensive loss for the period** | | **(702,583)** | (588,964) |
| **Loss for the period attributable to:** | | | |
| Shareholders of the Company | | **(661,069)** | (520,243) |
| Non-controlling interests | | **(41,514)** | (68,721) |
| | | **(702,583)** | (588,964) |
| **Total comprehensive loss for the period attributable to:** | | | |
| Shareholders of the Company | | **(661,069)** | (520,243) |
| Non-controlling interests | | **(41,514)** | (68,721) |
| | | **(702,583)** | (588,964) |
| **Net losses per share** | | | |
| Basic and diluted | 10.7 | **(0.012)** | (0.009) |
| **Weighted average number of shares outstanding** | | **Share** | Share |
| Basic and diluted | 10.7 | **56,096,667** | 58,004,204 |

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

**GobiMin Inc.**
**Condensed Interim Statements of Changes in Equity (Unaudited)**
**For the quarter ended March 31, 2015**
(Expressed in United States Dollars)

| | Attributable to shareholders of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Share capital** Note 10.1 | **Contributed surplus** | **Share option reserve** | **General reserve** Note 10.3 | **Translation reserve** Note 10.4 | **Retained earnings** | **Non-controlling interests** | **Total equity** |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| **At January 1, 2014** | **25,500,704** | **2,399,939** | **672,663** | **7,666** | **4,442,667** | **49,620,119** | **1,049,521** | **83,693,279** |
| Loss for the period | - | - | - | - | - | (520,243) | (68,721) | (588,964) |
| Other comprehensive income | - | - | - | - | - | - | - | - |
| Total comprehensive loss | - | - | - | - | - | (520,243) | (68,721) | (588,964) |
| Shares repurchased | (2,918) | - | - | - | - | - | - | (2,918) |
| Option cancelled | - | - | (1,544) | - | - | 1,544 | - | - |
| **At March 31, 2014** | **25,497,786** | **2,399,939** | **671,119** | **7,666** | **4,442,667** | **49,101,420** | **980,800** | **83,101,397** |
| **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** |
| Loss for the period | **-** | **-** | **-** | **-** | **-** | **(661,069)** | **(41,514)** | **(702,583)** |
| Other comprehensive income | - | - | - | - | - | - | - | - |
| Total comprehensive loss | **-** | **-** | **-** | **-** | **-** | **(661,069)** | **(41,514)** | **(702,583)** |
| Shares repurchased | **(587,735)** | **-** | **-** | **-** | **-** | **-** | **-** | **(587,735)** |
| Option cancelled | **-** | **-** | **(3,875)** | **-** | **-** | **3,875** | **-** | **-** |
| Share-based payment | **-** | **-** | **74,942** | **-** | **-** | **-** | **-** | **74,942** |
| **At March 31, 2015** | **24,217,213** | **2,399,939** | **213,317** | **424,203** | **3,482,082** | **49,101,150** | **761,131** | **80,599,035** |

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

**GobiMin Inc.**
**Condensed Interim Statements of Cash Flows (Unaudited)**
**For the quarter ended March 31, 2015**
(Expressed in United States Dollars)

| | Three Months Ended | |
|---|---|---|
| | **March 31, 2015** | March 31, 2014 |
| | **$** | $ |
| **Operating activities** | | |
| Loss before income tax | **(702,583)** | (588,964) |
| Adjustments for items not involving cash: | | |
| - Depreciation | **187,412** | 171,414 |
| - Share-based payment | **74,942** | - |
| - Share of results of associates | **(48,447)** | (159,374) |
| - Exchange difference | **(44,963)** | (58,005) |
| - Interest income | **(88,780)** | (171,565) |
| - Interest expense | **2,134** | 27,575 |
| | **(620,285)** | (778,919) |
| Working capital adjustments: | | |
| - Prepayments, deposits and other receivables | **19,299** | (1,883,500) |
| - Amount due from an associate | **-** | 6,070,331 |
| - Other payables, receipts in advance and accrued liabilities | **(381,285)** | (18,653,605) |
| - Income tax paid | **(97,031)** | - |
| **Net cash flow used in operating activities** | **(1,079,302)** | (15,245,693) |
| **Financing activities** | | |
| Interest paid | **(2,134)** | (27,575) |
| Shares repurchased | **(587,735)** | (2,918) |
| New bank loans raised | **-** | 4,945,946 |
| Repayment of bank loan | **-** | (3,491,067) |
| Repayment of obligations under finance lease | **(10,485)** | (12,022) |
| **Net cash flow from (used in) financing activities** | **(600,354)** | 1,412,364 |
| **Investing activities** | | |
| Interest received | **88,780** | 171,565 |
| Dividend received | **-** | 92,703 |
| Additions of property, plant and equipment | **(52,444)** | (7,400) |
| Additions of exploration and evaluation assets | **-** | (1,247) |
| Addition of listed debentures | **(400,000)** | - |
| **Net cash flow from (used in) investing activities** | **(363,664)** | 255,621 |
| **Decrease in cash and cash equivalents** | **(2,043,320)** | (13,577,708) |
| **Effect of foreign exchange rate changes** | **-** | - |
| **Cash and cash equivalents at beginning of the period** | **31,797,897** | 54,487,747 |
| **Cash and cash equivalents at end of the period** | **29,754,577** | 40,910,039 |

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

(Express in United States Dollars)

## 1. CORPORATE INFORMATION

GobiMin Inc. (the "Company" or "GobiMin") is a limited liability company incorporated in Canada under the Canada Business Corporations Act. It is listed on the TSX Venture Exchange, having the symbol GMN-V, as a Tier 2 mining issuer. Its registered office is situated at Suite 2110, 120 Adelaide Street West, Toronto, Ontario M5H 1T1, Canada.

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

## 2. BASIS OF PREPARATION

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

These condensed interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2014. Operating results for these interim periods are not necessarily indicative of the results that may be expected for the full financial year ending December 31, 2015.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed interim financial statements are consistent with the policies disclosed in notes 2 and 3 to the consolidated financial statements for the year ended December 31, 2014, except for the adoption of the following new standards and interpretations effective as of January 1, 2015:

| | |
|---|---|
| Amendments to IAS 19 (2011) | Defined Benefit Plans: Employee Contributions |
| IFRSs (Amendments) | Annual Improvements 2010-2012 Cycle |
| IFRSs (Amendments) | Annual Improvements 2011-2013 Cycle |

The adoption of these new standards and amendments do not have a material impact on the annual consolidated financial statements or the condensed interim financial statements of the Group.

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

## 4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents were held in following locations:

| **Location** | **March 31, 2015** | December 31, 2014 |
|---|---:|---:|
| | **$** | $ |
| Canada | **356,197** | 451,543 |
| Hong Kong | **27,145,659** | 28,634,776 |
| China | **2,252,721** | 2,711,578 |
| **Total** | **29,754,577** | 31,797,897 |

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

(Express in United States Dollars)

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

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

## 5. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold land & buildings | Leasehold improvements | Furniture, fixture & equipment | Computer hardware & equipment | Motor vehicles | Total |
|---|---|---|---|---|---|---|
| **Cost:** | $ | $ | $ | $ | $ | $ |
| **At January 1, 2014** | **7,387,614** | **121,135** | **400,554** | **691** | **1,014,837** | **8,924,831** |
| Exchange difference | (19,432) | - | (9,466) | (17) | (20,115) | (49,030) |
| Additions | - | 196,958 | 40,866 | - | 85,913 | 323,737 |
| Disposals | - | (121,135) | (18,528) | - | (69,594) | (209,257) |
| **At December 31, 2014** | **7,368,182** | **196,958** | **413,426** | **674** | **1,011,041** | **8,990,281** |
| Additions | **-** | **-** | **-** | **-** | **52,444** | **52,444** |
| **At March 31, 2015** | **7,368,182** | **196,958** | **413,426** | **674** | **1,063,485** | **9,042,725** |
| **Depreciation and impairment:** | | | | | | |
| **At January 1, 2014** | **249,439** | **121,135** | **204,871** | **541** | **499,414** | **1,075,400** |
| Exchange difference | (2,352) | - | (4,602) | (13) | (8,988) | (15,955) |
| Depreciation for the year | 306,278 | 44,040 | 59,237 | 146 | 174,794 | 584,495 |
| Disposals | - | (121,135) | (18,101) | - | (69,594) | (208,830) |
| **At December 31, 2014** | **553,365** | **44,040** | **241,405** | **674** | **595,626** | **1,435,110** |
| Depreciation for the period | **76,570** | **16,413** | **13,504** | **-** | **47,686** | **154,173** |
| **At March 31, 2015** | **629,935** | **60,453** | **254,909** | **674** | **643,312** | **1,589,283** |
| **Net book value:** | | | | | | |
| **At December 31, 2014** | **6,814,817** | **152,918** | **172,021** | **-** | **415,415** | **7,555,171** |
| **At March 31, 2015** | **6,738,247** | **136,505** | **158,517** | **-** | **420,173** | **7,453,442** |

## 6. EXPLORATION AND EVALUATION ASSETS

| | Mining rights Note 6.1 | Others Note 6.2 | Total |
|---|---|---|---|
| **Cost:** | $ | $ | $ |
| **At January 1, 2014** | **8,482,316** | **25,879,686** | **34,362,002** |
| Exchange difference | (211,892) | (754,759) | (966,651) |
| Additions | - | 4,334,256 | 4,334,256 |
| **At December 31, 2014 and March 31, 2015** | **8,270,424** | **29,459,183** | **37,729,607** |

(Express in United States Dollars)

### 6.1 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. The mining licence was granted for an initial period of 8 years. The exploration licence was granted for an initial period of 1 year and will then be renewed annually. As at March 31, 2015, the remaining valid period of the exploration licence and mining licence was approximately 3 years.

### 6.2 Others

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

## 7. OTHER FINANCIAL ASSETS

| **As at** | Note | **March 31, 2015** | December 31, 2014 |
|---|---|---|---|
| | | **$** | $ |
| Listed debentures | 7.1 | **2,204,375** | 1,804,375 |
| Available-for-sale financial asset | 7.2 | **221,330** | 221,330 |
| **Total** | | **2,425,705** | 2,025,705 |

### 7.1 Listed debentures

They represent the listed debentures held by the Group with coupon rates ranged from 5.125% to 12.000% (December 31, 2014: 5.125% to 6.125%) per annum and maturities ending between February 17, 2020 and perpetual (December 31, 2014: November 4, 2020 and perpetual). Listed debentures are classified as financial assets at fair value through profit or loss.

### 7.2 Available-for-sale financial asset

It represents a 3.5% 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 consider the net asset value of Tongxing is the best representation of its fair value.

## 8. DEPOSIT PAID TO RELATED PARTIES

(a) A deposit of $80,373 (December 31, 2014: $80,373) was paid to a non-controlling shareholder of an associate for exploration services.

(b) A deposit of $506,829 (December 31, 2014: $506,829) was paid to a non-controlling shareholder of a non-wholly owned subsidiary for exploration services.

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

(Express in United States Dollars)

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

As at March 31, 2015 and December 31, 2014, 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 the balance payable for the New Area related to the disposal of the Yanxi Copper Property.

| **As at** | **March 31, 2015** | December 31, 2014 |
|---|---|---|
| | **$** | $ |
| Other payables | **3,989,550** | 3,991,926 |
| Accrued liabilities | **106,145** | 455,750 |
| Receipts in advance | **119,413** | 94,067 |
| Deposit received | **29,958** | 126,406 |
| Obligation under finance leases – current | **39,124** | 27,840 |
| | **4,284,190** | 4,695,989 |

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:

| | **March 31, 2015** | | December 31, 2014 | |
|---|---|---|---|---|
| | **Minimum payments** | **Present value** | Minimum payments | Present value |
| | **$** | **$** | $ | $ |
| Within one year | **43,283** | **39,124** | 31,177 | 27,840 |
| In the second to fifth years inclusive | **64,622** | **62,517** | 44,167 | 42,487 |
| Total minimum lease payment | **107,905** | **101,641** | 75,344 | 70,327 |
| Less amounts representing finance charges | **(6,264)** | **-** | (5,017) | - |
| Present value of minimum lease payments | **101,641** | **101,641** | 70,327 | 70,327 |

## 10. SHARE CAPITAL AND STOCK OPTIONS

### 10.1 Common Shares

| | Number | Amount |
|---|---|---|
| **Authorized:** | | $ |
| Unlimited number of common shares | | |
| | | |
| **Issued and outstanding:** | | |
| **At January 1, 2014** | 58,010,982 | 25,500,704 |
| Shares repurchased and cancelled | (1,618,000) | (695,756) |
| **At December 31, 2014** | **56,392,982** | **24,804,948** |
| Shares repurchased and cancelled | **(1,358,500)** | **(587,735)** |
| **At March 31, 2015** | **55,034,482** | **24,217,213** |

### 10.2 Preferred Shares

The Company did not authorize or issue any preferred shares.

(Express in United States Dollars)

**10.3 General Reserve**

The general reserve represents statutory reserves of the Group's Chinese operating subsidiaries. During the three months ended March 31, 2015, there was no movement in the general reserve.

**10.4 Translation Reserve**

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

**10.5 Normal Course Issuer Bid**

On February 11, 2015, GobiMin was approved to renew its normal course issuer bid to repurchase up to an additional 2,765,599 common shares (2014: 2,900,149), 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, 2016. For the three months ended March 31, 2015, a total of 1,358,500 common shares were repurchased for an aggregate cost of $597,548 (CAD683,228). All shares repurchased will be returned to treasury for cancellation.

**10.6 Stock Options**

On May 26, 2005, the Company adopted a resolution cancelling all of its outstanding stock option plans and creating a new stock option plan to grant options to its employees, directors and officers to purchase common shares. A total number of 6,700,000 (December 31, 2014: 6,700,000) common shares were reserved for issuance pursuant to the exercise of options to be granted under the plan.

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

| | **Three months ended March 31, 2015** | | Three months ended March 31, 2014 | |
|---|---|---|---|---|
| | **Number of Options** | **Weighted Average Exercise Price** | Number of Options | Weighted Average Exercise Price |
| | | **$** | | $ |
| **Outstanding, beginning of the period** | **2,791,400** | **0.47** | 1,738,000 | 0.63 |
| Forfeited during the period | **(14,400)** | **0.69** | (4,800) | 0.76 |
| **Outstanding, end of the period** | **2,777,000** | **0.47** | 1,733,200 | 0.63 |

(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 March 31, 2015** | | | | | | | |
| 0.79 | 0.76 | 267,000 | 0.25 | 0.76 | 267,000 | 0.25 | 0.76 |
| 0.60 | 0.60 | 135,000 | 1.75 | 0.60 | 108,000 | 1.75 | 0.60 |
| 0.50 | 0.43 | 2,000,000 | 2.75 | 0.43 | - | 2.75 | 0.43 |
| 0.50 | 0.43 | 375,000 | 4.75 | 0.43 | - | 4.75 | 0.43 |
| | | 2,777,000 | 2.73 | 0.47 | 375,000 | 0.68 | 0.71 |
| **At December 31, 2014** | | | | | | | |
| 0.79 | 0.76 | 275,000 | 0.50 | 0.76 | 275,000 | 0.50 | 0.76 |
| 0.60 | 0.60 | 141,400 | 2.00 | 0.60 | 114,400 | 2.00 | 0.60 |
| 0.50 | 0.43 | 2,000,000 | 3.00 | 0.43 | - | 3.00 | 0.43 |
| 0.50 | 0.43 | 375,000 | 5.00 | 0.43 | - | 5.00 | 0.43 |
| | | 2,791,400 | 2.97 | 0.47 | 389,400 | 0.94 | 0.71 |

(i) The weighted average remaining contractual life for the options exercisable as at March 31, 2015 was 0.68 years. (December 31, 2014: 0.94 years)
(ii) The weighted average remaining contractual life for the options outstanding as at March 31, 2015 was 2.73 years. (December 31, 2014: 2.97 years)
(iii) The range of exercise price for options outstanding as at March 31, 2015 was $0.43 to $0.76. (December 31, 2014: $0.43 to $0.76)

**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 | November 23, 2011 | July 7, 2010 |
|---|---|---|---|---|---|
| Exercise Price (CAD) | 0.50 | 0.50 | 0.60 | 0.60 | 0.79 |
| Expected life (year) | 3 | 5 | 3 | 5 | 5 |
| Expected volatility | 38% | 38% | 53% | 53% | 48% |
| Dividend yield | - | - | - | - | - |
| Discount rate | 1.10% | 1.66% | 0.40% | 0.88% | 1.79% |
| Forfeiture rate | 0% | 0% | 0% | 0% | 0% |

The expected life of the stock options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumptions that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome either.

(Express in United States Dollars)

### 10.7 Basic and Diluted Losses Per Share

| For the three months ended | March 31, 2015 | March 31, 2014 |
|---|---|---|
| **Net losses attributable to shareholders** | | |
| Basic and diluted | **($661,069)** | ($520,243) |
| **Weighted average number of shares outstanding** | | |
| Basic and diluted | **56,096,667** | 58,004,204 |
| **Basic and diluted losses per share** | **($0.012)** | ($0.009) |

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

## 11. RELATED PARTY TRANSACTIONS

### 11.1 Key management compensation

The remuneration of key management and directors was as follows:

| For the three months ended | March 31, 2015 | March 31, 2014 |
|---|---|---|
| | **$** | $ |
| Wages, fees and other benefits | **131,716** | 134,228 |
| Payment to defined contribution plans | **2,869** | 2,959 |
| Share-based payment | **66,997** | - |
| | **201,582** | 137,187 |

### 11.2 Related party transactions

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

| | | For the three months ended | |
|---|---|---|---|
| **Relationship** | **Type of transactions** | **March 31, 2015** | March 31, 2014 |
| | | **$** | $ |
| Company controlled by a director | Rental income | **6,430** | 6,595 |
| An associate | Rental income | **14,826** | - |
| An associate | Interest income | **-** | 78,134 |
| An associate | Share of office common expenses | **2,617** | 18,710 |
| An associate | Dividend income | **-** | 92,703 |

### 11.3 Advances to related parties

Advances made by the Group to related parties were disclosed as deposit paid to related parties in note 12 to the financial statements.

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

(Express in United States Dollars)

## 12. COMMITMENTS

### 12.1 Capital commitments

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

| **As at March 31, 2015** | **Contract Date** | **Contracted Sum** | **Capital Commitments** |
|---|---|---|---|
| | | **$** | **$** |
| Exploration services | April 7, 2010 | 739,435 | **232,605** |
| Mine design and related facilities | October 31, 2011 | 1,285,971 | **651,808** |
| Office building construction | April 18, 2012 | 4,456,024 | **709,683** |
| Drilling and exploration services | June 25, 2012 | 10,355,657 | **1,392,402** |
| Office building renovation | March 2, 2013 | 2,110,582 | **1,647,392** |
| Retaining wall and leveling for the office building | December 16, 2013 | 528,994 | **260,820** |
| Fire engineering for the office building | July 24, 2014 | 181,489 | **41,736** |
| **Total capital commitments for the Gold Project** | | 19,658,152 | **4,936,446** |

Other than the above capital commitments, the Group has contracted commitment for capital contributions payable to an associate of $514,389 (RMB3,200,000).

### 12.2 Operating lease commitments

#### (a) The Group as lessor

The Group has entered into commercial property 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** | **March 31, 2015** | December 31, 2014 |
|---|---|---|
| | $ | $ |
| Within one year | **124,852** | 171,828 |
| In the second to fifth years inclusive | **-** | 80,373 |
| **Total future minimum lease receivables** | **124,852** | 252,201 |

#### (b) The Group as lessee

The Group has entered into operating leases on certain office premises, with lease terms between two to nine years.

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

| **As at** | **March 31, 2015** | December 31, 2014 |
|---|---|---|
| | **$** | $ |
| Within one year | **16,803** | 20,698 |
| In the second to fifth years inclusive | **21,797** | 23,244 |
| After five years | **-** | - |
| **Total future minimum lease payables** | **38,600** | 43,942 |

(Express in United States Dollars)

## 13. SEGMENTED INFORMATION

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

## 14. 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.

### 14.1 Fair value of financial instruments

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

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

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

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

| | **Fair Value Measurements at Reporting Date Using** | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **$** | **$** | **$** | **$** |
| **March 31, 2015** | | | | |
| Listed debentures | **2,204,375** | **-** | **-** | **2,204,375** |
| | **2,204,375** | **-** | **-** | **2,204,375** |
| **December 31, 2014** | | | | |
| Listed debentures | 1,804,375 | - | - | 1,804,375 |
| | 1,804,375 | - | - | 1,804,375 |

### 14.2 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.

### 14.3 Exchange Rate Risk

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

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

As at March 31, 2015, with other variables unchanged, a 1% strengthening (weakening) of the Chinese RMB against the Canadian dollar would have increased (decreased) net loss and other comprehensive loss both by $7,000. No sensitivity analysis is carried out in respect of balances denominated in Hong Kong dollars as the exchange rate between United States dollars and Hong Kong dollars is pegged.

### 14.4 Credit Risk

The Group is exposed to credit risk with respect to cash equivalents, other receivables, deposit paid to related parties and other financial assets. The maximum exposure equal to the carrying amount of these assets included on the consolidated statements of financial position. The cash equivalents are call deposits at banks or time deposit of terms less than 90 days. None of the cash equivalents are in asset backed commercial paper products. The Group has deposited the cash equivalents in banks that meet minimum requirements for quality and liquidity as stipulated by the Company's Board of Directors. Management believes the risk of loss to be remote.

### 14.5 Liquidity Risk

Liquidity risk is the risk that the Group may encounter difficulties in meeting obligations associated with financial liabilities. As at March 31, 2015, the Group held cash and cash equivalents of $29,754,577 and net current assets of $24,488,548. 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.

### 14.6 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.

## 15. CAPITAL MANAGEMENT

The Group's objectives of capital management are intended to safeguard the entity's ability to support the Group's normal operating requirement on an ongoing basis, continue the development, exploration and exploitation of its mineral properties, and support any expansionary plans. The capital of the Group amounted to $80,599,035 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.

## 16. EVENTS AFTER THE REPORTING DATE

16.1 For the period from April 1, 2015 to May 28, 2015, a total of 1,229,500 common shares were repurchased at an aggregate cost of $493,616 (CAD573,817). All shares repurchased will be returned to treasury for cancellation.

16.2 On April 23, 2015, the Company declared an annual dividend of $0.01 (CAD0.01) per share in accordance with its dividend policy. The dividend will be paid on June 24, 2015 to shareholders of record on May 29, 2015.

# GobiMin Inc.

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

## Management’s Discussion and Analysis of Financial Results

**March 31, 2015**

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

**GobiMin Inc.**
**Management's Discussion and Analysis of Financial Results**
**For the quarter ended March 31, 2015**
(Expressed in United States Dollars)
May 28, 2015

The following discussion and analysis of the condensed operating results and financial condition of GobiMin Inc. for the quarter ended March 31, 2015 should be read in conjunction with its condensed interim financial statements for the quarter ended March 31, 2015 prepared in accordance with International Financial Reporting Standards ("IFRS") and its audited consolidated financial statements for the year ended December 31, 2014 prepared in accordance with IFRS.

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

## 1. Corporate Overview

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

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

GobiMin also holds an equity interest of 48.02% in 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 ("GEM") of The Stock Exchange of Hong Kong Limited ("HKEx") under the stock code 8162. Loco HK and its subsidiaries are principally engaged in trading of metals and commodity forward contracts in Hong Kong.

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

(Expressed in United States Dollars)

## 2. Financial Highlights

| | **3 months ended March 31** | | 12 months ended |
|---|---|---|---|
| | **2015** | 2014 | December 31, 2014 |
| | **$** | $ | $ |
| Revenue | **-** | - | **-** |
| Other revenue | **0.2 million** | 0.2 million | 0.7 million |
| Share of results of associates | **48,000** | 0.2 million | 0.1 million |
| Gain from reorganization of an associate | **-** | - | 0.4 million |
| Gain on disposal of an associate | **-** | - | 3.9 million |
| Profit (loss) for the period | **(0.7 million)** | (0.6 million) | 0.3 million |
| EBITDA (LBITDA) *(1)* | **(0.6 million)** | (0.6 million) | 0.6 million |
| Basic and diluted earnings (losses) per share | **(0.012)** | (0.009) | 0.01 |
| EBITDA (LBITDA) per share *(1)* | **(0.011)** | (0.010) | 0.01 |
| | | | |
| Cash and cash equivalents | **29.8 million** | 40.9 million | 31.8 million |
| Cash and cash equivalents per share *(1)* | **0.54** | 0.71 | 0.56 |
| Working capital | **24.5 million** | 39.1 million | 26.0 million |
| Total non-current financial liabilities | **63,000** | 4.5 million | 42,000 |
| Total liabilities | **5.9 million** | 17.4 million | 6.4 million |
| Total assets | **86.5 million** | 100.5 million | 88.2 million |

*Note:*

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

## 3. Business Summary and Development

### 3.1. <u>Gold Project in Xinjiang</u>

#### (a) Background and Location

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

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

#### (b) Mineralisation and Resource Estimate

The main zones of mineralization have been defined within the project area, and are referred to as Zone I and Zone IV. The ore 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 3km long and has been defined to a depth of 700m. This is the most continuous zone so far defined within the project area. The defined ore domains dip at between 60° and 80° toward the northwest and therefore strike northeast. Mineralized zones can range from less than 1m to 50m in thickness.

The NI 43-101 compliant resource estimate update was published in April 2015. 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.

**(c) Update**

The drilling program of the Gold Project has been completed in 2014. Given the tough macroeconomic climate and the sustained drop in gold prices, the Company will not proceed with the development plan in 2015. In the meantime, the Company will focus on conserving cash and controlling costs and expenditures.

**(d) Exploration and Evaluation Assets**

During the first quarter of 2015, there were no addition of exploration and evaluation assets, keeping the balance at $37.7 million as at March 31, 2015. The exploration and evaluation assets include mining rights, geological and geophysical costs, mine site and facilities construction, drilling and exploration expenses.

As at March 31, 2015, the Company has a remaining contractual commitment of $4.9 million for the further development of the Gold Project, including drilling and exploration services, office building, design of mine and related facilities.

## 3.2. Silver Operation

GobiMin holds an equity interest of 48.02% in Loco HK which together with its subsidiaries are engaged in the processing and trading of metals and commodity forward contracts. The processing workshop of Loco HK has been operated in Hong Kong since August 2010 for processing silver into bars and granules with 99.99% purity for sale to customers.

**(a) Update**

Loco HK has commenced design of the laboratory with the assistance from the Hong Kong Productivity Council to match with the plan of expansion. Loco HK is also studying the possibility of building a raw material supply base in China.

Loco HK recorded a net profit of about $0.11 million for the three months ended March 31, 2015, with GobiMin's share amounting to $0.05 million.

## 3.3. Base Metal Exploration Projects in Xinjiang

**(a) Three Exploration Companies**

The Group owns 40% equity interests each in three exploration companies incorporated in Xinjiang, China for nickel, copper, and gold. They are accounted for as associates of the Group. The net cost of the investment in these three exploration companies amounted to $0.7 million (RMB4.3 million). The carrying value of these companies as at March 31, 2015 was $0.3 million (RMB1.9 million). The Group will search for opportunities to sell the exploration licences of these exploration companies to third party.

### (b) Yanxi Copper Property

GobiMin held 3.5% equity interest in Xinjiang Tongxing Minerals Limited ("Tongxing"), which is the licence holding company of the Yanxi Copper Property.

### 3.4. Normal Course Issuer Bid

On February 11, 2015, GobiMin was approved to renew its normal course issuer bid to repurchase an additional 2,765,599 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, 2016. For the three months ended March 31, 2015, a total of 1,358,500 common shares were repurchased at an aggregate cost of $587,735 (CAD683,228), of which 1,081,000 common shares were repurchased under the normal course issuer bid for 2014 and 277,500 common shares were repurchased under the normal course issuer bid for 2015. All shares repurchased will be returned to treasury for cancellation.

Management believes that the repurchase by the Company of its own shares can maximize shareholder value and is in the best interest of the Company and its shareholders. A copy of the related Notice of Intention to Make a Normal Course Issuer Bid for 2015 will be provided to shareholders upon receipt of written request to the Company at its registered office.

### 3.5. Liquidity and Capital Resources

As at March 31, 2015, the Group had a working capital of about $24.5 million (December 31, 2014: $26.0 million), by netting off its current assets of $30.3 million (December 31, 2014: $32.3 million) with current liabilities of $5.8 million (December 31, 2014: $6.3 million).

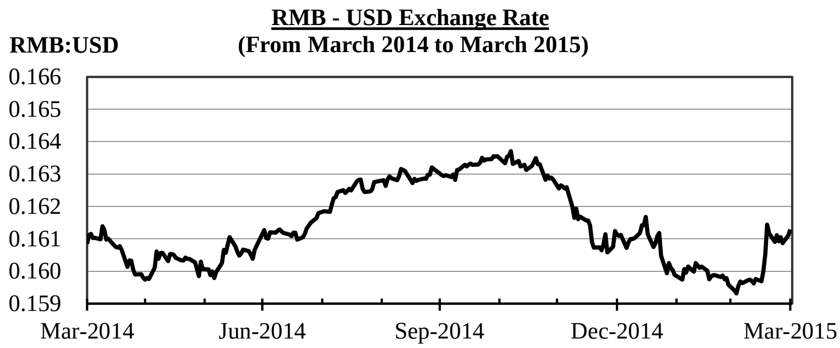
Among the cash and cash equivalents of $29.8 million, about $2.3 million are held in China. The subsidiaries in China are allowed to transfer funds to other Group companies outside China upon presentation of the proper documentation under current regulations, subject to the risks outlined hereinafter under the section "Risk Factors". The Group will carefully plan ahead to match the available funding with various payment obligations in China and elsewhere.

The Group has no difficulties in meeting obligations associated with its financial liabilities and commitment. The Group has determined that its cash and cash equivalents will be more than sufficient to finance its operation, including the current commitments of the Gold Project of approximately $4.9 million and the commitment for the capital contributions to the exploration company in Xinjiang of $0.5 million (RMB3.2 million).

## 4. Key Economic Trends

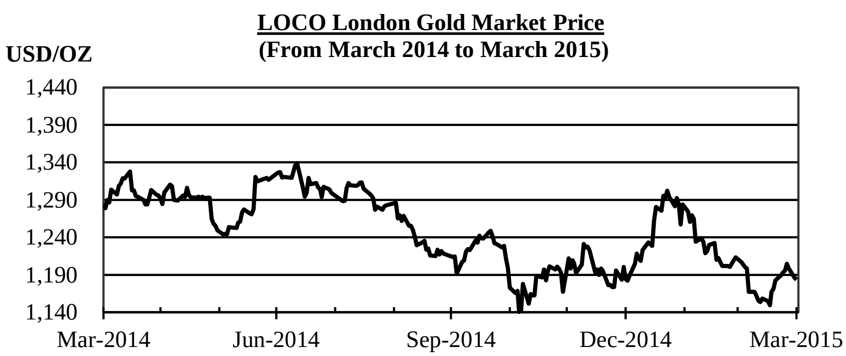
### 4.1. China Economy

Since GobiMin's activities are mostly conducted in China, the condition of the Chinese economy is a key factor on the Group's exploration business. Currency fluctuations may also have an impact on the Group's cost structure as the Group reports in U.S. dollars. For the quarter ended March 31, 2015, the Chinese Renminbi ("RMB") appreciated by around 0.3% against the U.S. dollar comparing with the exchange rate on March 31, 2014.




## 4.2. <u>Gold Market</u>

The price of gold has a strong influence on the Gold Project's value. As at March 31, 2015, the gold price has decreased by around 7.82% against the price on March 31, 2014.




# 5. Critical Accounting Estimates

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

## 5.1. <u>Exploration and evaluation assets</u>

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

### 5.2. Income taxes

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

### 5.3. Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them.

### 5.4. Functional currency

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

### 5.5. Impairment

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

### 5.6. Development stage of a mine

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

### 5.7. Production stage of a mine

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

### 5.8. Estimate of rehabilitation provision

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

## 6. Future Changes in Significant Accounting Policies

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

### 6.1. Annual Improvements 2012-2014 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards which include amendments to IAS 16 Property, Plant and Equipment to clarify how the gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. It is effective for annual periods beginning on or after January 1, 2016.

### 6.2. Amendments to IAS 16 and IAS 41 - Agriculture : Bearer Plants

The amendments change the financial reporting for bearer plants and to be accounted for in the same way as property, plant and equipment in IAS 16 in the opinion that its operation is similar to that of manufacturing. It is effective for annual periods beginning on or after January 1, 2016.

### 6.3. Amendments to IAS 27 - Equity Method in Separate Financial Statements

The amendment reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements and is effective for annual periods beginning on or after January 1, 2016.

### 6.4. Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments set out that, on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, the extent of any gain or loss recognised depends on whether the assets or subsidiary constitute a business, as defined in IFRS 3 Business Combinations. It is effective for annual periods beginning on or after January 1, 2016.

### 6.5. IFRS 14 - Regulatory Deferral Accounts

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

(Expressed in United States Dollars)

### 6.6. Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations

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

### 6.7. Amendments to IAS 16 and amendments to IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization

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

### 6.8. IFRS 15 - Revenue from Contracts with Customers

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

### 6.9. 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.

## 7. Selected Quarterly Information

| **As at / For the three months ended** | **March 31, 2015** | December 31, 2014 | September 30, 2014 | June 30, 2014 |
|---|---|---|---|---|
| | **$** | $ | $ | $ |
| Revenue | **-** | - | - | - |
| Profit (loss) for the period | **(702,583)** | (1,088,942) | (377,688) | 2,346,445 |
| Basic and diluted earnings (losses) per share | **(0.012)** | (0.019) | (0.006) | 0.042 |
| Cash and cash equivalents | **29,754,577** | 31,797,897 | 35,015,135 | 39,255,404 |
| Total assets | **86,438,918** | 88,188,095 | 92,138,313 | 93,929,966 |

| **As at / For the three months ended** | March 31, 2014 | December 31, 2013 | September 30, 2013 | June 30, 2013 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Revenue | - | - | - | - |
| Loss for the period | (588,964) | (659,856) | (1,342,659) | (826,441) |
| Basic and diluted losses per share | (0.009) | (0.01) | (0.018) | (0.012) |
| Cash and cash equivalents | 40,910,039 | 54,487,747 | 33,830,149 | 32,567,452 |
| Total assets | 100,469,749 | 118,272,380 | 120,803,054 | 120,823,499 |

The above financial information was prepared in accordance with IFRS.

For the three months ended March 31, 2015, the Group reported a net loss of $0.7 million (Q1 2014: loss $0.6 million) which mainly comprised administrative expenses of $1.0 million (Q1 2014: $1.0 million), netting against other revenue of $0.2 million (Q1 2014: $0.2 million), share of results of associates of $0.05 million (Q1 2014: $0.2 million) and exchange gain of $0.04 million (Q1 2014: $0.06 million).

(Expressed in United States Dollars)

In this quarter, the Group recorded a net cash outflow of $2.0 million (Q1 2014: cash outflow of $13.6 million). It was mainly the combined effect of purchase of listed debentures of $0.4 million, share repurchase of $0.6 million and the payment of the office expenses of $1.0 million.

The total assets decreased by $1.7 million from $88.2 million as at December 31, 2014 to $86.5 million in this quarter. It was mainly due to share repurchase of $0.6 million and the payment of the office expenses of $1.0 million.

## 8. Results of Operations

### 8.1. Revenue

No revenue (3 months Q1 2014: Nil) from operations has been recorded in this quarter.

Other revenue in the first quarter of 2015 were $0.2 million (3 months Q1 2014: $0.2 million) which mainly included interest income of $0.1 million (3 months Q1 2014: $0.1 million) and rental income of $0.1 million (3 months Q1 2014: $0.1 million).

### 8.2. General and Administrative Expenses

General and administrative expenses were $1.0 million for this quarter (3 months Q1 2014: $1.0 million). It mainly represented pre-operating expenses incurred for the Gold Project, office rental, staff costs and legal and professional fees.

### 8.3. Losses Per Share

The basic and diluted losses per share were $0.012 for this quarter (3 months Q1 2014: $0.009).

### 8.4. LBITDA

The losses before interest income and expense, income taxes, depreciation and amortisation ("LBITDA"), a non-IFRS performance measure, for the quarter were $0.6 million as compared to $0.6 million in the first quarter of 2014. The following table presents the calculation of LBITDA for the period:

| **For the three months ended** | **March 31, 2015** | March 31, 2014 |
|---|---|---|
| | **$** | $ |
| Profit (loss) for the period | **(702,583)** | (588,964) |
| Interest income | **(88,780)** | (171,565) |
| Interest expense | **2,134** | - |
| Depreciation | **187,412** | 171,414 |
| LBITDA [(1)] | **(601,817)** | (589,115) |
| LBITDA per share [(2)] | **(0.011)** | (0.010) |

*Note:*

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

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

(Expressed in United States Dollars)

## 8.5. Annual Dividend

On April 23, 2015, the Company declared an annual dividend of $0.01 (CAD0.01) per share in accordance with its dividend policy and 2014 performance. The dividend is payable on June 24, 2015 to shareholders of record on May 29, 2015.

## 9. Cash Flows

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

| **As at** | **March 31, 2015** | December 31, 2014 |
|---|---|---|
| | **$** | $ |
| Cash and cash equivalents | **29,754,577** | 31,797,897 |
| Working capital *(1)* | **24,488,548** | 25,997,372 |

| **For the three months ended** | **March 31, 2015** | March 31, 2014 |
|---|---|---|
| | **$** | $ |
| Net cash flow used in operating activities | **(1,079,302)** | (15,245,693) |
| Net cash flow from (used in) financing activities | **(600,354)** | 1,412,364 |
| Net cash flow from (used in) investing activities | **(363,664)** | 255,621 |
| Decrease in cash and cash equivalents | **(2,043,320)** | (13,577,708) |

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

## 9.1. Operating Activities

In this quarter, net cash outflow from operating activities was $1.1 million (3 months Q1 2014: $15.2 million) which mainly represented the payment of the office expenses of $1.0 million (3 months Q1 2014: $1.0 million). The decrease in net cash outflow of $14.1 million was mainly due to the settlement of other payables related to disposal of the Yanxi Copper Property of $19.1 million in 2014.

## 9.2. Financing Activities

The cash outflow from financing activities was $0.6 million in this quarter (3 months Q1 2014: cash inflow of $1.4 million). The cash outflow for this quarter mainly represent share repurchased of $0.6 million (3 months Q1 2014: $3,000) while the cash inflow in the first quarter of 2014 mainly represent the net bank borrowing of $1.5 million.

## 9.3. Investing Activities

The cash used in investing activities was $0.4 million in this quarter (3 months Q1 2014: cash inflow of $0.3 million). The cash outflow in this quarter mainly represents the purchase of listed debentures of $0.4 million (3 months Q1 2014: nil) while the cash inflow in the first quarter of 2014 mainly represent the interest income and dividend received of $0.3 million.

## 10. Statements of Financial Position

### 10.1. Cash and Cash Equivalents

The Group had approximately $29.8 million in cash and cash equivalents as at March 31, 2015, compared to $31.8 million as at December 31, 2014. The decrease of $2.0 million was mainly the combined effect of purchase of listed debentures of $0.4 million, share repurchase of $0.6 million and the payment of the office expenses of $1.0 million.

### 10.2. Exploration and Evaluation Assets

All the exploration and evaluation assets are related to the Gold Project, including mining rights, geological and geophysical costs, mine site and facilities construction, drilling and exploration expenses. For the three months ended March 31, 2015, there were no addition in exploration and evaluation assets.

### 10.3. Other Financial Assets

Other financial assets represented the $2.2 million listed debentures and the 3.5% indirect unlisted equity interest in Tongxing of $0.2 million.

### 10.4. Other Payables, Receipts in Advance and Accrued Liabilities

As at March 31, 2015, the other payables balance mainly represents the payable in relation to the disposal of the Yanxi Copper Property of $2.4 million (HK$18,935,280) and the payable for the construction work of Tongyuan of approximately $1.6 million.

### 10.5. Share Capital

As at March 31, 2015, GobiMin had 55,034,482 common shares issued and outstanding. During this quarter ended March 31, 2015, 1,358,500 common shares were repurchased and cancelled.

## 11. Related Party Transactions

The Group had the following transactions with related parties:

### 11.1. During the three months ended March 31, 2015

(a) Fees and other remunerations to directors and key management personnel of $0.2 million (Q1 2014: $0.1 million).
(b) Rental income of $6,430 (Q1 2014: $6,595) from the office building in Xinjiang received from related parties.
(c) No interest income received from China Precision Material Limited ("China Precision") in 2015 (Q1 2014: $78,134).
(d) Rental income and share of office common expenses of $17,443 (Q1 2014: $18,710) from China Precision.
(e) No dividend income received from China Precision in 2015 (Q1 2014: $92,703).

### 11.2. As at March 31, 2015

(a) A deposit of $80,373 (December 31, 2014: $80,373) was paid to the non-controlling shareholder of an associate for exploration services.

(Expressed in United States Dollars)

(b) A deposit of $0.5 million (December 31, 2014: $0.5 million) was paid to the non-controlling shareholder of a non-wholly owned subsidiary for exploration services.

## 12. Capital Commitment

As at March 31, 2015, the Group had the following capital commitments of $5.4 million in total that the Group had contracted, but not provided for:

(a) The Group had entered into agreements for exploration services, construction of an office building and mine design and related facilities in relation to the Gold Project. The total contracted amount is $19.7 million (RMB122,292,903), of which $14.7 million (RMB91,583,390) was paid with remaining balance of $4.9 million (RMB30,709,513) as contractual commitment.

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

## 13. Off-Balance Sheet Arrangements

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

## 14. 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, 2014 | **March 31, 2015** | **May 28, 2015** |
|---|---|---|---|
| Number of Common Shares Outstanding | 56,392,982 | **55,034,482** | **53,804,982** |
| Number of Options Outstanding | 2,791,400 | **2,777,000** | **2,777,000** |
| Number of Common Shares Fully Diluted | 59,184,382 | **57,811,482** | **56,581,982** |

## 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.

### 16.1. Metal Prices

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

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

### 16.2. Currency Risks

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

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

### 16.3. Exploration, Development and Operating Risks

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

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

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

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

### 16.4. Uncertainty of Ore Reserves and Resource Estimates

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

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

### 16.5. Capital Requirements

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

### 16.6. Risks Relating to Conducting Business in China

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

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

### 16.7. Permits and Licences

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

GobiMin's exploration and exploitation licences are subject to annual audit by the Department of Land and Resources of Xinjiang, China. In their annual audit, the authorities may consider whether the Group's mining activities have been in compliance with the relevant laws and regulations. If the Group fails to meet the relevant requirements or materially breaches any laws or regulations, it may not pass such audit, in which case it may be subject to penalties in accordance with applicable laws, or be given a deadline to rectify deficiencies, or, in serious cases, have its permits and licences revoked. While the Group has never encountered such problems in the past, there can be no assurance that it will pass future audits. Should permits or licences be suspended or revoked, GobiMin's business and results of operations could be materially affected. The mining licence for the Gold Project was granted for an initial period of 8 years. As at March 31, 2015, the remaining valid period of the mining licence was approximately 3 years. There is no guarantee that such mining licence will be renewed at its expiration.

### 16.8. Environmental Regulation

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

### 16.9. Dependence on Key Managerial Employees

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

### 16.10. Competition

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

### 16.11. Dividend Policy

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