

# **GobiMin Inc.**

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

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

**March 31, 2016**

*(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, 2016 and December 31, 2015**  
(Expressed in United States Dollars)

	Note	March 31, 2016	December 31, 2015
<b>ASSETS</b>		\$	\$
<b>Current</b>			
Cash and cash equivalents	4	22,507,685	26,065,086
Prepayments, deposits and other receivables		169,193	156,088
<b>Total current assets</b>		<b>22,676,878</b>	<b>26,221,174</b>
<b>Non-current</b>			
Property, plant and equipment	5	14,769,767	14,949,444
Investment properties		1,940,577	1,972,325
Exploration and evaluation assets	6	31,462,765	31,462,765
Interests in associates		4,553,641	4,562,089
Other financial assets	7	4,735,670	2,116,420
Deposit paid to related parties		30,708	30,708
<b>Total non-current assets</b>		<b>57,493,128</b>	<b>55,093,751</b>
<b>Total assets</b>		<b>80,170,006</b>	<b>81,314,925</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Other payables, receipts in advance and accrued liabilities	8	1,393,909	1,606,029
Income taxes payable		1,256,197	1,519,746
<b>Total current liabilities</b>		<b>2,650,106</b>	<b>3,125,775</b>
<b>Non-current</b>			
Other payables, receipts in advance and accrued liabilities		17,194	28,778
<b>Total non-current liabilities</b>		<b>17,194</b>	<b>28,778</b>
<b>Total liabilities</b>		<b>2,667,300</b>	<b>3,154,553</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	9	23,219,017	23,219,017
Reserves and retained earnings		53,692,055	54,314,248
<b>Equity attributable to shareholders of the Company</b>		<b>76,911,072</b>	<b>77,533,265</b>
Non-controlling interests		591,634	627,107
<b>Total shareholders' equity</b>		<b>77,502,706</b>	<b>78,160,372</b>
<b>Total liabilities and shareholders' equity</b>		<b>80,170,006</b>	<b>81,314,925</b>

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

APPROVED BY THE BOARD ON MAY 24, 2016 AND SIGNED ON ITS BEHALF BY:

(Signed)  
**Felipe Tan**  
Director

(Signed)  
**Hubert Marleau**  
Director

**GobiMin Inc.**  
**Condensed Interim Statements of Comprehensive Income (Unaudited)**  
**For the three months ended March 31, 2016 and 2015**  
(Expressed in United States Dollars)

	Note	<b>Three Months Ended</b>	
		<b>March 31, 2016</b>	March 31, 2015
		\$	\$
Revenue		-	-
Cost of sales		-	-
Selling and distribution cost		-	-
<b>Gross profit</b>		-	-
Other revenue		<b>153,705</b>	158,633
General and administrative expenses		<b>(799,347)</b>	(950,363)
Share of results of associates		<b>(8,449)</b>	48,447
<b>Operating loss</b>		<b>(654,091)</b>	(743,283)
Gain on disposal of other financial assets		<b>4,400</b>	-
Exchange gain (loss)		<b>(17,494)</b>	44,963
Finance costs		<b>(2,508)</b>	(4,263)
<b>Loss before income tax</b>		<b>(669,693)</b>	(702,583)
Income tax expense		-	-
<b>Loss for the period</b>		<b>(669,693)</b>	(702,583)
<b>Other comprehensive loss, net of tax</b>			
Other comprehensive loss, to be reclassified to profit or loss in subsequent periods:		-	-
Exchange differences on translation of foreign operations		-	-
<b>Total comprehensive loss for the period</b>		<b>(669,693)</b>	(702,583)
<b>Loss for the period attributable to:</b>			
Shareholders of the Company		<b>(634,220)</b>	(661,069)
Non-controlling interests		<b>(35,473)</b>	(41,514)
		<b>(669,693)</b>	(702,583)
<b>Total comprehensive loss for the period attributable to:</b>			
Shareholders of the Company		<b>(634,220)</b>	(661,069)
Non-controlling interests		<b>(35,473)</b>	(41,514)
		<b>(669,693)</b>	(702,583)
<b>Net losses per share</b>			
Basic and diluted	9.7	<b>(0.012)</b>	(0.012)
<b>Weighted average number of shares outstanding</b>		<b>Share</b>	Share
Basic and diluted	9.7	<b>52,546,482</b>	56,096,667

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

**GobiMin Inc.**  
**Condensed Interim Statements of Changes in Equity (Unaudited)**  
**For the three months ended March 31, 2016 and 2015**  
(Expressed in United States Dollars)

	Attributable to shareholders of the Company						Non-controlling interests	Total equity
	Share capital Note 9.1	Contributed surplus	Share option reserve	General reserve Note 9.3	Translation reserve Note 9.4	Retained earnings		
<b>At January 1, 2015</b>	\$ 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 loss	-	-	-	-	-	-	-	-
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
<b>At March 31, 2015</b>	<b>24,217,213</b>	<b>2,399,939</b>	<b>213,317</b>	<b>424,203</b>	<b>3,482,082</b>	<b>49,101,150</b>	<b>761,131</b>	<b>80,599,035</b>
<b>At January 1, 2016</b>	<b>23,219,017</b>	<b>2,399,939</b>	<b>208,349</b>	<b>501,965</b>	<b>1,637,358</b>	<b>49,566,637</b>	<b>627,107</b>	<b>78,160,372</b>
Loss for the period	-	-	-	-	-	(634,220)	(35,473)	(669,693)
Other comprehensive loss	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	-	(634,220)	(35,473)	(669,693)
Shares repurchased	-	-	-	-	-	-	-	-
Option cancelled	-	-	(774)	-	-	774	-	-
Share based payment	-	-	12,027	-	-	-	-	12,027
<b>At March 31, 2016</b>	<b>23,219,017</b>	<b>2,399,939</b>	<b>219,602</b>	<b>501,965</b>	<b>1,637,358</b>	<b>48,933,191</b>	<b>591,634</b>	<b>77,502,706</b>

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

**GobiMin Inc.**  
**Condensed Interim Statements of Cash Flows (Unaudited)**  
**For the three months ended March 31, 2016 and 2015**  
(Expressed in United States Dollars)

	<b>Three Months Ended</b>	
	<b>March 31, 2016</b>	<b>March 31, 2015</b>
	\$	\$
<b>Operating activities</b>		
Loss before income tax	(669,693)	(702,583)
Adjustments for items not involving cash:		
- Depreciation	251,574	187,412
- Share-based payment	12,027	74,942
- Share of results of associates	8,449	(48,447)
- Gain on disposal of other financial assets	(4,400)	-
- Exchange difference	17,494	(44,963)
- Interest income	(61,353)	(88,780)
- Interest expense	863	2,134
	<b>(445,039)</b>	<b>(620,285)</b>
Working capital adjustments:		
- Prepayments, deposits and other receivables	(30,600)	19,299
- Other payables, receipts in advance and accrued liabilities	(211,875)	(381,285)
- Income tax paid	(263,548)	(97,031)
<b>Net cash flow used in operating activities</b>	<b>(951,062)</b>	<b>(1,079,302)</b>
<b>Financing activities</b>		
Interest paid	(863)	(2,134)
Shares repurchased	-	(587,735)
Repayment of obligations under finance lease	(11,830)	(10,485)
<b>Net cash flow used in financing activities</b>	<b>(12,693)</b>	<b>(600,354)</b>
<b>Investing activities</b>		
Interest received	61,353	88,780
Additions of property, plant and equipment	(40,149)	(52,444)
Net addition of listed debentures	(2,614,850)	(400,000)
<b>Net cash flow used in investing activities</b>	<b>(2,593,646)</b>	<b>(363,664)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(3,557,401)</b>	<b>(2,043,320)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>26,065,086</b>	<b>31,797,897</b>
<b>Cash and cash equivalents at end of the period</b>	<b>22,507,685</b>	<b>29,754,577</b>

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

**GobiMin Inc.**  
**Notes to Condensed Interim Financial Statements**  
**For the quarter ended March 31, 2016**  
(Express in United States Dollars)

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**1. CORPORATE INFORMATION**

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

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

**2. BASIS OF PREPARATION**

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

These condensed interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2015. 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, 2016.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied in these condensed interim financial statements are consistent with the policies disclosed in notes 2 and 3 to the consolidated financial statements for the year ended December 31, 2015, except for the adoption of the following new standards and interpretations effective as of January 1, 2016:

International Financial Reporting Standards (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to International Accounting Standards 1	Disclosure Initiative
Amendments to International Financial Reporting Standards 10 and International Accounting Standards 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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 but is not yet effective.

**4. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents were held in following locations:

<b>Location</b>	<b>March 31, 2016</b>	<b>December 31, 2015</b>
	\$	\$
Canada	425,982	121,731
Hong Kong	20,069,504	23,448,555
China	2,012,199	2,494,800
<b>Total</b>	<b>22,507,685</b>	<b>26,065,086</b>

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

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

**5. PROPERTY, PLANT AND EQUIPMENT**

	<b>Leasehold land &amp; buildings</b>	<b>Leasehold improvements</b>	<b>Furniture, fixture &amp; equipment</b>	<b>Computer hardware &amp; equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
<b>Cost:</b>	\$	\$	\$	\$	\$	\$
<b>At January 1, 2015</b>	<b>7,368,182</b>	<b>196,958</b>	<b>413,426</b>	<b>674</b>	<b>1,011,041</b>	<b>8,990,281</b>
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
<b>At December 31, 2015</b>	<b>15,457,717</b>	<b>196,958</b>	<b>397,619</b>	<b>644</b>	<b>1,028,284</b>	<b>17,081,222</b>
Additions	-	<b>40,149</b>	-	-	-	<b>40,149</b>
<b>At March 31, 2016</b>	<b>15,457,717</b>	<b>237,107</b>	<b>397,619</b>	<b>644</b>	<b>1,028,284</b>	<b>17,121,371</b>
<b>Depreciation and impairment:</b>						
<b>At January 1, 2015</b>	<b>553,365</b>	<b>44,040</b>	<b>241,405</b>	<b>674</b>	<b>595,626</b>	<b>1,435,110</b>
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
<b>At December 31, 2015</b>	<b>985,851</b>	<b>109,693</b>	<b>277,585</b>	<b>644</b>	<b>758,005</b>	<b>2,131,778</b>
Depreciation for the period	<b>154,019</b>	<b>18,753</b>	<b>10,106</b>	-	<b>36,948</b>	<b>219,826</b>
<b>At March 31, 2016</b>	<b>1,139,870</b>	<b>128,446</b>	<b>287,691</b>	<b>644</b>	<b>794,953</b>	<b>2,351,604</b>
<b>Net book value:</b>						
<b>At December 31, 2015</b>	<b>14,471,866</b>	<b>87,265</b>	<b>120,034</b>	-	<b>270,279</b>	<b>14,949,444</b>
<b>At March 31, 2016</b>	<b>14,317,847</b>	<b>108,661</b>	<b>109,928</b>	-	<b>233,331</b>	<b>14,769,767</b>

The net carrying amount of the Group's motor vehicles held under finance lease at March 31, 2016 amounted to \$87,961 (December 31, 2015: \$96,608). The lease does not include contingent rentals. The leased asset was pledged as security for the related finance lease.

**GobiMin Inc.**  
**Notes to Condensed Interim Financial Statements**  
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**6. EXPLORATION AND EVALUATION ASSETS**

	Mining rights Note 6.1	Others Note 6.2	Total
<b>Cost:</b>	\$	\$	\$
<b>At January 1, 2015</b>	<b>8,270,424</b>	<b>29,459,183</b>	<b>37,729,607</b>
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)
<b>At December 31, 2015 and March 31, 2016</b>	<b>7,899,612</b>	<b>23,563,153</b>	<b>31,462,765</b>

**6.1 Mining Rights**

The mining rights represented the mining and exploration rights of the Sawayaerdun Gold Project (“Gold Project”) located at 200 km northwest of the city of Kashi, western Xinjiang, China. As at March 31, 2016, the remaining valid period of the exploration licence and mining licence was approximately 2 years.

**6.2 Others**

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

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.

**7. OTHER FINANCIAL ASSETS**

As at	March 31, 2016	December 31, 2015
	\$	\$
Listed debentures	4,524,264	1,905,014
Available-for-sale financial asset	211,406	211,406
<b>Total</b>	<b>4,735,670</b>	<b>2,116,420</b>

Other financial assets mainly represent the listed debentures held by the Group with coupon rates ranged from 4.650% to 9.000% (December 31, 2015: 5.125% to 9.000%) per annum and maturities ending between May 21, 2020 and perpetual (December 31, 2015: May 21, 2020 and perpetual). Listed debentures are classified as financial assets at fair value through profit or loss.

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

As at March 31, 2016 and December 31, 2015, 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.



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<u>As at</u>	<u>March 31, 2016</u>	<u>December 31, 2015</u>
	\$	\$
Other payables	1,060,859	1,117,440
Accrued liabilities	139,807	307,552
Receipts in advance	127,843	110,985
Deposit received	23,338	29,075
Dividend payable	467	-
Obligation under finance leases – current	41,595	40,977
	<u>1,393,909</u>	<u>1,606,029</u>

**9. SHARE CAPITAL AND STOCK OPTIONS**

**9.1 Common Shares**

	Number	Amount
<b><u>Authorized:</u></b>		\$
Unlimited number of common shares		
<b><u>Issued and outstanding:</u></b>		
<b>At January 1, 2015</b>	<b>56,392,982</b>	<b>24,804,948</b>
Shares repurchased and cancelled	(3,846,500)	(1,585,931)
<b>At December 31, 2015</b>	<b>52,546,482</b>	<b>23,219,017</b>
Shares repurchased and cancelled	-	-
<b>At March 31, 2016</b>	<b>52,546,482</b>	<b>23,219,017</b>

**9.2 Preferred Shares**

The Company did not authorize or issue any preferred shares.

**9.3 General Reserve**

The general reserve represents statutory reserves of the Group's Chinese operating subsidiaries. During the three months ended March 31, 2016, there was no movement in the general reserve.

**9.4 Translation Reserve**

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

**9.5 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 are expected to be made in accordance with applicable regulations over a maximum period of 12 months ending February 11, 2017. For the three months ended March 31, 2016, no common shares have been repurchased under the renewed issuer bid.

**9.6 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

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common shares. A total number of 6,700,000 (December 31, 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:**

	Three months ended March 31, 2016		Three months ended March 31, 2015	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
		\$		\$
<b>Outstanding, beginning of the period</b>	<b>2,450,000</b>	<b>0.43</b>	2,791,400	0.47
Forfeited during the period	(6,000)	0.43	(14,400)	0.69
<b>Outstanding, end of the period</b>	<b>2,444,000</b>	<b>0.43</b>	2,777,000	0.47

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)	\$
<b><u>At March 31, 2016</u></b>							
0.60	0.60	129,000	0.75	0.60	129,000	0.75	0.60
0.50	0.43	2,000,000	1.75	0.43	1,200,000	1.75	0.43
0.50	0.43	315,000	3.75	0.43	126,000	3.75	0.43
		<b>2,444,000</b>	<b>1.95</b>	<b>0.43</b>	<b>1,455,000</b>	<b>1.83</b>	<b>0.45</b>
<b><u>At December 31, 2015</u></b>							
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
		<b>2,450,000</b>	<b>2.21</b>	<b>0.43</b>	<b>1,461,000</b>	<b>2.09</b>	<b>0.45</b>

c) **Share-Based Payments**

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

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	-	-	-

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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.

**9.7 Basic and Diluted Losses Per Share**

<b>For the three months ended</b>	<b>March 31, 2016</b>	March 31, 2015
<b>Net losses attributable to shareholders</b>		
Basic and diluted	(\$634,220)	(\$661,069)
<b>Weighted average number of shares outstanding</b>		
Basic and diluted	52,546,482	56,096,667
<b>Basic and diluted losses per share</b>	<b>(\$0.012)</b>	(\$0.012)

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

**10. RELATED PARTY TRANSACTIONS**

**10.1 Key management compensation**

The remuneration of key management and directors was as follows:

<b>For the three months ended</b>	<b>March 31, 2016</b>	March 31, 2015
	\$	\$
Wages, fees and other benefits	130,364	131,716
Payment to defined contribution plans	2,641	2,869
Share-based payment	10,439	66,997
	<b>143,444</b>	201,582

**10.2 Related party transactions**

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

<b>Relationship</b>	<b>Type of transactions</b>	<b>For the three months ended</b>	
		<b>March 31, 2016</b>	March 31, 2015
		\$	\$
Company controlled by a director	Rental income	6,142	6,430
Company controlled by a director	Rental income	2,059	-
An associate	Rental income	30,116	14,826
An associate	Share of office common expenses	4,843	2,617
An associate	Share of staff cost	42,093	-

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**10.3 Deposit paid to related parties**

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

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

**11. COMMITMENTS**

**11.1 Capital commitments**

The Group has the following capital commitment:

<u>As at March 31, 2016</u>	<u>Contract Date</u>	<u>Contracted Sum</u>	<u>Capital Commitments</u>
		\$	\$
Exploration services	April 7, 2010	706,281	<b>168,391</b>
Mine design and related facilities	October 31, 2011	1,228,314	<b>639,169</b>
Office building renovation	March 2, 2013	2,015,953	<b>888,606</b>
<b>Total capital commitments for the Gold Project</b>		<b>3,950,548</b>	<b>1,696,166</b>

**11.2 Operating lease commitments**

**The Group as lessor**

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

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

<u>As at</u>	<u>March 31, 2016</u>	<u>December 31, 2015</u>
	\$	\$
Within one year	<b>167,744</b>	103,660
In the second to fifth years inclusive	<b>216,008</b>	260,175
<b>Total future minimum lease receivables</b>	<b>383,752</b>	<b>363,835</b>

**12. 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.

**13. 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.

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**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.

	<b>Fair Value Measurements at Reporting Date Using</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	\$	\$	\$	\$
<b><u>As at March 31, 2016</u></b>				
Listed debentures	4,524,264	-	-	4,524,264
	<b>4,524,264</b>	<b>-</b>	<b>-</b>	<b>4,524,264</b>
<b><u>As at December 31, 2015</u></b>				
Listed debentures	1,905,014	-	-	1,905,014
	<b>1,905,014</b>	<b>-</b>	<b>-</b>	<b>1,905,014</b>

**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.

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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.

**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, 2016, the Group held cash and cash equivalents of \$22,507,685 and net current assets of \$20,026,772. 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 \$77,502,706 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.

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**16. EVENTS AFTER THE REPORTING DATE**

- 16.1 For the period from April 1, 2016 to May 24, 2016, a total of 866,500 common shares were repurchased at an aggregate cost of \$254,179 (CAD352,674). All shares repurchased were or will be returned to treasury for cancellation.
- 16.2 On April 7, 2016, a wholly-owned subsidiary of GobiMin entered into a loan agreement with respect to a \$4 million revolving term loan facility bearing an interest rate of 3.5% per annum in favor of China Precision. The outstanding balance of the loan due from China Precision was \$1,906,012 as at May 24, 2016.
- 16.3 On April 21, 2016, GobiMin declared an annual dividend of \$0.01 (CAD0.01) per share in accordance with its dividend policy and the 2015 performance. The dividend will be payable on June 23, 2016 to shareholders of record on May 27, 2016.

# **GobiMin Inc.**

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

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

**March 31, 2016**

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



**GobiMin Inc.**  
**Interim MD&A – Quarterly Highlights**  
**For the quarter ended March 31, 2016**  
(Expressed in United States Dollars)  
May 24, 2016

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The Quarterly Highlights of GobiMin Inc. (the “Company” or “GobiMin”) provide material updates to the business operations, liquidity and capital resources of the Company since its last management discussion & analysis, being the Management Discussion & Analysis (the “Annual MD&A”) for the fiscal year ended December 31, 2015. The Quarterly Highlights do not provide a general update to the Annual MD&A, or reflect any non-material events since the date of the Annual MD&A.

The Quarterly Highlights have been prepared by management as of May 24, 2016 and in compliance with the requirements of section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with its condensed interim financial statements for the quarter ended March 31, 2016 prepared in accordance with International Financial Reporting Standards (“IFRS”), its audited consolidated financial statements for the year ended December 31, 2015 prepared in accordance with IFRS and the Annual MD&A.

Additional information is accessible at the Company’s website [www.gobimin.com](http://www.gobimin.com) or through the Company’s public filing at [www.sedar.com](http://www.sedar.com).

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

## **1. Corporate Overview**

GobiMin, together with its subsidiaries (collectively, the “Group”), 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 38.30% 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 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 2.66% equity interest in the Yanxi Copper Property (the “Yanxi Copper Property”).

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**2. Financial Highlights**

	<b>3 months ended March 31</b>		12 months ended
	<b>2016</b>	2015	December 31, 2015
	\$	\$	\$
Net profit (loss) for the period	<b>(0.7 million)</b>	(0.7 million)	46,000
EBITDA (LBITDA) <sup>(1)</sup>	<b>(0.5 million)</b>	(0.6 million)	0.6 million
Basic and diluted earnings (losses) per share	<b>(0.012)</b>	(0.012)	0.003
EBITDA (LBITDA) per share <sup>(1)</sup>	<b>(0.009)</b>	(0.011)	0.012
Cash and cash equivalents	<b>22.5 million</b>	29.8 million	26.1 million
Cash and cash equivalents per share <sup>(1)</sup>	<b>0.43</b>	0.54	0.50
Working capital	<b>20.0 million</b>	24.5 million	23.1 million
Total liabilities	<b>2.7 million</b>	5.9 million	3.2 million
Total assets	<b>80.2 million</b>	86.5 million	81.3 million

Note:

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

**3. Business Summary and Development**

**3.1 Gold Project in Xinjiang**

The Company owns a 70% equity interest in Xinjiang Tongyuan Minerals Limited which is developing and operating the Gold Project in Xinjiang. Attributable to the declining trend of the global gold market price, GobiMin has held off the development plan of the Gold Project in 2015 and has undertaken the process for conversion of the exploration licence into a mining licence. In order to obtain the mining licence, the Company would be required to complete three Chinese standard geological reports, the first of which have been submitted. If the process goes well, a mining licence would be obtained by the end of 2017. In addition, GobiMin continues to seek potential investors to develop the Gold Project.

During the first quarter of 2016, there were no additions of exploration and evaluation assets and the balance remained at \$31.5 million as at March 31, 2016, mainly composed of mining rights, geological and geophysical costs, mine site and facilities construction, drilling and exploration expenses for the Gold Project.

As at March 31, 2016, the Group still had a contractual commitment of \$1.7 million for the future development of the Gold Project, including design of mine and related facilities and the construction work of the office building.

**3.2 Silver Operation**

GobiMin holds an equity interest of 38.3% in Loco HK. Loco HK Group engages in the trading of metals and commodity forward contracts. Loco HK Group's income was mainly generated from the sales of metals, including silver, tin and gold. During this quarter, Loco HK Group was under pressure of declining sales volume of silver products as a consequence of inadequate supply of silver materials caused by low silver market price. The sales of Loco HK Group recorded a decrease of 44% as compared to last corresponding period.

Loco HK recorded a net loss of approximately \$0.01 million for the three months ended March 31, 2016, with GobiMin's share amounting to approximately \$4,000.

### **3.3 Base Metal Exploration Projects in Xinjiang**

#### **(a) Three Exploration Companies**

The Group owns 40% equity interests each in three companies incorporated in Xinjiang, China, which are engaged in exploration of nickel, copper, and gold. As at March 31, 2016, the carrying value of these companies, which are regarded as associates of the Group, amounted to \$0.2 million (RMB1.3 million) in aggregate.

#### **(b) Yanxi Copper Property**

GobiMin held 2.66% 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 January 25, 2016, the TSX Venture Exchange approved GobiMin's renewal of 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 are expected to be made in accordance with applicable regulations over a maximum period of 12 months ending February 11, 2017. For the three months ended March 31, 2016, no common shares were repurchased under the normal course issuer bid. For the period from April 1, 2016 to May 24, 2016, a total of 866,500 common shares were repurchased at an aggregate cost of \$254,179 (CAD352,674) under the normal course issuer bid for 2016. All shares repurchased were or will be returned to treasury for cancellation.

Management believes that the repurchase by the Company of its own shares can maximize shareholder value and is in the best interest of the Company and its shareholders. A copy of the related Notice of Intention to Make a Normal Course Issuer Bid for 2016 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, 2016, the working capital of the Group amounted to approximately \$20.0 million (December 31, 2015: \$23.1 million), by netting off its current assets of \$22.7 million (December 31, 2015: \$26.2 million) with current liabilities of \$2.7 million (December 31, 2015: \$3.1 million).

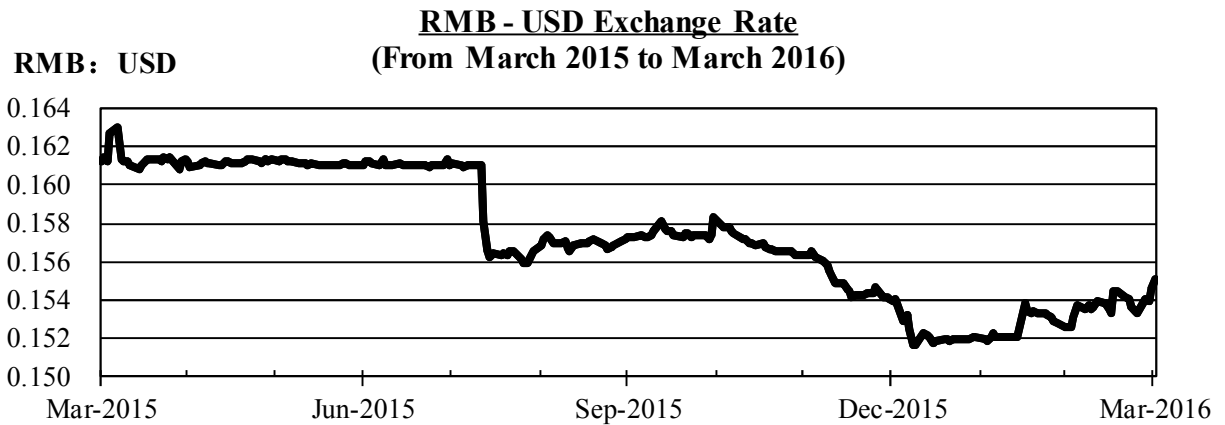
Among the cash and cash equivalents of \$22.5 million, approximately \$2.0 million are held in China. The subsidiaries in China are allowed to transfer funds to other Group companies outside China upon presentation of the relevant documentation required by applicable regulations, subject to the risks set out under the section named "Risk Factors". The Group will take precautions to ensure that the available capitals match with its various payment obligations in China and elsewhere.

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

**4. Key Economic Trends**

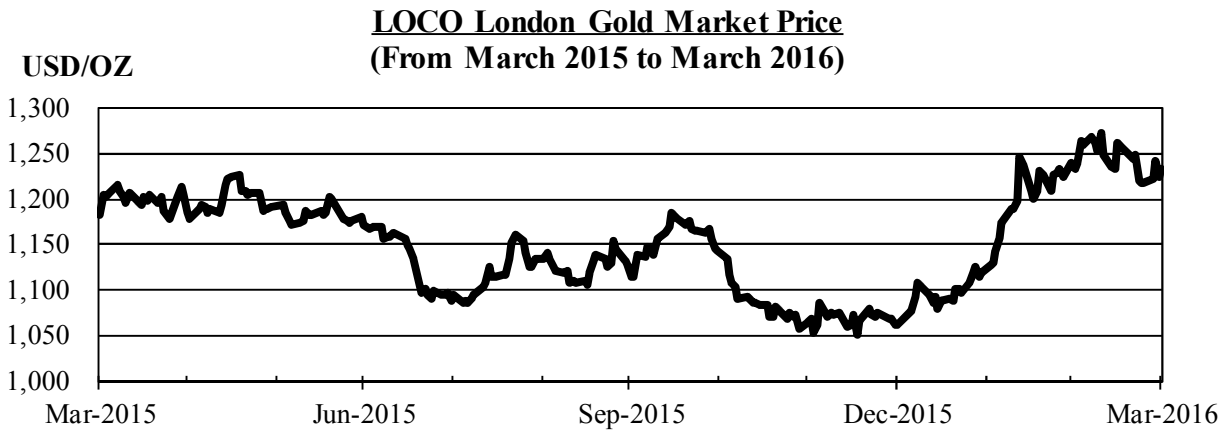
**4.1 China Economy**

As the GobiMin’s activity are mostly conducted in China, the conditions of the Chinese economy plays a paramount role in the Group’s exploration business. Since the Group reports in U.S. dollars, the Group’s cost structure may potentially be impacted by currency fluctuations. For the three months ended March 31, 2016, the exchange rate of the Chinese Renminbi against the U.S. dollar decreased by 3.86%, as compared with that as at March 31, 2015.



**4.2 Gold Market**

The changes in price of gold have a strong influence on the Gold Project’s value. As at March 31, 2016, the gold price has increased by around 4.16% from that on March 31, 2015.



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**5. Selected Quarterly Information**

For the three months ended March 31, 2016, the Group reported a net loss of \$0.7 million (Q1 2015: \$0.7 million) which mainly comprised administrative expenses of \$0.8 million (Q1 2015: \$1.0 million), netting against other revenue of \$0.2 million (Q1 2015: \$0.2 million).

In this quarter, the Group recorded a net cash outflow of \$3.6 million (Q1 2015: cash outflow of \$2.0 million). It was mainly the combined effect of net purchase of listed debentures of \$2.6 million, settlement of income tax payable related to the disposal of Yanxi Copper Property of \$0.3 million and the payment of the office expenses of \$0.8 million.

The total assets decreased by \$1.1 million from \$81.3 million as at December 31, 2015 to \$80.2 million in this quarter. It was mainly due to the settlement of income tax payable related to the disposal of Yanxi Copper Property of \$0.3 million and the payment of the office expenses of \$0.8 million.

**6. Results of Operations**

**6.1 Revenue**

No revenue (3 months Q1 2015: Nil) from operations has been recorded in this quarter.

Other revenue incurred in the first quarter of 2016 were \$0.2 million (3 months Q1 2015: \$0.2 million) which mainly comprises of interest income of \$0.1 million (3 months Q1 2015: \$0.1 million) and rental income of \$0.1 million (3 months Q1 2015: \$0.1 million).

**6.2 General and Administrative Expenses**

General and administrative expenses were \$0.8 million for this quarter (3 months Q1 2015: \$1.0 million), which mainly included pre-operating expenses incurred for the Gold Project, office rental, staff costs and legal and professional fees.

**6.3 Losses Per Share**

The basic and diluted earnings per share were \$0.012 for this quarter (3 months Q1 2015: \$0.012).

**6.4 LBITDA**

The losses before interest income and expense, income taxes, depreciation and amortisation (“LBITDA”), a non-IFRS performance measure, for this quarter were \$0.5 million as compared to \$0.6 million incurred in the corresponding period last year. The calculation of LBITDA for the period sets out in the table below:

<b>For the three months ended</b>	<b>March 31, 2016</b>	<b>March 31, 2015</b>
	\$	\$
Loss for the period	<b>(669,693)</b>	(702,583)
Interest income	<b>(61,353)</b>	(88,780)
Interest expense	<b>863</b>	2,134
Depreciation	<b>251,574</b>	187,412
LBITDA <sup>(1)</sup>	<b>(478,609)</b>	(601,817)
LBITDA per share <sup>(2)</sup>	<b>(0.009)</b>	(0.011)

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Note:

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

## **6.5 Annual Dividend**

On April 21, 2016, the Company declared an annual dividend of \$0.01 (CAD0.01) per share in accordance with its dividend policy and 2015 performance. The dividend is payable on June 23, 2016 to shareholders of record on May 27, 2016.

## **7. Cash Flows**

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

<b>As at</b>	<b>March 31, 2016</b>	December 31, 2015
	\$	\$
Cash and cash equivalents	<b>22,507,685</b>	26,065,086
Working capital <sup>(1)</sup>	<b>20,026,772</b>	23,095,399

<b>For the three months ended</b>	<b>March 31, 2016</b>	March 31, 2015
	\$	\$
Net cash flow used in operating activities	<b>(951,062)</b>	(1,079,302)
Net cash flow used in financing activities	<b>(12,693)</b>	(600,354)
Net cash flow used in investing activities	<b>(2,593,646)</b>	(363,664)
Decrease in cash and cash equivalents	<b>(3,557,401)</b>	(2,043,320)

Note:

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

### **7.1 Operating Activities**

In this quarter, the Company recorded a net cash outflow from operating activities of \$1.0 million (3 months Q1 2015: \$1.1 million), mainly representing the settlement of income tax payable related to the disposal of Yanxi Copper Property of \$0.3 million and net cash payment of the office expenses of \$0.8 million (3 months Q1 2015: \$1.0 million).

### **7.2 Financing Activities**

In this quarter, the Company recorded a cash outflow from financing activities of \$13,000 (3 months Q1 2015: \$0.6 million), mainly representing repayment of obligations under finance lease of \$12,000 (3 months Q1 2015: \$10,000). The decrease in net cash outflow as compared to the last corresponding period was mainly due to the share repurchase of \$0.6 million incurred only in 2015.

### **7.3 Investing Activities**

In this quarter, the Company recorded a cash outflow from investing activities of \$2.6 million (3 months Q1 2015: cash outflow of \$0.4 million), mainly representing the net addition of listed debentures of \$2.6

million (3 months Q1 2015: \$0.4 million). The increase in net cash outflow was mainly due to the increase in purchase of listed debentures in 2016.

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

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

The Group had approximately \$22.5 million in cash and cash equivalents as at March 31, 2016, compared to \$26.1 million as at December 31, 2015. The decrease of \$3.6 million was mainly the combined effect of purchase of listed debentures of \$2.6 million, settlement of income tax payable related to the disposal of Yanxi Copper Property of \$0.3 million and the payment of the office expenses of \$0.8 million.

### **8.2 Exploration and Evaluation Assets**

The exploration and evaluation assets are mainly related to the Gold Project, including mining rights, geological and geophysical costs, mine site and facilities construction, drilling and exploration expenses. For the three months ended March 31, 2016, there was no addition in exploration and evaluation assets.

### **8.3 Other Financial Assets**

Other financial assets represented the \$4.5 million listed debentures and the unlisted equity interest in Tongxing of \$0.2 million.

### **8.4 Share Capital**

As at March 31, 2016, GobiMin had 52,546,482 common shares issued and outstanding. For the three months ended March 31, 2016, no common shares were repurchased and cancelled and 6,000 stock options were forfeited.

## **9. Related Party Transactions**

The Group had the following transactions with related parties:

### **9.1 During the three months ended March 31, 2016**

- (a) Fees and other remunerations to directors and key management personnel amounted to \$0.1 million (Q1 2015: \$0.2 million).
- (b) Rental income of \$6,142 (Q1 2015: \$6,430) for the office building in Xinjiang received from related parties.
- (c) Rental income of \$2,059 (Q1 2015: nil) from a related party.
- (d) Rental income of \$30,116 (Q1 2015: \$14,826), share of office common expenses of \$4,843 (Q1 2015: \$2,617) and share of staff cost of \$42,093 (Q1 2015: nil) from China Precision Material Limited.

### **9.2 As at March 31, 2016**

A deposit of \$30,708 (December 31, 2015: \$30,708) was paid to the non-controlling shareholder of an associate for exploration services.

#### **10. Capital Commitment**

As at March 31, 2016, the Group had capital commitments with an aggregate amount of \$1.7 million in relation to the construction of an office building, mine design and related facilities. The total contracted amount is \$9.3 million (RMB57,870,000), of which \$7.6 million (RMB47,267,000) has been provided and a balance of \$1.7 million (RMB10,603,000) as contractual commitment remains outstanding.

#### **11. Off-Balance Sheet Arrangements**

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

#### **12. Future plans for material investments**

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

#### **13. Outstanding Share Data**

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

<b>As at</b>	<b>December 31, 2015</b>	<b>March 31, 2016</b>	<b>May 24, 2016</b>
Number of Common Shares Outstanding	52,546,482	<b>52,546,482</b>	<b>51,679,982</b>
Number of Options Outstanding	2,450,000	<b>2,444,000</b>	<b>2,444,000</b>
Number of Common Shares Fully Diluted	54,996,482	<b>54,990,482</b>	<b>54,123,982</b>

#### **14. 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. Prospective investors should carefully consider the risks factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risk Factors" in the Company's Annual MD&A for the fiscal year ended December 31, 2015, available on SEDAR at [www.sedar.com](http://www.sedar.com).