

GobiMin Inc.

(Incorporated in Canada under the Canada Business Corporations Act)

Condensed Interim Financial Statements (unaudited)

September 30, 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 September 30, 2016 and December 31, 2015
(Expressed in United States Dollars)

	Note	September 30, 2016	December 31, 2015
ASSETS		\$	\$
Current			
Cash and cash equivalents	4	28,966,803	26,065,086
Prepayments, deposits and other receivables		201,554	156,088
Investments held for trading	5	3,886,101	-
Amounts due from a related company	6	3,507,207	-
Total current assets		36,561,665	26,221,174
Non-current			
Property, plant and equipment	7	14,328,308	14,949,444
Investment properties		1,877,080	1,972,325
Exploration and evaluation assets	8	31,462,765	31,462,765
Interests in associates		208,207	4,562,089
Other financial assets	9	4,682,191	2,116,420
Deposit paid to related parties	13.3	30,708	30,708
Total non-current assets		52,589,259	55,093,751
Total assets		89,150,924	81,314,925
LIABILITIES			
Current			
Other payables, receipts in advance and accrued liabilities	10	1,367,500	1,606,029
Income taxes payable		1,243,175	1,519,746
Bank loan	11	183,784	-
Total current liabilities		2,794,459	3,125,775
Non-current			
Other payables, receipts in advance and accrued liabilities		4,036	28,778
Bank loan	11	1,057,271	-
Total non-current liabilities		1,061,307	28,778
Total liabilities		3,855,766	3,154,553
SHAREHOLDERS' EQUITY			
Share capital	12	22,760,129	23,219,017
Reserves and retained earnings		62,011,156	54,314,248
Equity attributable to shareholders of the Company		84,771,285	77,533,265
Non-controlling interests		523,873	627,107
Total shareholders' equity		85,295,158	78,160,372
Total liabilities and shareholders' equity		89,150,924	81,314,925

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

APPROVED BY THE BOARD ON NOVEMBER 23, 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 and nine months ended September 30, 2016 and 2015**

(Expressed in United States Dollars)

	Note	Three Months Ended		Nine Months Ended	
		September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
		\$	\$	\$	\$
Revenue		-	-	-	-
Cost of sales		-	-	-	-
Selling and distribution cost		-	-	-	-
Gross profit		-	-	-	-
Other revenue		169,949	151,590	492,981	487,691
General and administrative expenses		(975,290)	(870,973)	(2,573,567)	(2,750,666)
Share of results of associates		163,493	(25,004)	360,234	10,239
Operating loss		(641,848)	(744,387)	(1,720,352)	(2,252,736)
Gain/(loss) on disposal of other financial assets		41,500	(16,000)	72,600	(16,000)
Gain on disposal of interest in an associate	6	9,461,025	3,475,639	9,461,025	3,475,639
Gain on fair value changes of investments held for trading		103,629	-	103,629	-
Exchange loss		(41,385)	(207,917)	(118,574)	(106,258)
Finance costs		(7,209)	(1,525)	(10,912)	(8,125)
Profit before income tax		8,915,712	2,505,810	7,787,416	1,092,520
Income tax expense		-	-	-	-
Profit for the period		8,915,712	2,505,810	7,787,416	1,092,520
Other comprehensive income, net of tax					
Other comprehensive income, to be reclassified to profit or loss in subsequent periods:		-	-	-	-
Exchange differences on translation of foreign operations		-	-	-	-
Total comprehensive income for the period		8,915,712	2,505,810	7,787,416	1,092,520
Profit (loss) for the period attributable to:					
Shareholders of the Company		8,951,113	2,529,120	7,890,650	1,176,897
Non-controlling interests		(35,401)	(23,310)	(103,234)	(84,377)
		8,915,712	2,505,810	7,787,416	1,092,520
Total comprehensive income (loss) for the period attributable to:					
Shareholders of the Company		8,951,113	2,529,120	7,890,650	1,176,897
Non-controlling interests		(35,401)	(23,310)	(103,234)	(84,377)
		8,915,712	2,505,810	7,787,416	1,092,520
Net earnings per share					
Basic and diluted	12.7	0.173	0.048	0.152	0.022
Weighted average number of shares outstanding		Share	Share	Share	Share
Basic and diluted	12.7	51,620,689	52,563,422	52,020,863	54,029,123

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

GobiMin Inc.
Condensed Interim Statements of Changes in Equity (Unaudited)
For the nine months ended September 30, 2016 and 2015
(Expressed in United States Dollars)

	Attributable to shareholders of the Company						Non-controlling interests	Total equity
	Share capital Note 12.1	Contributed surplus	Share option reserve	General reserve Note 12.3	Translation reserve Note 12.4	Retained earnings		
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
Profit (loss) for the period	-	-	-	-	-	1,176,897	(84,377)	1,092,520
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income (loss)	-	-	-	-	-	1,176,897	(84,377)	1,092,520
Dividend paid	-	-	-	-	-	(462,847)	-	(462,847)
Shares repurchased	(1,585,931)	-	-	-	-	-	-	(1,585,931)
Options cancelled	-	-	(103,798)	-	-	103,798	-	-
Share based payment	-	-	179,692	-	-	-	-	179,692
At September 30, 2015	23,219,017	2,399,939	218,144	424,203	3,482,082	50,576,192	718,268	81,037,845
At January 1, 2016	23,219,017	2,399,939	208,349	501,965	1,637,358	49,566,637	627,107	78,160,372
Profit (loss) for the period	-	-	-	-	-	7,890,650	(103,234)	7,787,416
Other comprehensive loss	-	-	-	-	-	-	-	-
Total comprehensive income (loss)	-	-	-	-	-	7,890,650	(103,234)	7,787,416
Dividend paid	-	-	-	-	-	(372,653)	-	(372,653)
Shares repurchased	(458,888)	2,766	-	-	-	139,932	-	(316,190)
Options cancelled	-	-	(3,484)	-	-	3,484	-	-
Share based payment	-	-	36,213	-	-	-	-	36,213
At September 30, 2016	22,760,129	2,402,705	241,078	501,965	1,637,358	57,228,050	523,873	85,295,158

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

GobiMin Inc.**Condensed Interim Statements of Cash Flows (Unaudited)****For the three months and nine months ended September 30, 2016 and 2015**

(Expressed in United States Dollars)

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2016	2015	2016	2015
	\$	\$	\$	\$
Operating activities				
Profit before income tax	8,915,712	2,505,810	7,787,416	1,092,520
Adjustments for items not involving cash:				
- Depreciation	252,245	184,266	756,530	558,392
- Share-based payment	12,159	34,356	36,213	179,692
- Share of results of associates	(163,493)	25,004	(360,234)	(10,239)
- Gain on disposal of interest in an associate	(9,461,025)	(3,475,639)	(9,461,025)	(3,475,639)
- Gain on disposal of other financial assets	(41,500)	-	(72,600)	-
- Gain on fair value changes of investments held for trading	(103,629)	-	(103,629)	-
- Exchange difference	41,385	207,917	118,574	106,258
- Interest income	(75,969)	(79,878)	(210,443)	(260,062)
- Interest expense	6,906	938	8,464	4,442
	(617,209)	(597,226)	(1,500,734)	(1,804,636)
Working capital adjustments:				
- Prepayments, deposits and other receivables	(4,838)	149,340	(164,040)	239,238
- Amount due from a related company	(1,594,454)	-	(3,507,207)	-
- Deposit paid to related parties	-	-	-	41,794
- Other payables, receipts in advance and accrued liabilities	66,345	(115,259)	(227,783)	(528,419)
- Income tax paid	-	-	(276,571)	(97,031)
Net cash flow used in operating activities	(2,150,156)	(563,145)	(5,676,335)	(2,149,054)
Financing activities				
Interest paid	(6,906)	(938)	(8,464)	(4,442)
Shares repurchased	(55,087)	(90,358)	(316,190)	(1,585,931)
Repayment of obligations under finance lease	(11,830)	(11,830)	(35,489)	(34,144)
Repayment of bank loan	(45,947)	-	(45,947)	-
Dividend paid	-	-	(372,653)	(462,847)
Proceeds from bank loan	-	-	1,287,002	-
Net cash flow from (used in) financing activities	(119,770)	(103,126)	508,259	(2,087,364)
Investing activities				
Interest received	75,969	79,878	210,443	260,062
Additions of property, plant and equipment	1,648	(2,172,710)	(40,149)	(2,225,655)
Additions of exploration and evaluation assets	-	(899,912)	-	(899,912)
Net disposal/(addition) of listed debentures	(96,770)	400,000	(2,493,170)	(399,014)
Net proceeds from disposal of equity interest in an associate	10,392,669	4,636,302	10,392,669	4,636,302
Acquisition of shares of an associate	-	-	-	(120,312)
Return of capital from an associate	-	-	-	192,896
Capital contribution to an associate	-	(192,896)	-	(192,896)
Net cash flow from investing activities	10,373,516	1,850,662	8,069,793	1,251,471
Increase/(decrease) in cash and cash equivalents	8,103,590	1,184,391	2,901,717	(2,984,947)
Cash and cash equivalents at beginning of the period	20,863,213	27,628,559	26,065,086	31,797,897
Cash and cash equivalents at end of the period	28,966,803	28,812,950	28,966,803	28,812,950

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

GobiMin Inc.
Notes to Condensed Interim Financial Statements
For the quarter ended September 30, 2016
(Express in United States Dollars)

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION

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

The functional currency of GobiMin has been changed from United States dollars to Canadian dollars upon the disposal of the Company’s investment in 113,000,000 shares of Loco Hong Kong Holdings Limited, the then associates of the Company, on August 23, 2016. The change in the functional currency has no material impact on the Company's financial statements.

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.

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4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents were held in following locations:

Location	September 30, 2016	December 31, 2015
	\$	\$
Canada	263,189	121,731
Hong Kong	26,992,545	23,448,555
China	1,711,069	2,494,800
Total	28,966,803	26,065,086

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. INVESTMENTS HELD FOR TRADING

As at September 30, 2016, the investments held for trading of \$3,886,101 (December 31, 2015: nil) represent the fair value of investment in Hong Kong listed equity securities. The fair value of the investment is determined with reference to quoted market bid prices.

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

On April 7, 2016, the Group entered into a loan agreement with China Precision Material Limited ("China Precision"), the then associate in which the Group had an indirect equity interest of 38.30%, with respect to a \$4,000,000 revolving loan facility in favor of China Precision.

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

At September 30, 2016, the Company has an indirect equity interest of 10.06% in China Precision, of which Mr. Felipe Tan is a director. The loan is unsecured, bears interest rate at 3.5% per annum and is repayable on demand with 3 days' notice. The agreement has an initial 6-month term ending on October 6, 2016 and has been extended for another 6 months ending on April 6, 2017. For details of the loan, please refer to the Company's press releases dated April 7, 2016 and October 6, 2016.

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7. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land & buildings	Leasehold improvements	Furniture, fixture & equipment	Computer hardware & equipment	Motor vehicles	Total
Cost:	\$	\$	\$	\$	\$	\$
At January 1, 2015	7,368,182	196,958	413,426	674	1,011,041	8,990,281
Exchange difference	(34,005)	-	(16,765)	(30)	(35,201)	(86,001)
Additions	2,172,710	-	958	-	52,444	2,226,112
Transfer from exploration and evaluation assets	5,950,830	-	-	-	-	5,950,830
At December 31, 2015	15,457,717	196,958	397,619	644	1,028,284	17,081,222
Additions	-	40,149	-	-	-	40,149
At September 30, 2016	15,457,717	237,107	397,619	644	1,028,284	17,121,371
Depreciation and impairment:						
At January 1, 2015	553,365	44,040	241,405	674	595,626	1,435,110
Exchange difference	(6,015)	-	(10,228)	(30)	(21,676)	(37,949)
Depreciation for the year	438,501	65,653	46,408	-	184,055	734,617
At December 31, 2015	985,851	109,693	277,585	644	758,005	2,131,778
Depreciation for the period	462,057	58,271	30,113	-	110,844	661,285
At September 30, 2016	1,447,908	167,964	307,698	644	868,849	2,793,063
Net book value:						
At December 31, 2015	14,471,866	87,265	120,034	-	270,279	14,949,444
At September 30, 2016	14,009,809	69,143	89,921	-	159,435	14,328,308

The carrying value of the motor vehicles held under finance lease at September 30, 2016 amounted to \$70,666 (December 31, 2015: \$96,608). The lease does not include contingent rentals. The leased asset was pledged as security for the related finance lease.

The leasehold land and buildings with carrying value of \$5,739,843 has been pledged as security of a loan facility of \$1,287,002. The outstanding balance amounted to \$1,241,055 as at September 30, 2016. For details of the bank loan, please refer to note 11 to the financial statements.

8. EXPLORATION AND EVALUATION ASSETS

	Mining rights Note 8.1	Others Note 8.2	Total
Cost:	\$	\$	\$
At January 1, 2015	8,270,424	29,459,183	37,729,607
Exchange difference	(370,812)	(1,320,828)	(1,691,640)
Additions	-	1,375,628	1,375,628
Transfer to property, plant and equipment	-	(5,950,830)	(5,950,830)
At December 31, 2015 and September 30, 2016	7,899,612	23,563,153	31,462,765

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8.1 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 September 30, 2016, the remaining valid period of the exploration licence and mining licence was approximately 1.5 years.

8.2 Others

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

9. OTHER FINANCIAL ASSETS

As at	September 30, 2016	December 31, 2015
	\$	\$
Listed debentures	4,470,785	1,905,014
Available-for-sale financial asset	211,406	211,406
Total	4,682,191	2,116,420

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, 2010 and perpetual (December 31, 2015: May 21, 2020 and perpetual). Listed debentures are classified as financial assets at fair value through profit or loss.

10. OTHER PAYABLES, RECEIPTS IN ADVANCE AND ACCRUED LIABILITIES

As at September 30, 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.

As at	September 30, 2016	December 31, 2015
	\$	\$
Other payables	1,066,226	1,117,440
Accrued liabilities	155,570	307,552
Receipts in advance	93,123	110,985
Deposit received	20,267	29,075
Obligation under finance leases – current	32,314	40,977
	1,367,500	1,606,029

11. BANK LOAN

As at	September 30, 2016	December 31, 2015
	\$	\$
Bank loan due for repayment within one year	183,784	-
Bank loan due for repayment after one year but contain a repayment on demand clause	1,057,271	-
Total bank loan, secured and interest bearing	1,241,055	-

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The bank loan with principal of \$1,287,002 (HK\$10,000,000) is denominated in Hong Kong dollars and bears interest at Hong Kong Interbank Offered Rate minus 2.5% per annum. It is secured by (i) the leasehold land and buildings of the Group; and (ii) a personal guarantee given by a director to an extent of \$1,930,502 (HK\$15,000,000) as disclosed in notes 7 and 13.2 to the financial statements. The bank loan is repayable by 84 monthly instalments with the last instalment on September 28, 2023.

12. SHARE CAPITAL AND STOCK OPTIONS

12.1 Common Shares

	Number	Amount
<u>Authorized:</u>		\$
Unlimited number of common shares		
<u>Issued and outstanding:</u>		
At January 1, 2015	56,392,982	24,804,948
Shares repurchased and cancelled	(3,846,500)	(1,585,931)
At December 31, 2015	52,546,482	23,219,017
Shares repurchased and cancelled	(1,038,500)	(458,888)
At September 30, 2016	51,507,982	22,760,129

12.2 Preferred Shares

The Company did not authorize or issue any preferred shares.

12.3 General Reserve

The general reserve represents statutory reserves of the Group's Chinese operating subsidiaries. During the three months ended September 30, 2016, there was no movement in the general reserve.

12.4 Translation Reserve

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

12.5 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 nine months ended September 30, 2016, 1,038,500 common shares were repurchased at an aggregate cost of \$316,190 (CAD438,714) under the renewed issuer bid. All shares repurchased has been returned to treasury for cancellation.

12.6 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, 2015: 6,700,000) common shares were reserved for issuance pursuant to the exercise of options to be granted under the plan.

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

	Nine months ended September 30, 2016		Nine months ended September 30, 2015	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
		\$		\$
Outstanding, beginning of the period	2,450,000	0.43	2,791,400	0.47
Forfeited during the period	(27,000)	0.43	(327,400)	0.71
Outstanding, end of the period	2,423,000	0.43	2,464,000	0.44

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)	\$
<u>At September 30, 2016</u>							
0.60	0.43	129,000	0.25	0.43	129,000	0.25	0.43
0.50	0.36	2,000,000	1.25	0.36	1,200,000	1.25	0.36
0.50	0.36	294,000	3.25	0.36	126,000	3.25	0.36
		2,423,000	1.44	0.36	1,455,000	1.33	0.37
<u>At December 31, 2015</u>							
0.60	0.60	129,000	1.00	0.60	129,000	1.00	0.60
0.50	0.43	2,000,000	2.00	0.43	1,200,000	2.00	0.43
0.50	0.43	321,000	4.00	0.43	132,000	4.00	0.43
		2,450,000	2.21	0.43	1,461,000	2.09	0.45

c) **Share-Based Payments**

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

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

The expected life of the stock options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumptions

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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.

12.7 Basic and Diluted Earnings Per Share

For the three months ended	September 30, 2016	September 30, 2015
Net earnings attributable to shareholders		
Basic and diluted	\$8,951,113	\$2,529,120
Weighted average number of shares outstanding		
Basic and diluted	51,620,689	52,563,422
Basic and diluted earnings per share	\$0.173	\$0.048

For the nine months ended	September 30, 2016	September 30, 2015
Net earnings attributable to shareholders		
Basic and diluted	\$7,890,650	\$1,176,897
Weighted average number of shares outstanding		
Basic and diluted	52,020,863	54,029,123
Basic and diluted earnings per share	\$0.152	\$0.022

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential shares in existence during the period ended September 30, 2016 and 2015.

13. RELATED PARTY TRANSACTIONS

13.1 Key management compensation

The remuneration of key management and directors was as follows:

For the three months ended	September 30, 2016	September 30, 2015
	\$	\$
Wages, fees and other benefits	253,539	148,545
Payment to defined contribution plans	2,665	2,776
Share-based payment	10,554	30,909
	266,758	182,230
For the nine months ended	September 30, 2016	September 30, 2015
	\$	\$
Wages, fees and other benefits	531,060	438,577
Payment to defined contribution plans	7,964	8,395
Share-based payment	31,432	160,787
	570,456	607,759

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13.2 Related party transactions

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

Relationship	Type of transactions	For the three months ended	
		September 30, 2016	September 30, 2015
		\$	\$
Companies controlled by a director	Rental income	12,318	6,430
An associate	Rental income	20,077	14,826
A related company	Rental income	10,039	14,826
An associate	Interest income	16,015	-
A related company	Interest income	10,068	-
An associate	Share of office common expenses	3,589	2,587
A related company	Share of office common expenses	1,426	-

Relationship	Type of transactions	For the nine months ended	
		September 30, 2016	September 30, 2015
		\$	\$
Companies controlled by a director	Rental income	32,839	19,290
An associate	Rental income	80,309	44,478
A related company	Rental income	10,039	-
An associate	Interest income	28,768	-
A related company	Interest income	10,068	-
An associate	Share of office common expenses	13,324	7,769
A related company	Share of office common expenses	1,426	-
An associate	Share of staff cost	57,531	-

As at September 30, 2016, the Group has a loan facility as disclosed in note 11 to the financial statements, which was secured by a guarantee given by a director.

13.3 Advances to related parties

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

Amount due from a related company was disclosed in note 6 to the financial statements.

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

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14. COMMITMENTS

14.1 Capital commitments

The Group has the following capital commitment:

<u>As at September 30, 2016</u>	<u>Contract Date</u>	<u>Contracted Sum</u>	<u>Capital Commitments</u>
		\$	\$
Exploration services	April 7, 2010	706,281	168,391
Mine design and related facilities	October 31, 2011	1,228,314	639,169
Office building renovation	March 2, 2013	2,015,953	888,606
Research on gold processing method	June 1, 2016	130,508	69,092
Total capital commitments for the Gold Project		4,081,056	1,765,258

14.2 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>September 30, 2016</u>	<u>December 31, 2015</u>
	\$	\$
Within one year	114,611	103,660
In the second to fifth years inclusive	155,098	260,175
Total future minimum lease receivables	269,709	363,835

15. 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.

16. 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.

16.1 Fair value of financial instruments

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

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

- Level 1 – Quoted (unadjusted) prices for identical assets or liabilities in active markets.
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including:
- ◆ Quoted prices for similar assets/liabilities in active markets;
 - ◆ Quoted prices for identical or similar assets in non-active markets (few transactions, limited information, non-current prices, high variability over time);
 - ◆ Inputs other than quoted prices that are observable for the asset/liability (e.g. interest rates, yield curves, volatilities, default rates, etc.); and
 - ◆ Inputs that are derived principally from or corroborated by other observable market data.
- Level 3 – Unobservable inputs that cannot be corroborated by observable market data.

	Fair Value Measurements at Reporting Date Using			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<u>As at September 30, 2016</u>				
Investments held for trading	3,886,101	-	-	3,886,101
Listed debentures	4,470,785	-	-	4,470,785
	8,356,886	-	-	8,356,886
<u>As at December 31, 2015</u>				
Listed debentures	1,905,014	-	-	1,905,014
	1,905,014	-	-	1,905,014

16.2 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.

16.3 Exchange Rate Risk

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

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

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

16.4 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.

16.5 Liquidity Risk

Liquidity risk is the risk that the Group may encounter difficulties in meeting obligations associated with financial liabilities. As at September 30, 2016, the Group held cash and cash equivalents of \$28,966,803 and net current assets of \$33,767,206. 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.

16.6 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.

17. 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 \$85,295,158 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.

18. EVENTS AFTER THE REPORTING DATE

- 18.1 For the period from October 1, 2016 to November 23, 2016, a total of 681,500 common shares were repurchased at an aggregate cost of \$249,269 (CAD345,861). All shares repurchased were or will be returned to treasury for cancellation.
- 18.2 On October 6, 2016, GobiMin extended the repayment term from October 6, 2016 to April 6, 2017 with respect to the \$4 million revolving term loan facility bearing an interest rate of 3.5% per annum in favor of China Precision under the loan agreement dated April 7, 2016 as disclosed in note 6. The outstanding balance of the loan together with interest due from China Precision was \$3,507,207 as at November 23, 2016.

GobiMin Inc.

(Incorporated in Canada under the Canada Business Corporations Act)

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

September 30, 2016

(Expressed in United States Dollars except where otherwise noted)

GobiMin Inc.
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The Quarterly Highlights of GobiMin Inc. (the “Company” or “GobiMin”) provide material updates to the business operations, liquidity and capital resources of the Company since its last annual management discussion & analysis, being the Management Discussion & Analysis (the “Annual MD&A”) for the fiscal year ended December 31, 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 November 23, 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 September 30, 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 or through the Company’s public filing at www.sedar.com.

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

1. Corporate Overview

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

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

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

In addition, GobiMin owns 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

	3 months ended September 30		12 months ended
	2016	2015	December 31, 2015
	\$	\$	\$
Net profit for the period/year	8.9 million	2.5 million	46,000
EBITDA ⁽¹⁾	9.1 million	2.6 million	0.6 million
Basic and diluted earnings per share	0.173	0.048	0.003
EBITDA per share ⁽¹⁾	0.176	0.050	0.012
Cash and cash equivalents	29.0 million	28.8 million	26.1 million
Cash and cash equivalents per share ⁽¹⁾	0.56	0.55	0.50
Working capital	33.8 million	23.3 million	23.1 million
Total liabilities	3.9 million	5.7 million	3.2 million
Total assets	89.2 million	86.8 million	81.3 million

Note:

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

3. Business Summary and Development

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. Due to the dismal situation of the gold market, the Company has delayed the development plan of the Gold Project since 2015. As at 30 September 2016, the Company was awaiting the approval of the required Chinese standard geological reports, which is necessary for obtaining a mining licence preliminary targeted by the end of 2017. In addition, GobiMin continues to seek potential investors to develop the Gold Project.

As at September 30, 2016, the exploration and evaluation assets remained unchanged at \$31.5 million and the Group still had a contractual commitment of \$1.8 million for the future development of the Gold Project.

3.2 Investments in Silver Operation

Loco HK Group engages in the trading of metals and commodity forward contracts, including silver, tin and gold. On August 23, 2016, the Group disposed of 113,000,000 shares of Loco HK to a third party for gross proceed of \$10.62 million and the equity interest in Loco HK held by GobiMin dropped from 38.3% to 10.06%.

At the date of disposal, Loco HK was derecognized as the Company's associate company and the Group recognised a gain of \$9.5 million. The remaining 10.06% interest in Loco HK was then accounted for as investments held for trading.

For the period from July 1, 2016 to the date of disposal, Loco HK recorded a net profit of approximately \$0.4 million, with GobiMin's share amounting to approximately \$0.2 million.

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As at September 30, 2016, the fair value of the investment in Loco HK was \$3.9 million and a gain on fair value of approximately \$0.1 million was recorded for the period under review.

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 September 30, 2016, the carrying value of these companies, which are regarded as associates of the Group, amounted to \$0.2 million (RMB1.4 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 nine months ended September 30, 2016, 1,038,500 common shares were repurchased at an aggregate cost of \$316,190 (CAD438,714) under the normal course issuer bid. 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 September 30, 2016, the working capital of the Group amounted to approximately \$33.8 million (December 31, 2015: \$23.1 million), by netting off its current assets of \$36.6 million (December 31, 2015: \$26.2 million) with current liabilities of \$2.8 million (December 31, 2015: \$3.1 million).

Among the cash and cash equivalents of \$29.0 million, approximately \$1.7 million were held in China. The subsidiaries in China are allowed to transfer funds to other Group companies outside China upon presentation of the relevant documentation required by applicable regulations, subject to the risks set out under the section named “Risk Factors” in the Company’s Annual MD&A for the fiscal year ended December 31, 2015, available on SEDAR at www.sedar.com. The Group will take precautions to ensure that the available capitals match with its various payment obligations in China and elsewhere.

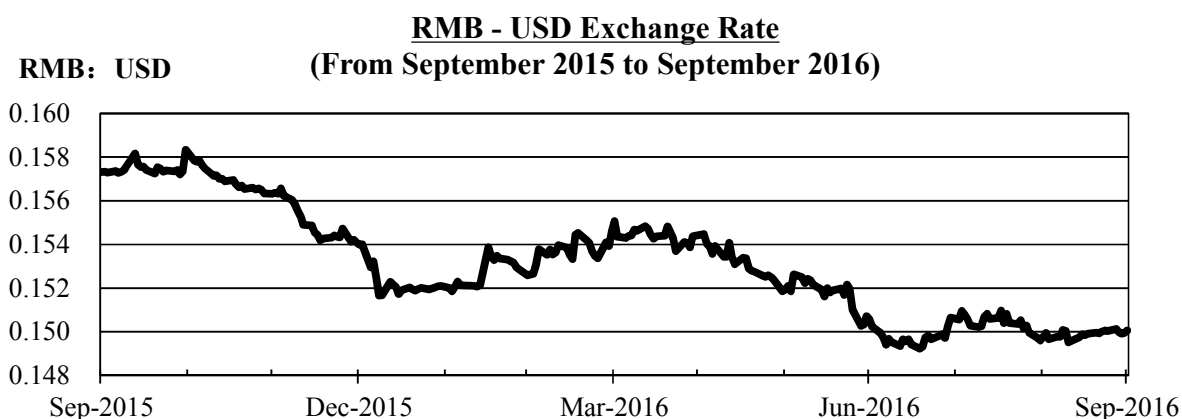
Taking into account of its financial position, the management of the Group considered that its cash and cash equivalents will be more than sufficient to finance its operation, including the contractual commitments of the Gold Project of approximately \$1.8 million.

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4. Key Economic Trends

4.1 China Economy

As GobiMin’s activity are mostly conducted in China, the conditions of the Chinese economy plays a paramount role in the Group’s exploration business. Since the Group reports in U.S. dollars, the Group’s cost structure may potentially be impacted by currency fluctuations. As at September 30, 2016, the exchange rate of the Chinese Renminbi against the U.S. dollar decreased by 4.6%, as compared with that as at September 30, 2015.



4.2 Gold Market

The changes in price of gold have a strong influence on the Gold Project’s value. As at September 30, 2016, the gold price increased by 18.01% from that on September 30, 2015.



5. Selected Quarterly Information

For the three months ended September 30, 2016, the Group reported a net profit of \$8.9 million (Q3 2015: \$2.5 million) which mainly comprised gain on disposal of interest in an associate of \$6.7 million (Q3 2015: \$3.5 million), gain on fair value changes of investments held for trading of \$2.9 million (Q3 2015: nil), netting against administrative expenses of \$1.0 million (Q3 2015: \$0.9 million).

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In this quarter, the Group recorded a net cash inflow of \$8.1 million (Q3 2015: \$1.2 million). It was mainly the combined effect of net proceeds from disposal of equity interest in an associate of \$10.4 million netting off loan to a related company of \$1.6 million and payment of the office expenses of \$1.0 million.

The total assets increased by \$7.9 million from \$81.3 million as at December 31, 2015 to \$89.2 million in this quarter. It was mainly contributed by the profit for the period of \$7.8 million.

6. Results of Operations

6.1 Revenue

No revenue (3 months and 6 months Q3 2015: Nil) from operations has been recorded in this quarter.

Other revenue in the third quarter of 2016 were \$0.2 million (3 months Q3 2015: \$0.2 million) which mainly comprises of interest income of \$0.1 million (3 months Q3 2015: \$0.1 million) and rental income of \$0.1 million (3 months Q3 2015: \$0.1 million).

Other revenue for the nine months ended September 30, 2016 were \$0.5 million (9 months Q3 2015: \$0.5 million) which mainly comprises of interest income of \$0.2 million (9 months Q3 2015: \$0.3 million) and rental income of \$0.3 million (9 months Q3 2015: \$0.2 million).

6.2 General and Administrative Expenses

General and administrative expenses were \$1.0 million for this quarter (3 months Q3 2015: \$0.9 million) and \$2.6 million for the nine months ended September 30, 2016 (9 months Q3 2015: \$2.8 million). It mainly included pre-operating expenses incurred for the Gold Project, office rental, staff costs and legal and professional fees.

6.3 Earnings Per Share

The basic and diluted earnings per share were \$0.173 for this quarter (3 months Q3 2015: \$0.048) and \$0.152 for the nine months ended September 30, 2016 (9 months Q3 2015: \$0.022).

6.4 EBITDA

The earnings before interest income and expense, income taxes, depreciation and amortisation (“EBITDA”), a non-IFRS performance measure, for this quarter were \$9.1 million as compared to earnings of \$2.6 million incurred in the corresponding period last year. The calculation of EBITDA was set out in the table below:

For the three months ended	September 30, 2016	September 30, 2015
	\$	\$
Profit for the period	8,915,712	2,505,810
Interest income	(75,969)	(79,878)
Interest expense	6,906	938
Depreciation	252,245	184,266
EBITDA ⁽¹⁾	9,098,894	2,611,136
EBITDA per share ⁽²⁾	0.176	0.050

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Note:

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

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 was paid on June 23, 2016 to shareholders of record on May 27, 2016.

7. Cash Flows

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

As at	September 30, 2016	December 31, 2015
	\$	\$
Cash and cash equivalents	28,966,803	26,065,086
Working capital ⁽¹⁾	33,767,206	23,095,399
For the three months ended	September 30, 2016	September 30, 2015
	\$	\$
Net cash flow used in operating activities	(2,150,156)	(563,145)
Net cash flow used in financing activities	(119,770)	(103,126)
Net cash flow from investing activities	10,373,516	1,850,662
Increase in cash and cash equivalents	8,103,590	1,184,391
For the nine months ended	September 30, 2016	September 30, 2015
	\$	\$
Net cash flow used in operating activities	(5,676,335)	(2,149,054)
Net cash flow from (used in) financing activities	508,259	(2,087,364)
Net cash flow from investing activities	8,069,793	1,251,471
Increase/(decrease) in cash and cash equivalents	2,901,717	(2,984,947)

Note:

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

7.1 Operating Activities

For the three months ended September 30, 2016

In this quarter, the Company recorded a net cash outflow from operating activities of \$2.2 million (3 months Q3 2015: \$0.6 million), mainly representing loan to a related company of \$1.6 million (3 months Q3 2015: nil) and net cash payment of the office expenses of \$0.6 million (3 months Q3 2015: \$0.6 million).

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For the nine months ended September 30, 2016

For the nine months ended September 30, 2016, net cash outflow from operating activities was \$5.7 million (9 months Q3 2015: \$2.1 million) which mainly represented loan to a related company of \$3.5 million (9 months Q3 2015: nil), net cash payment of the office expenses of \$1.5 million (9 months Q3 2015: \$1.8 million), income tax paid of \$0.3 million (9 months Q3 2015: \$0.1 million) and settlement of payables and accrual of \$0.2 million (9 months Q3 2015: \$0.5 million).

7.2 Financing Activities

For the three months ended September 30, 2016

In this quarter, the Company recorded a cash outflow from financing activities of \$0.1 million (3 months Q3 2015: \$0.1 million), mainly representing share repurchased of \$0.1 million (3 months Q3 2015: \$0.1 million).

For the nine months ended September 30, 2016

The cash inflow from financing activities was \$0.5 million for the nine months ended September 30, 2016 (9 months Q3 2015: cash outflow of \$2.1 million) which mainly represent \$1.3 million new bank loan raised (9 months Q3 2015: nil) netting off dividend paid of \$0.4 million (9 months Q3 2015: \$0.5 million) and share repurchased of \$0.3 million (9 months Q3 2015: \$1.6 million). The increase in net cash inflow of \$2.6 million was mainly due to decrease in shares repurchased by \$1.3 million and the new bank loan raised of \$1.3 million incurred in 2016.

7.3 Investing Activities

For the three months ended September 30, 2016

In this quarter, the Company recorded a cash inflow from investing activities of \$10.4 million (3 months Q3 2015: \$1.9 million), mainly representing the net proceeds from disposal of equity interest in an associate of \$10.4 million (3 months Q3 2015: \$4.6 million).

For the nine months ended September 30, 2016

For the nine months ended September 30, 2016, net cash inflow from investing activities was \$8.1 million (9 months Q3 2015: \$1.3 million) which mainly represents the net proceeds from disposal of equity interest in an associate of \$10.4 million (3 months Q3 2015: \$4.6 million) netting off the net addition of listed debentures of \$2.5 million (9 months Q3 2015: \$0.4 million).

8. Statements of Financial Position

8.1 Cash and Cash Equivalents

The Group had approximately \$29.0 million in cash and cash equivalents as at September 30, 2016, compared to \$26.1 million as at December 31, 2015. The increase of \$2.9 million was mainly the combined effect of net proceeds from disposal of equity interest in an associate of \$10.4 million and new bank loan raised of \$1.3 million netting off loan to a related company of \$3.5 million, payment of the office expenses of \$2.6 million and net addition of listed debentures of \$2.5 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 nine months ended September 30, 2016, there was no addition in exploration and evaluation assets.

8.3 Investments held for trading

Investments held for trading of \$3.9 million represented the investments in the equity interest in Loco HK, which were listed securities in Hong Kong.

8.4 Other Financial Assets

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

8.5 Share Capital

As at September 30, 2016, GobiMin had 51,507,982 common shares issued and outstanding. For the nine months ended September 30, 2016, a total of 1,038,500 common shares were repurchased and cancelled and 27,000 stock options were forfeited.

9. Related Party Transactions

The Group had the following transactions with related parties:

9.1 During the nine months ended September 30, 2016

- (a) Fees and other remunerations to directors and key management amounted to \$0.6 million (Q3 2015: \$0.6 million).
- (b) Rental income of \$32,839 (Q3 2015: \$19,290) from related parties.
- (c) Rental income of \$90,348 (Q3 2015: \$44,478), interest income of \$38,836 (Q3 2015: nil), share of office common expenses of \$14,750 (Q3 2015: \$7,769) and share of staff cost of \$57,531 (Q3 2015: nil) from Loco HK Group.
- (d) Bank loan facility of \$1.3 million (Q3 2015: nil) secured by a guarantee given by a director.

9.2 As at September 30, 2016

- (a) A deposit of \$30,708 (December 31, 2015: \$30,708) paid to the non-controlling shareholder of an associate for exploration services.
- (b) The principal amount of a loan of \$3.5 million (December 31, 2015: nil) together with the accrued interest due from a related company.

10. Capital Commitment

As at September 30, 2016, the Group had capital commitments with an aggregate amount of \$1.8 million (RMB11,497,000) in relation to the construction of an office building renovation, mine design and related facilities and research on gold processing method. The total contracted amount is \$4.1 million (RMB26,580,000), of which \$2.3 million (RMB15,083,000) has been provided for.

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11. Off-Balance Sheet Arrangements

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

12. Future plans for material investments

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

13. Outstanding Share Data

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

As at	December 31, 2015	September 30, 2016	November 23, 2016
Number of Common Shares Outstanding	52,546,482	51,507,982	50,826,482
Number of Options Outstanding	2,450,000	2,423,000	2,294,000
Number of Common Shares Fully Diluted	54,996,482	53,930,982	53,120,482

14. Risk Factors

The mining business conducted by the Group is subject to a number of risks. These risk factors could materially affect the Group's future operating results and could cause actual events to differ materially from those described in the forward-looking statements relating to the Group. Prospective investors should carefully consider the risks factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risk Factors" in the Company's Annual MD&A for the fiscal year ended December 31, 2015, available on SEDAR at www.sedar.com.