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

**Condensed Interim Financial Statements (unaudited)**

**March 31, 2018**
*(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, 2018 and December 31, 2017**
(Expressed in United States Dollars)

| | Note | **(Unaudited) March 31, 2018** | (Audited) December 31, 2017 |
|---|---|---|---|
| **ASSETS** | | **$** | $ |
| **Current** | | | |
| Cash and cash equivalents | *5* | **17,996,879** | 19,067,473 |
| Prepayments, deposits and other receivables | *6* | **3,273,884** | 3,254,130 |
| Financial assets | *7* | **2,740,401** | 3,064,651 |
| Total current assets | | **24,011,164** | 25,386,254 |
| **Non-current** | | | |
| Property, plant and equipment | *8* | **13,453,130** | 13,626,462 |
| Investment properties | | **1,692,014** | 1,723,855 |
| Exploration and evaluation assets | *9* | **31,533,596** | 31,533,596 |
| Interests in associates | | **204,350** | 204,229 |
| Financial assets | *7* | **8,558,525** | 7,948,556 |
| Deposit paid to related party | *14.3* | **30,798** | 30,798 |
| Amount due from a related company | *10* | **3,500,000** | 3,500,000 |
| Total non-current assets | | **58,972,413** | 58,567,496 |
| **Total assets** | | **82,983,577** | 83,953,750 |
| **LIABILITIES** | | | |
| **Current** | | | |
| Other payables, receipts in advance and accrued liabilities | *11* | **1,239,451** | 1,552,532 |
| Income taxes payable | | **1,127,107** | 1,127,107 |
| Bank loan | *12* | **965,380** | 1,011,326 |
| Total current liabilities | | **3,331,938** | 3,690,965 |
| **Total liabilities** | | **3,331,938** | 3,690,965 |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | *13* | **22,096,211** | 22,096,211 |
| Reserves and retained earnings | | **57,233,288** | 57,805,701 |
| **Equity attributable to shareholders of the Company** | | **79,329,499** | 79,901,912 |
| Non-controlling interests | | **322,140** | 360,873 |
| **Total shareholders' equity** | | **79,651,639** | 80,262,785 |
| **Total liabilities and shareholders' equity** | | **82,983,577** | 83,953,750 |

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

APPROVED BY THE BOARD ON May 24, 2018 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, 2018 and 2017**
(Expressed in United States Dollars)

| | Note | Three Months Ended | |
|---|---|---|---|
| | | **March 31, 2018** | March 31, 2017 |
| | | **$** | $ |
| Interest income | | **235,533** | 123,410 |
| Rental income | | **74,057** | 87,705 |
| Fair value loss on financial assets at fair value through profit or loss | | **(197,616)** | (103,629) |
| **Gross profit** | | **111,974** | 107,486 |
| General and administrative expenses | | **(714,908)** | (700,063) |
| Share of results of associates | | **121** | (2,281) |
| **Operating loss** | | **(602,813)** | (594,858) |
| Exchange loss | | **-** | (419) |
| Finance costs | | **(8,828)** | (8,526) |
| **Loss before income tax** | | **(611,641)** | (603,803) |
| Income tax credit | | **-** | 108,479 |
| **Net loss and total comprehensive loss for the period** | | **(611,641)** | (495,324) |
| **Loss for the period attributable to:** | | | |
| Shareholders of the Company | | **(572,908)** | (468,329) |
| Non-controlling interests | | **(38,733)** | (26,995) |
| | | **(611,641)** | (495,324) |
| **Total comprehensive loss for the period attributable to:** | | | |
| Shareholders of the Company | | **(572,908)** | (468,329) |
| Non-controlling interests | | **(38,733)** | (26,995) |
| | | **(611,641)** | (495,324) |
| **Net losses per share** | | | |
| Basic and diluted | *13.7* | **(0.011)** | (0.009) |
| **Weighted average number of shares outstanding** | | **Share** | Share |
| Basic and diluted | *13.7* | **50,005,482** | 50,472,315 |

*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, 2018 and 2017**
(Expressed in United States Dollars)

| | Attributable to shareholders of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Share capital** Note 13.1 | **Contributed surplus** | **Share option reserve** | **General reserve** Note 13.3 | **Translation reserve** Note 13.4 | **Retained earnings** | **Non-controlling interests** | **Total equity** |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| **At January 1, 2017** | **22,346,312** | **2,399,939** | **229,243** | **501,965** | **(911,152)** | **56,446,062** | **459,037** | **81,471,406** |
| Loss for the period | - | - | - | - | - | (468,329) | (26,995) | (495,324) |
| Total comprehensive loss | - | - | - | - | - | (468,329) | (26,995) | (495,324) |
| Shares repurchased | (117,318) | - | - | - | - | 9,279 | - | (108,039) |
| Share-based payment | - | - | 1,072 | - | - | - | - | 1,072 |
| **At March 31, 2017** | **22,228,994** | **2,399,939** | **230,315** | **501,965** | **(911,152)** | **55,987,012** | **432,042** | **80,869,115** |
| **At January 1, 2018** | **22,096,211** | **2,399,939** | **35,274** | **501,965** | **1,606,110** | **53,262,413** | **360,873** | **80,262,785** |
| Loss for the period | **-** | **-** | **-** | **-** | **-** | **(572,908)** | **(38,733)** | **(611,641)** |
| Total comprehensive loss | **-** | **-** | **-** | **-** | **-** | **(572,908)** | **(38,733)** | **(611,641)** |
| Share-based payment | **-** | **-** | **495** | **-** | **-** | **-** | **-** | **495** |
| **At March 31, 2018** | **22,096,211** | **2,399,939** | **35,769** | **501,965** | **1,606,110** | **52,689,505** | **322,140** | **79,651,639** |

*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, 2018 and 2017**
(Expressed in United States Dollars)

| | Three Months Ended | |
|---|---|---|
| | **March 31, 2018** | March 31, 2017 |
| | **$** | $ |
| **Operating activities** | | |
| Loss before income tax | **(611,641)** | (603,803) |
| Adjustments for items not involving cash: | | |
| - Depreciation | **208,141** | 240,653 |
| - Share-based payment | **495** | 1,072 |
| - Share of results of associates | **(121)** | 2,281 |
| - Loss on fair value changes of debentures | **171,709** | - |
| - Loss on fair value change of listed securities | **25,907** | 103,629 |
| - Exchange difference | **-** | 419 |
| - Interest income | **(235,533)** | (123,410) |
| - Interest expense | **6,647** | 6,986 |
| | **(434,396)** | (372,173) |
| Working capital adjustments: | | |
| - Prepayments, deposits and other receivables | **(19,754)** | (10,455) |
| - Other payables, receipts in advance and accrued liabilities | **(313,081)** | (189,773) |
| **Net cash flow used in operating activities** | **(767,231)** | (572,401) |
| | | |
| **Financing activities** | | |
| Interest paid | **(6,647)** | (6,986) |
| Shares repurchased | **-** | (108,039) |
| Repayment of obligations under finance lease | **-** | (11,830) |
| Repayment of bank loan | **(45,946)** | (45,946) |
| **Net cash flow used in financing activities** | **(52,593)** | (172,801) |
| | | |
| **Investing activities** | | |
| Interest received | **235,533** | 123,410 |
| Additions of property, plant and equipment | **(2,968)** | (5,324) |
| Net addition of debentures | **(983,160)** | (594,861) |
| Net maturity/(addition) of certificate of deposit | **499,825** | (2,002,997) |
| **Net cash flow used in investing activities** | **(250,770)** | (2,479,772) |
| | | |
| **Decrease in cash and cash equivalents** | **(1,070,594)** | (3,224,974) |
| **Cash and cash equivalents at beginning of the period** | **19,067,473** | 27,164,240 |
| | | |
| **Cash and cash equivalents at end of the period** | **17,996,879** | 23,939,266 |

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

## 1. CORPORATE INFORMATION

GobiMin Inc. (the "Company" or "GobiMin"), together with its subsidiaries (collectively the "Group"), 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 investment issuer. Its registered office is situated at 2500 – 120 Adelaide Street West, Toronto, Ontario M5H 1T1, Canada.

The Group is principally engaged in the investment in equity, debt or other securities as well as direct ownership stakes in projects, including the development 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, 2017. Operating results for this interim period is not necessarily indicative of the results that may be expected for the full financial year ending December 31, 2018.

In preparing these condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2017.

## 3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, 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, 2017. 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.

***Adoption of new and amended IFRS standards***

The Company has adopted the IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* from January 1, 2018. A number of other new standards are effective from January 1, 2018 but they do not have a material effect on the Group's condensed interim financial statements.

*IFRS 15 - Revenue from contracts with customers*

IFRS 15 introduces a single, principles-based, five-step model for the recognition of revenue when control of goods is transferred to the customer. The five steps are: identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to each performance obligation and recognize revenue as each performance obligation is satisfied. IFRS 15 also requires enhanced disclosures about revenue to help users better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The Company evaluated the effect the standard had on its sales recorded in its consolidated financial statements and determined there is no impact to the timing or amounts of revenue recognized in its statement of operations.

*IFRS 9 - Financial Instruments*

IFRS 9 set out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 largely retained the existing requirements in IAS 39 for the classification and measurement of financial liabilities and the adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. Under IFRS 9, on initial recognition, a financial asset is classified as measured at: fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or at amortized cost. In addition, the standard amended some of the requirements of IFRS 7, *Financial Instruments: Disclosures*, including the requirement for added disclosures about investments in equity instruments measured at FVOCI and guidance on financial liabilities and derecognition of financial instruments. The Company adopted the standard on January 1, 2018. Retrospective application was required, but there was no requirement to restate comparative periods disclosed.

**(a) Classification**

The Company has assessed the classification and measurement of its financial assets and financial liabilities under IFRS 9 and have summarized the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 in the following table:

| | **Measurement Categories** | |
|---|---|---|
| *Financial instruments:* | **IAS 39** | **IFRS 9** |
| Cash and cash equivalents | Amortized cost | Amortized cost |
| Prepayments, deposits and other receivables | Loans and receivables | Amortized cost |
| Listed securities | FVTPL | FVTPL |
| Debentures | FVTPL | FVTPL |
| Equity securities | FVTPL | FVTPL |

The Company determined the modifications made did not result in a material difference under the new classification of IFRS 9.

**(b) Measurement**

**Financial assets at FVTOCI**
Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income.

**Financial assets at amortized cost**
Financial assets at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

**Financial assets at FVTPL**
Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of comprehensive income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the consolidated statements of comprehensive income in the period in which they arise.

**(c) Impairment of financial assets at amortized cost**

Under IFRS 9, the Company recognizes a loss allowance using the expected credit loss model on financial assets that are measured at amortized cost.

The adoption of the expected credit loss impairment model under IFRS 9 had no material impact on the carrying amounts of our financial assets on the transition date given the financial assets measured at amortized cost mainly composed of cash and cash equivalents and a loan to Dragon Silver Holdings Limited ("Dragon Silver") that is secured by a personal guarantee of a director of Dragon Silver, and no impairment has been recognized at the report date.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

**Future accounting pronouncements:**

The following standard has not been adopted by the Company and is being evaluated to determine its impact:

IFRS 16 - Leases: New standard that will replace IAS 17 for the accounting and measurement of leases with a term of more than 12 months, effective for annual periods beginning on or after January 1, 2019.

## 4. SEGMENT INFORMATION

The Group is engaged in two operating segments, namely (i) the development, exploration and exploitation of mineral properties, mainly in Xinjiang, China ("mining business"); and (ii) the investment in equity, debt or other securities as well as direct ownership stakes in projects ("investment business").

The segment information has been prepared as if the two operating segments had been in existence since January 1, 2017.

(Express in United States Dollars)

(a) Segment information for assets and liabilities are as follows:

| As at | March 31, 2018 | December 31, 2017 |
|---|---|---|
| | $ | $ |
| **Segment assets** | | |
| Investment business | **16,113,975** | 15,836,971 |
| Mining business | **38,032,534** | 38,083,641 |
| Total segment assets | **54,146,509** | 53,920,612 |
| | | |
| Unallocated | **28,837,068** | 30,033,138 |
| **Consolidated assets** | **82,983,577** | 83,953,750 |
| | | |
| **Segment liabilities** | | |
| Investment business | **50,536** | - |
| Mining business | **922,212** | 951,445 |
| Total segment liabilities | **972,748** | 951,445 |
| | | |
| Unallocated | **2,359,190** | 2,739,520 |
| **Consolidated liabilities** | **3,331,938** | 3,690,965 |

(b) Segment information for operating results are as follows:

| For the three months ended | March 31, 2018 | March 31, 2017 |
|---|---|---|
| | $ | $ |
| **Segment revenue and results** | | |
| Investment business | **75,405** | 69,210 |
| Mining business | **(175,679)** | (156,229) |
| | **(100,274)** | (87,019) |
| | | |
| Other income and gains | **36,570** | 38,275 |
| Unallocated corporate expenses | **(539,109)** | (546,114) |
| Exchange loss | **-** | (419) |
| Finance costs | **(8,828)** | (8,526) |
| **Loss before income tax** | **(611,641)** | (603,803) |

## 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents were held in following locations:

| Location | March 31, 2018 | December 31, 2017 |
|---|---|---|
| | $ | $ |
| Canada | **342,403** | 932,231 |
| Hong Kong | **16,609,978** | 16,924,562 |
| China | **1,044,498** | 1,210,680 |
| **Total** | **17,996,879** | 19,067,473 |

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.

(Express in United States Dollars)

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

## 6. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

As at March 31, 2018, the prepayments, deposits and other receivables balance mainly represented a loan of $3,000,000 (2017: $3,000,000) to an investment company of the Group, Dragon Silver, and interest receivables from debentures and certificate of deposits of $123,035 (2017: $99,908). The loan to Dragon Silver is secured by the personal guarantee of a director of Dragon Silver, bears interest rate at 8.5% per annum and is repayable on demand with 7 days' notice. For the three months ended March 31, 2018, the Group received interest income from loan to Dragon Silver of $65,875 (2017: nil).

## 7. FINANCIAL ASSETS

| **As at** | **March 31, 2018** | December 31, 2017 |
|---|---|---|
| | **$** | $ |
| **Current** | | |
| Listed securities | **2,538,919** | 2,564,826 |
| Debentures | **201,482** | - |
| Certificate of deposit | **-** | 499,825 |
| | **2,740,401** | 3,064,651 |
| **Non-current** | | |
| Debentures | **7,437,547** | 6,827,578 |
| Unlisted equity securities | **1,120,978** | 1,120,978 |
| | **8,558,525** | 7,948,556 |
| **Total** | **11,298,926** | 11,013,207 |

As at March 31, 2018 and December 31, 2017, the listed securities represented the investment in an equity interest of 8.38% in Loco Hong Kong Holdings Limited ("Loco HK") that are designated at fair value through profit or loss. The fair value of the investment is determined with reference to quoted market price.

Certificate of deposit represented deposit placed with a bank which matured in February 2018 with coupon rate of 1.030% per annum and is stated at amortized cost.

Debentures are classified as financial assets at fair value through profit or loss, with coupon rates ranged from 4.250% to 9.000% (December 31, 2017: 4.250% to 9.000%) per annum and maturities ending between November 14, 2018 and perpetual (December 31, 2017: November 14, 2018 and perpetual).

Unlisted equity securities representing a 9.90% interest in Dragon Silver with investment cost of $1,120,978. Dragon Silver is a company incorporated in Hong Kong and is engaged in metal trading and processing. There is no material change in the fair value of the unlisted equity securities for the three months ended March 31, 2018.

(Express in United States Dollars)

## 8. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold land & buildings | Leasehold improvements | Furniture, fixture & equipment | Computer hardware & equipment | Motor vehicles | Total |
|---|---|---|---|---|---|---|
| **Cost:** | $ | $ | $ | $ | $ | $ |
| **At January 1, 2017** | **15,252,939** | **237,107** | **374,205** | **602** | **979,254** | **16,844,107** |
| Exchange difference | 456,022 | - | 24,464 | - | 51,230 | 531,716 |
| Additions | 3,234 | - | 17,057 | - | - | 20,291 |
| Disposals | - | - | - | - | (140,026) | (140,026) |
| **At December 31, 2017** | **15,712,195** | **237,107** | **415,726** | **602** | **890,458** | **17,256,088** |
| Additions | **-** | **-** | **2,968** | **-** | **-** | **2,968** |
| **At March 31, 2018** | **15,712,195** | **237,107** | **418,694** | **602** | **890,458** | **17,259,056** |
| **Depreciation and impairment:** | | | | | | |
| **At January 1, 2017** | **1,566,982** | **187,723** | **298,983** | **602** | **860,720** | **2,915,010** |
| Exchange difference | 37,320 | - | 19,238 | - | 47,099 | 103,657 |
| Depreciation for the year | 626,147 | 34,996 | 32,213 | - | 57,629 | 750,985 |
| Eliminated on disposals | - | - | - | - | (140,026) | (140,026) |
| **At December 31, 2017** | **2,230,449** | **222,719** | **350,434** | **602** | **825,422** | **3,629,626** |
| Depreciation for the period | **156,607** | **3,345** | **7,700** | **-** | **8,648** | **176,300** |
| **At March 31, 2018** | **2,387,056** | **226,064** | **358,134** | **602** | **834,070** | **3,805,926** |
| **Net book value:** | | | | | | |
| **At December 31, 2017** | **13,481,746** | **14,388** | **65,292** | **-** | **65,036** | **13,626,462** |
| **At March 31, 2018** | **13,325,139** | **11,043** | **60,560** | **-** | **56,388** | **13,453,130** |

As at March 31, 2018, the carrying amount of property, plant and equipment which were located in Hong Kong amounted to $7,550,692 (December 31, 2017: $7,650,574). The remaining property, plant and equipment were located in China.

The leasehold land and buildings with carrying value of $5,343,992 (December 31, 2017: $5,409,967) has been pledged as security of a loan facility of $1,133,848 (December 31, 2017: $1,133,848). As at March 31, 2018, the outstanding balance amounted to $965,380 (December 31, 2017: $1,011,326). For details of the bank loan, please refer to note 12 to the financial statements.

## 9. EXPLORATION AND EVALUATION ASSETS

| | Total |
|---|---|
| **Cost:** | $ |
| **At January 1, 2017** | **29,335,449** |
| Exchange difference | 2,144,251 |
| Disposals | 53,896 |
| **At December 31, 2017** | **31,533,596** |
| **At March 31, 2018** | **31,533,596** |

The exploration and evaluation assets represent the mining and exploration rights and geological and geophysical costs, mine site and facilities construction, drilling and exploration expenses of the Gold Project located at 200 km northwest of the city of Kashi, western Xinjiang, China. As at May 24, 2018, the Department of Land Resources of Xinjiang has accepted our renewal application on existing exploration and mining licences. The renewed exploration and mining licences are expected to be received in 2018.

## 10. AMOUNT DUE FROM A RELATED COMPANY

Amount due from a related company represents a loan of $3,500,000 to China Precision Material Limited ("CPM"), a subsidiary of Loco HK and previously an associate of the Company. The Group owns an equity interest of 8.38% in Loco HK which is classified as financial assets as disclosed in note 7 to the financial statements. At December 31, 2017, Mr. Felipe Tan, Chief Executive Officer of GobiMin, is a director of Loco HK and CPM.

The loan to CPM is unsecured, bears interest rate at 3.5% per annum and is repayable on demand with 3 days' notice.

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

As at March 31, 2018 and December 31, 2017, the balances of other payables, receipts in advance and accrued liabilities comprised mainly the payable related to the construction work of the office building, exploration work, mine design and related facilities of the Gold Project and accrual of office expenses.

| **As at** | **March 31, 2018** | December 31, 2017 |
|---|---|---|
| | **$** | $ |
| Other payables | **926,941** | 935,505 |
| Accrued liabilities | **257,046** | 520,720 |
| Receipts in advance | **50,536** | 88,300 |
| Deposit received | **4,928** | 8,007 |
| **Total** | **1,239,451** | 1,552,532 |

## 12. BANK LOAN

| **As at** | **March 31, 2018** | December 31, 2017 |
|---|---|---|
| | **$** | $ |
| Bank loan due for repayment within one year | **183,784** | 183,784 |
| Bank loan due for repayment after one year but contained a repayment on demand clause (shown under current liabilities) | **781,596** | 827,542 |
| **Total bank loan, secured and interest bearing** | **965,380** | 1,011,326 |

The bank loan is denominated in Hong Kong dollars and bears interest at Hong Kong Interbank Offered Rate plus 1.75% per annum. It is secured by (i) the leasehold land and buildings of the Group; and (ii) a personal guarantee given by a director to an extent of $1,930,502 (HK$15,000,000) as disclosed in notes 8 and 14.2 to the financial statements. The bank loan is repayable by 84 monthly instalments with the last instalment on June 28, 2023. On April 30, 2018, the outstanding balance of bank loan has been fully repaid and all corresponding guarantee and the pledge on leasehold land and buildings have been released.

(Express in United States Dollars)

## 13. SHARE CAPITAL AND STOCK OPTIONS

### 13.1 Common Shares

| | Number | Amount |
|---|---|---|
| **Authorized:** | | $ |
| Unlimited number of common shares | | |
| | | |
| **Issued and outstanding:** | | |
| **At January 1, 2017** | **50,571,482** | **22,346,312** |
| Shares repurchased and cancelled | (566,000) | (250,101) |
| **At December 31, 2017** | **50,005,482** | **22,096,211** |
| Shares repurchased and cancelled | **-** | **-** |
| **At March 31, 2018** | **50,005,482** | **22,096,211** |

### 13.2 Preferred Shares

The Company did not authorize or issue any preferred shares.

### 13.3 General Reserve

The general reserve represents statutory reserves of the Group's Chinese operating subsidiaries. During the three months ended March 31, 2018, there was no movement in the general reserve.

### 13.4 Translation Reserve

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

### 13.5 Normal Course Issuer Bid

For the year ended December 31, 2017, a total of 566,000 common shares were repurchased at an aggregate cost of $247,728 (CAD309,015) under the normal course issuer bid approved in February 2017 whereas the purchases were made in accordance with applicable regulations over a maximum period of 12 months ended February 11, 2018. All shares repurchased has been returned to treasury for cancellation. The Company has terminated its normal course issuer bid on August 3, 2017.

### 13.6 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, 2017: 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:**

| **For the three months ended** | **March 31, 2018** | | March 31, 2017 | |
|---|---|---|---|---|
| | **Number of Options** | **Weighted Average Exercise Price** | Number of Options | Weighted Average Exercise Price |
| | | **$** | | $ |
| **Outstanding, beginning of the period** | **280,000** | **0.37** | 2,280,000 | 0.37 |
| Forfeited during the period | **-** | **-** | - | - |
| **Outstanding, end of the period** | **280,000** | **0.37** | 2,280,000 | 0.37 |

(Express in United States Dollars)

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

| Exercise Price | Exercise Price | Number of Options Outstanding | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price | Number of Options Exercisable | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price |
|---|---|---|---|---|---|---|---|
| CAD | $ | | (Years) | $ | | (Years) | $ |
| **At March 31, 2018** | | | | | | | |
| **0.50** | **0.37** | **280,000** | **1.75** | **0.37** | **224,000** | **1.75** | **0.37** |
| **At December 31, 2017** | | | | | | | |
| 0.50 | 0.37 | 280,000 | 2.00 | 0.37 | 224,000 | 2.00 | 0.37 |

**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.

**13.7 Basic and Diluted Losses Per Share**

| For the three months ended | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Net losses attributable to shareholders** | | |
| Basic and diluted | **(572,908)** | ($468,329) |
| **Weighted average number of shares outstanding** | | |
| Basic and diluted | **50,005,482** | 50,472,315 |
| **Basic and diluted losses per share** | **($0.011)** | ($0.009) |

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.

## 14. RELATED PARTY TRANSACTIONS

**14.1 Key management compensation**

The remuneration of key management and directors was as follows:

| For the three months ended | March 31, 2018 | March 31, 2017 |
|---|---|---|
| | **$** | $ |
| Wages, fees and other benefits | **93,548** | 89,073 |
| Payment to defined contribution plans | **579** | 579 |
| Share-based payment | **212** | 333 |
| | **94,339** | 89,985 |

(Express in United States Dollars)

## 14.2 Related party transactions

In addition to amount due from a related company as disclosed in note 10 and the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties:

| **For the three months ended** **Relationship** | **Type of transactions** | **March 31, 2018** | March 31, 2017 |
|---|---|---|---|
| | | **$** | $ |
| Companies controlled by a director | Rental income | **12,337** | 11,918 |
| | Share of office common expenses | **957** | - |
| A company with a common director who has controlling interest in the Company | Rental income | **30,116** | 30,116 |
| | Interest income | **30,205** | 30,205 |
| | Share of office common expenses and staff cost | **26,499** | 25,862 |

As at March 31, 2018, the Group has a loan facility secured by a guarantee given by a director as disclosed in note 12 to the financial statements.

## 14.3 Advances to related parties

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

## 15. NOTES TO THE CONDENSED INTERIM STATEMENTS OF CASH FLOWS

Changes in liabilities arising from financing activities

| | **Bank loan** |
|---|---|
| | $ |
| **At January 1, 2018** | **1,011,326** |
| Changes from financing cash flows | **(45,946)** |
| **At March 31, 2018** | **965,380** |

## 16. COMMITMENTS

## 16.1 Capital commitments

The Group has the following capital commitment:

| **As at March 31, 2018** | **Contract Date** | **Contracted Sum** | **Capital Commitments** |
|---|---|---|---|
| | | **$** | **$** |
| Mine design and related facilities | October 31, 2011 | 1,231,918 | **677,555** |
| Office building renovation | March 2, 2013 | 2,021,867 | **891,230** |
| Research on gold processing method | June 1, 2017 | 130,891 | **15,399** |
| **Total capital commitments for the Gold Project** | | 3,384,676 | **1,584,184** |

(Express in United States Dollars)

### 16.2 Operating lease commitments

**(a) The Group as Lessor**

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

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

| As at | March 31, 2018 | December 31, 2017 |
|---|---|---|
| | $ | $ |
| Within one year | **138,984** | 93,038 |
| In the second to fifth years inclusive | **57,169** | 67,563 |
| **Total future minimum lease receivables** | **196,153** | 160,601 |

**(b) The Group as Lessee**

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

| As at | March 31, 2018 | December 31, 2017 |
|---|---|---|
| | **$** | $ |
| Within one year | **16,942** | 20,402 |
| In the second to fifth years inclusive | **1,109** | 2,772 |
| **Total future minimum lease payables** | **18,051** | 23,174 |

## 17. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of listed securities, unlisted equity securities, debentures and certificate of deposit.

### 17.1 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);

(Express in United States Dollars)

- ♦ 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** |
| | **$** | **$** | **$** | **$** |
| **As at March 31, 2018** | | | | |
| Listed securities | **2,538,919** | **-** | **-** | **2,538,919** |
| Unlisted equity securities | **-** | **-** | **1,120,978** | **1,120,978** |
| Debentures | **7,639,029** | **-** | **-** | **7,639,029** |
| | **10,177,948** | **-** | **1,120,978** | **11,298,926** |
| **As at December 31, 2017** | | | | |
| Listed securities | 2,564,826 | - | - | 2,564,826 |
| Unlisted equity securities | - | - | 1,120,978 | 1,120,978 |
| Debentures | 6,827,578 | - | - | 6,827,578 |
| Certificate of deposit | - | 499,825 | - | 499,825 |
| | 9,392,404 | 499,825 | 1,120,978 | 11,013,207 |

### 17.2 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.

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

### 17.4 Credit Risk

The Group is exposed to credit risk with respect to cash and cash equivalents, other receivables, amount due from a related company, deposit paid to a related party and financial assets. The maximum exposure is equal to the carrying amount of these assets included on the consolidated statements of financial position. The cash equivalents are call deposits at banks or time deposit of terms less than 90 days. None of the cash equivalents are in asset backed commercial paper products. The Group has deposited the cash and cash equivalents in banks that meet minimum requirements for quality and liquidity as stipulated by the Company's Board of Directors. Other receivables mainly composed of a loan to Dragon Silver of $3,000,000. The management reviews the financial statements provided by Dragon Silver and the related company on a monthly basis. Management believes the risk of loss to be remote.

### 17.5 Liquidity Risk

Liquidity risk is the risk that the Group may encounter difficulties in meeting obligations associated with financial liabilities. As at March 31, 2018, the Group held cash and cash equivalents of $17,996,879 and net current assets of $20,679,226. 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.

### 17.6 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.

## 18. 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 $79,651,639 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.

## 19. EVENTS AFTER THE REPORTING DATE

19.1 On April 19, 2018, the Company, through its indirect wholly-owned subsidiary in the PRC, injected a total capital investment of about $1,540,000 (RMB10,000,000) in an agriculture project for development, planting and sales of primary agricultural products and plants cultivation in Xinjiang, PRC.

19.2 On April 25, 2018, GobiMin declared an annual dividend of $0.01 (CAD0.01) per share in accordance with its dividend policy and the 2017 performance. The dividend will be payable on June 22, 2018 to shareholders of record on May 25, 2018.

# GobiMin Inc.

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

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

### March 31, 2018

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

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, 2017. 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, 2018 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, 2018 prepared in accordance with International Financial Reporting Standards ("IFRS"), its audited consolidated financial statements for the year ended December 31, 2017 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, the shares of which are traded on the TSX Venture Exchange under the symbol GMN, is an investment issuer under the rules of the TSX Venture Exchange. The Company, together with its subsidiaries (collectively, the "Group"), is principally engaged in the investment in equity, debt or other securities as well as direct ownership stakes in projects, including the development of mineral properties, mainly in the Xinjiang Uygur Autonomous Region ("Xinjiang") of the People's Republic of China ("China").

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

In addition, GobiMin owns 40% equity interests each in three companies incorporated in China to engage in base metals and precious metal exploration in Xinjiang.

The Group holds a portfolio of equity investments, debentures and certificate of deposit placed with licensed banks, for reasonable interest return and potential capital gains.

(Expressed in United States Dollars)

## 2. Financial Highlights

| | **3 months ended March 31** | | 12 months ended |
|---|---|---|---|
| | **2018** | 2017 | December 31, 2017 |
| | **$** | $ | $ |
| Net loss for the period/year | **(0.6 million)** | (0.5 million) | (3.1 million) |
| LBITDA [(1)] | **(0.6 million)** | (0.5 million) | (2.9 million) |
| Basic and diluted losses per share | **(0.011)** | (0.009) | (0.059) |
| LBITDA per share [(1)] | **(0.013)** | (0.010) | (0.057) |
| | | | |
| Cash and cash equivalents | **18.0 million** | 23.9 million | 19.1 million |
| Cash and cash equivalents per share [(1)] | **0.36** | 0.48 | 0.38 |
| Working capital | **20.7 million** | 29.9 million | 21.7 million |
| Total liabilities | **3.3 million** | 3.5 million | 3.7 million |
| Total assets | **83.0 million** | 84.4 million | 84.0 million |

*Note:*
*(1) As non-IFRS measurements, **LBITDA** (losses before interest income and expense, income taxes, depreciation and amortisation), **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 Change of Business

GobiMin completed its change of business from a "mining issuer" to an "investment issuer" in September 2017. The investment objective of the Company is to seek superior returns by making investments in equity, debt or other securities of publicly traded or private companies or other entities as well as direct ownership stakes in projects. New investments will be directed by an Investment Committee and guided by the Company's Investment Policy which govern its investment activities and investment strategy. For further details regarding the change of business, please see the Company's Management Information Circular dated August 3, 2017 and the Investment Policy appended thereto on SEDAR at www.sedar.com.

#### (a) Equity Investments

Equity investments represent equity interests of other publicly-trading or privately-held companies that the Company has acquired. The equity investments portfolio is summarized as follow:

#### (i) Gold Project in Xinjiang

The Company owns a 70% equity interest in Xinjiang Tongyuan Minerals Limited which is developing and operating the Gold Project in Xinjiang. In this quarter, our renewal application on the existing exploration and mining license was still under consideration by the Department of Land Resources of Xinjiang. It is estimated to take half a year to obtain the approval. The third Chinese standard geological reports concerning the development plan is under schedule of preparation as required. Meanwhile, GobiMin is seeking potential partners to jointly develop the project.

As at March 31, 2018, there was no addition to the exploration and evaluation assets and the Group had a contractual commitment of $1.6 million for the development of the Gold Project.

**(ii) Base Metal Exploration Projects in Xinjiang**

The Group owns a 40% equity interest in each of the three companies incorporated in Xinjiang, China, which are engaged in exploration of nickel, copper, and gold. As at March 31, 2018, the carrying value of these companies, which are regarded as associates of the Group, amounted to $0.2 million (RMB1.3 million) in aggregate. The dissolution procedures of these three exploration companies have been commenced since November 2017.

**(iii) Others**

The Group holds 40,260,000 shares of Loco Hong Kong Holdings Limited ("Loco HK"), representing 8.38% of the total outstanding shares of Loco HK. Loco HK is a company incorporated in Hong Kong and the shares of which are listed on the GEM of The Stock Exchange of Hong Kong Limited under the stock code 8162. For the three months ended March 31, 2018, the fair value loss on investment in Loco HK were $26,000 (3 months ended March 31, 2017: $0.1 million).

The Group invested about $4.12 million in Dragon Silver Holdings Limited ("Dragon Silver"), a Hong Kong based metal trading and processing company, by way of (1) an equity investment of $1.1 million in 670,000 shares, representing 9.90% of its total issued capital and (2) a loan of $3 million, bearing interest at 8.5% per annum and repayable on demand at a notice of 7 days. Dragon Silver is mainly engaged in trading, production, processing and investment in precious metals and non-ferrous metals and related products.

In April 2018, the Group invested a total of RMB10 million (equivalent to approximately $1.5 million), through its China indirect wholly-owned subsidiary, in an agriculture project for development, planting and sales of primary agricultural products and plants cultivation in Hami City, Xinjiang, China. The project would occupy an area of about 250 mu (equivalent to about 166,000 sq. meters) to plant Hami red dates or any cash crops. The invested funding would be mainly used for land acquisition, infrastructure facilities, crops and staff costs as well as general working capital.

**(b) Debentures**

The Group would hold debentures bearing low risks and reasonable interest return from various industries through the open market. Debentures are held to receive coupon interest payments as well as to realize potential gains. The Group may dispose of debentures through the open market when the Group requires funds for operational or investment needs.

As at March 31, 2018, the Group held $7.6 million debentures with coupon rates ranged from 4.250% to 9.000% (December 31, 2017: 4.250% to 9.000%) per annum and maturities ranged between November 14, 2018 and perpetual (December 31, 2017: November 14, 2018 and perpetual).

## 3.2 Normal Course Issuer Bid ("NCIB")

The NCIB was discontinued on August 3, 2017. For the three months ended March 31, 2018, no common shares were repurchased under the NCIB.

### 3.3 Liquidity and Capital Resources

As at March 31, 2018, the working capital of the Group amounted to approximately $20.7 million (December 31, 2017: $21.7 million), by netting off its current assets of $24.0 million (December 31, 2017: $25.4 million) with current liabilities of $3.3 million (December 31, 2017: $3.7 million).

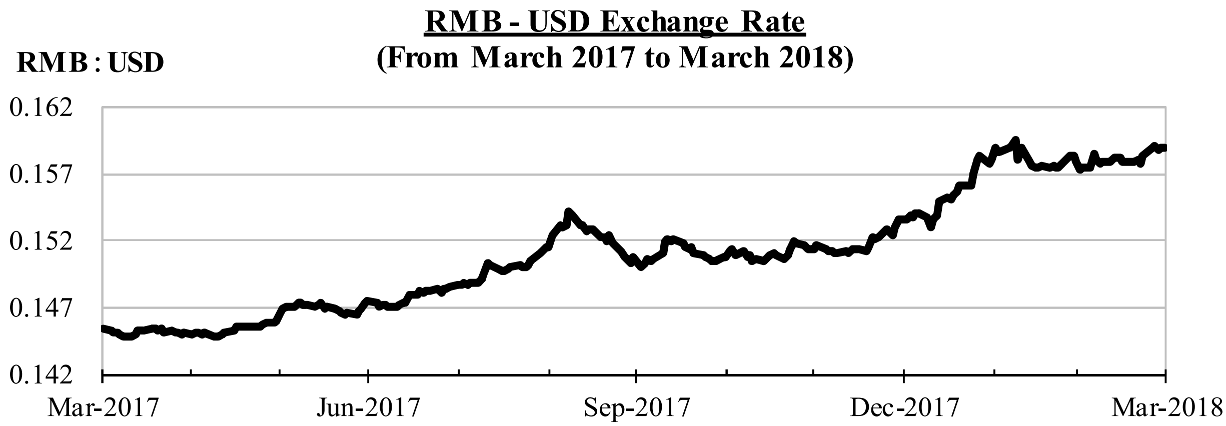
Among the cash and cash equivalents of $18.0 million, approximately $1.0 million were held in China. The subsidiaries in China are allowed to transfer funds to other Group companies outside China upon presentation of the relevant documentation required by applicable regulations, subject to the risks set out under the section named "Risk Factors" in the Company's Annual MD&A for the fiscal year ended December 31, 2017, 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 $1.6 million.

## 4. Key Economic Trends

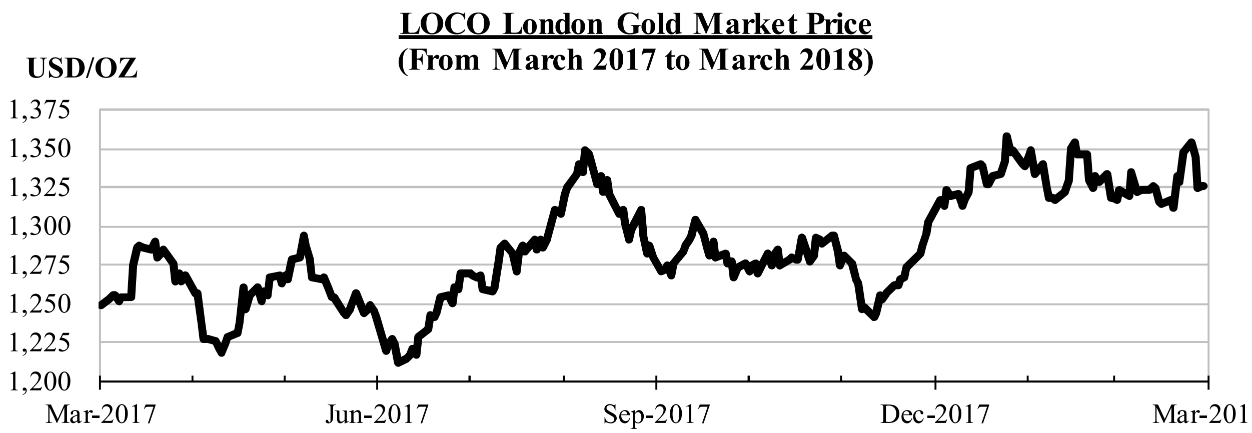
### 4.1 China Economy

As GobiMin's activity are mostly conducted in China, the conditions of the Chinese economy plays a paramount role in the Group's exploration business. Since the Group reports in U.S. dollars, the Group's cost structure may potentially be impacted by currency fluctuations. As at March 31, 2018, the exchange rate of the Chinese Renminbi against the U.S. dollar increased by 9.33%, as compared with that as at March 31, 2017.




### 4.2 Gold Market

The changes in price of gold have a strong influence on the Gold Project's value. As at March 31, 2018, the gold price increased by 6.11% from that as at March 31, 2017.




## 5. Adoption of new and amended IFRS standards

The Company has adopted the IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* from January 1, 2018. A number of other new standards are effective from January 1, 2018 but they do not have a material effect on the Group's condensed interim financial statements.

*IFRS 15 - Revenue from contracts with customers*

IFRS 15 introduces a single, principles-based, five-step model for the recognition of revenue when control of goods is transferred to the customer. The five steps are: identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to each performance obligation and recognize revenue as each performance obligation is satisfied. IFRS 15 also requires enhanced disclosures about revenue to help users better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The Company evaluated the effect the standard had on its sales recorded in its consolidated financial statements and determined there is no impact to the timing or amounts of revenue recognized in its statement of operations.

*IFRS 9 - Financial Instruments*

IFRS 9 set out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 largely retained the existing requirements in IAS 39 for the classification and measurement of financial liabilities and the adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. Under IFRS 9, on initial recognition, a financial asset is classified as measured at: fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or at amortized cost. In addition, the standard amended some of the requirements of IFRS 7, *Financial Instruments: Disclosures*, including the requirement for added disclosures about investments in equity instruments measured at FVOCI and guidance on financial liabilities and derecognition of financial instruments. The Company adopted the standard on January 1, 2018. Retrospective application was required, but there was no requirement to restate comparative periods disclosed.

### (a) Classification

The Company has assessed the classification and measurement of its financial assets and financial liabilities under IFRS 9 and have summarized the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 in the following table:

| | **Measurement Categories** | |
|---|---|---|
| *Financial instruments:* | **IAS 39** | **IFRS 9** |
| Cash and cash equivalents | Amortized cost | Amortized cost |
| Prepayments, deposits and other receivables | Loans and receivables | Amortized cost |
| Listed securities | FVTPL | FVTPL |
| Debentures | FVTPL | FVTPL |
| Equity securities | FVTPL | FVTPL |

The Company determined the modifications made did not result in a material difference under the new classification of IFRS 9.

### (b) Measurement

**Financial assets at FVTOCI**
Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income.

**Financial assets at amortized cost**
Financial assets at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

**Financial assets at FVTPL**
Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of comprehensive income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the consolidated statements of comprehensive income in the period in which they arise.

### (c) Impairment of financial assets at amortized cost

Under IFRS 9, the Company recognizes a loss allowance using the expected credit loss model on financial assets that are measured at amortized cost.

The adoption of the expected credit loss impairment model under IFRS 9 had no material impact on the carrying amounts of our financial assets on the transition date given the financial assets measured at amortized cost mainly composed of cash and cash equivalents and a loan to Dragon Silver that is secured by a personal guarantee of a director of Dragon Silver, and no impairment has been recognized at the report date.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

**Future accounting pronouncements:**
The following standard has not been adopted by the Company and is being evaluated to determine its impact:

IFRS 16 - Leases: New standard that will replace IAS 17 for the accounting and measurement of leases with a term of more than 12 months, effective for annual periods beginning on or after January 1, 2019.

## 6. Selected Quarterly Information

For the three months ended March 31, 2018, the Group reported a net loss of 0.6 million (Q1 2017: $0.5 million) which mainly comprised of administrative expenses of $0.7 million (Q1 2017: $0.7 million).

In this quarter, the Group recorded a net cash outflow of $1.1 million from December 31, 2017 (Q1 2017: $3.2 million). It was mainly the combined effect of $0.5 million (Q1 2017: nil) cash inflow from maturity of certificate of deposit netting off net addition of debentures of $1.0 million (Q1 2017: $0.6 million) and payment of the office expenses of $0.4 million (Q1 2017: $0.5 million).

The total assets decreased by $1.0 million from $84.0 million as at December 31, 2017 to $83.0 million in this quarter which mainly represented the net payment for office expenses of $0.4 million, loss on fair value changes of listed securities of $0.2 million and settlement of payables of $0.3 million.

## 7. Results of Operations

### 7.1. <u>Revenue</u>

Interest income and rental income in the first quarter of 2018 were $0.2 million (3 months Q1 2017: $0.1 million) and $0.1 million (3 months Q1 2017: $0.1 million) respectively.

Fair value loss on financial assets for this quarter was $0.2 million (3 months Q1 2017: $0.1 million), represented the loss on fair value changes of listed securities on the 8.38% equity interest in Loco HK of $26,000 (3 months Q1 2017: $0.1 million) and the loss on fair value change of debentures of $172,000 (3 months Q1 2017: nil) with reference to quoted market prices at the end of the reporting period.

### 7.2. <u>General and Administrative Expenses</u>

General and administrative expenses were $0.7 million for this quarter (3 months Q1 2017: $0.7 million). It mainly included pre-operating expenses incurred for the Gold Project, office rental, staff costs and legal and professional fees.

### 7.3. <u>Losses Per Share</u>

The basic and diluted losses per share were $0.011 for this quarter (3 months Q1 2017: losses of $0.009).

(Expressed in United States Dollars)

## 7.4. LBITDA

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

| For the three months ended | March 31, 2018 | March 31, 2017 |
|---|---|---|
| | $ | $ |
| Loss for the period | (611,641) | (495,324) |
| Interest income | (235,533) | (123,410) |
| Interest expense | 6,647 | 6,986 |
| Income tax credit | - | (108,479) |
| Depreciation | 208,141 | 240,653 |
| LBITDA (1) | (632,386) | (479,574) |
| LBITDA per share (2) | (0.013) | (0.010) |

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

## 7.5. Annual Dividend

On April 25, 2018, the Company declared an annual dividend of $0.01 (CAD0.01) per share in accordance with its dividend policy and 2017 performance. The dividend was paid on June 22, 2018 to shareholders of record on May 25, 2018.

## 8. Cash Flows

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

| As at | March 31, 2018 | March 31, 2017 |
|---|---|---|
| | $ | $ |
| Cash and cash equivalents | 17,966,879 | 23,939,266 |
| Working capital (1) | 20,679,226 | 29,930,502 |

| For the three months ended | March 31, 2018 | March 31, 2017 |
|---|---|---|
| | $ | $ |
| Net cash flow used in operating activities | (767,231) | (572,401) |
| Net cash flow used in financing activities | (52,593) | (172,801) |
| Net cash flow used in investing activities | (250,770) | (2,479,772) |
| Decrease in cash and cash equivalents | (1,070,594) | (3,224,974) |

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

**8.1. Operating Activities**

In this quarter, the Company recorded a net cash outflow from operating activities of $0.8 million (3 months Q1 2017: $0.6 million), mainly representing net cash payment of the office expenses of $0.4 million (3 months Q1 2017: $0.5 million) and settlement of payables of $0.3 million (3 months Q1 2017: $0.2 million).

**8.2. Financing Activities**

In this quarter, the Company recorded a cash outflow from financing activities of $0.1 million (3 months Q1 2017: $0.2 million), mainly representing repayment of bank loan and obligation under finance lease of $46,000 (3 months Q1 2017: $0.1 million). The decrease in cash outflow by $0.1 million is due to the share repurchased of $0.1 million only incurred in the corresponding period last year.

**8.3. Investing Activities**

In this quarter, the Company recorded a cash outflow from investing activities of $0.3 million (3 months Q1 2017: $2.5 million), mainly representing the cash inflow from maturity of certificate of deposit of $0.5 million (3 months Q1 2017: net addition of certificate of deposit of $2.0 million) netting off the net additions of debentures of $1.0 million (3 months Q1 2017: 0.6 million).

**9. Statements of Financial Position**

**9.1. Cash and Cash Equivalents**

The Group had approximately $18.0 million in cash and cash equivalents as at March 31, 2018, compared to $19.1 million as at December 31, 2017. The decrease of $1.1 million was mainly due to net addition of debentures of $1.0 million and net payment of the office expenses of $0.4 million netting off the $0.5 million cash inflow from maturity of certificate of deposit.

**9.2. 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, 2018, there was no addition in exploration and evaluation assets.

**9.3. Financial Assets**

As at March 31, 2018, financial assets comprised:

Current Portion

(a) $2.5 million investment in the 8.38% equity interest in Loco HK, the shares of which are listed on the GEM of The Stock Exchange of Hong Kong Limited under the stock code 8162.
(b) $0.2 million debentures with coupon rate of 8.25% with maturity date at November 14, 2018.

Non-current Portion

(c) $7.4 million debentures with coupon rates ranged from 4.250% to 9.000% per annum and maturities ranged between November 3, 2019 and perpetual.
(d) $1.1 million unlisted equity investment in Dragon Silver, a Hong Kong based metal trading and processing company.

### 9.4. Share Capital

As at March 31 2018, GobiMin had 50,005,482 common shares issued and outstanding. For the three months ended March 31 2018, no common shares were repurchased and cancelled.

## 10. Related Party Transactions

The Group had the following transactions with related parties:

### 10.1. During the three months ended March 31, 2018

(a) Fees and other remunerations to directors and key management amounted to $0.1 million (Q1 2017: $0.1 million).
(b) Rental income of $12,337 (Q1 2017: $11,918) and share of office common expenses of $957 (Q1 2017: $nil) from companies controlled by a director.
(c) Rental income of $30,116 (Q1 2017: $30,116) from a subsidiary of Loco HK.
(d) Interest income of $30,205 (Q1 2017: $30,205) from a subsidiary of Loco HK.
(e) Share of office common expenses and staff cost of $26,499 (2016: $25,862) from a subsidiary of Loco HK.

### 10.2. As at March 31, 2018

(a) A deposit of $30,798 (December 31, 2017: $30,798) paid to the non-controlling shareholder of an associate for exploration services.
(b) A loan of $3.5 million (December 31, 2017: $3.5 million) due from a subsidiary of Loco HK.
(c) Bank loan facility of $1.1 million (December 31, 2017: $1.1 million) secured by a director.

## 11. Capital Commitment

As at March 31, 2018, the Group had capital commitments with an aggregate amount of $1.6 million in relation to office building renovation, mine design and related facilities and research on gold processing method.

## 12. Off-Balance Sheet Arrangements

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

## 13. Future plans for material investments

The Group intends to use its available funds to invest in each of equity, debt instruments and other investments as part of its focus as an investment issuer. The Company currently intends to make investments of up to $6 million during the 12-months period from September 5, 2017, being the date of becoming an investment issuer.

(Expressed in United States Dollars)

## 14. Outstanding Share Data

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

| **As at** | December 31, 2017 | **March 31, 2018** | **May 24, 2018** |
|---|---|---|---|
| Number of Common Shares Outstanding | 50,571,482 | **50,005,482** | **50,005,482** |
| Number of Options Outstanding | 2,280,000 | **280,000** | **280,000** |
| Number of Common Shares Fully Diluted | 52,851,482 | **50,285,482** | **50,285,482** |

## 15. 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, 2017, available on SEDAR at www.sedar.com.