GobiMin Inc.

(Incorporated in Canada under the Canada Business Corporations Act)

Condensed Interim Financial Statements (unaudited)

June 30, 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 June 30, 2018 and December 31, 2017
(Expressed in United States Dollars)

	Note	**(Unaudited) June 30, 2018**	(Audited) December 31, 2017
		$	$
ASSETS			
Current			
Cash and cash equivalents	*5*	**16,158,205**	19,067,473
Prepayments, deposits and other receivables	*6*	**3,328,675**	3,254,130
Financial assets	*7*	**2,169,957**	3,064,651
Total current assets		**21,656,837**	25,386,254
Non-current			
Property, plant and equipment	*8*	**13,059,346**	13,626,462
Investment properties		**1,591,841**	1,723,855
Exploration and evaluation assets	*9*	**30,350,909**	31,533,596
Interests in associates		**192,284**	204,229
Financial assets	*7*	**8,187,922**	7,948,556
Deposit paid to related party		**29,643**	30,798
Amount due from a related company	*10*	**3,500,000**	3,500,000
Total non-current assets		**56,911,945**	58,567,496
Total assets		**78,568,782**	83,953,750
LIABILITIES			
Current			
Other payables, receipts in advance and accrued liabilities	*11*	**1,103,453**	1,552,532
Income taxes payable		**1,127,107**	1,127,107
Bank loan	*12*	**-**	1,011,326
Total current liabilities		**2,230,560**	3,690,965
Total liabilities		**2,230,560**	3,690,965
SHAREHOLDERS' EQUITY			
Share capital	*13*	**22,096,211**	22,096,211
Reserves and retained earnings		**53,956,940**	57,805,701
Equity attributable to shareholders of the Company		**76,053,151**	79,901,912
Non-controlling interests		**285,071**	360,873
Total shareholders' equity		**76,338,222**	80,262,785
Total liabilities and shareholders' equity		**78,568,782**	83,953,750

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

APPROVED BY THE BOARD ON AUGUST 23, 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 six months ended June 30, 2018 and 2017
(Expressed in United States Dollars)

		Three Months Ended		**Six Months Ended**	
	Note	**June 30, 2018**	June 30, 2017	**June 30, 2018**	June 30, 2017
		$	$	**$**	$
Interest income		**297,969**	133,822	**533,502**	257,232
Rental income		**71,225**	87,897	**145,282**	175,602
Gain on disposal of finance assets		**1,518**	8,890	**1,518**	8,890
Fair value loss on financial assets at fair value through profit or loss		**(810,964)**	(932,664)	**(1,008,580)**	(1,036,293)
Fair value loss on available-for-sale financial asset		**-**	(197,584)	**-**	(197,584)
Gross loss		**(440,252)**	(899,639)	**(328,278)**	(792,153)
General and administrative expenses		**(737,213)**	(680,596)	**(1,452,121)**	(1,380,659)
Share of results of associates		**(4,406)**	(333)	**(4,285)**	(2,614)
Operating loss		**(1,181,871)**	(1,580,568)	**(1,784,684)**	(2,175,426)
Gain on disposal of property, plant and equipment		**35,881**	9,009	**35,881**	9,009
Exchange loss		**(192,013)**	(8,350)	**(192,013)**	(8,769)
Finance costs		**(3,459)**	(6,715)	**(12,287)**	(15,241)
Loss before income tax		**(1,341,462)**	(1,586,624)	**(1,953,103)**	(2,190,427)
Income tax credit		**-**	-	**-**	108,479
Net loss for the period		**(1,341,462)**	(1,586,624)	**(1,953,103)**	(2,081,948)
Other comprehensive loss, net of tax					
Other comprehensive loss to be reclassified to profit or loss in the subsequent period:					
Exchange differences on translation of foreign operations		**(1,585,196)**	-	**(1,585,196)**	-
Total comprehensive loss for the period		**(2,926,658)**	(1,586,624)	**(3,538,299)**	(2,081,948)
Loss for the period attributable to:					
Shareholders of the Company		**(1,317,928)**	(1,557,288)	**(1,890,836)**	(2,025,617)
Non-controlling interests		**(23,534)**	(29,336)	**(62,267)**	(56,331)
		(1,341,462)	(1,586,624)	**(1,953,103)**	(2,081,948)
Total comprehensive loss for the period attributable to:					
Shareholders of the Company		**(2,889,589)**	(1,557,288)	**(3,462,497)**	(2,025,617)
Non-controlling interests		**(37,069)**	(29,336)	**(75,802)**	(56,331)
		(2,926,658)	(1,586,624)	**(3,538,299)**	(2,081,948)
Net losses per share					
Basic and diluted	13.7	**(0.026)**	(0.031)	**(0.038)**	(0.040)
Weighted average number of shares outstanding		Share	Share	Share	Share
Basic and diluted	13.7	50,005,482	50,270,790	50,005,482	50,370,996

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

GobiMin Inc.
Condensed Interim Statements of Changes in Equity (Unaudited)
For the six months ended June 30, 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	-	-	-	-	-	(2,025,617)	(56,331)	(2,081,948)
Total comprehensive loss	-	-	-	-	-	(2,025,617)	(56,331)	(2,081,948)
Dividend paid	-	-	-	-	-	(373,836)	-	(373,836)
Shares repurchased	(156,866)	-	-	-	-	12,444	-	(144,422)
Share based payment	-	-	2,155	-	-	-	-	2,155
At June 30, 2017	**22,189,446**	**2,399,939**	**231,398**	**501,965**	**(911,152)**	**54,059,053**	**402,706**	**78,873,355**
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	-	-	-	-	-	**(1,890,836)**	**(62,267)**	**(1,953,103)**
Other comprehensive loss	-	-	-	-	**(1,571,661)**	**-**	**(13,535)**	**(1,585,196)**
Total comprehensive loss	-	-	-	-	**(1,571,661)**	**(1,890,836)**	**(75,802)**	**(3,538,299)**
Dividend paid	-	-	-	-	-	**(387,227)**	-	**(387,227)**
Share based payment	-	-	**963**	-	-	-	-	**963**
At June 30, 2018	**22,096,211**	**2,399,939**	**36,237**	**501,965**	**34,449**	**50,984,350**	**285,071**	**76,338,222**

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

GobiMin Inc.
Condensed Interim Statements of Cash Flows (Unaudited)
For the six months ended June 30, 2018 and 2017
(Expressed in United States Dollars)

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
	$	$	**$**	$
Operating activities				
Loss before income tax	**(1,341,462)**	(1,586,624)	**(1,953,103)**	(2,190,427)
Adjustments for items not involving cash:				
- Depreciation	**198,583**	206,625	**406,724**	447,278
- Share-based payment	**468**	1,083	**963**	2,155
- Share of results of associates	**4,406**	333	**4,285**	2,614
- Gain on disposal of property, plant and equipment	**(35,881)**	(9,009)	**(35,881)**	(9,009)
- Gain on disposal of financial assets	**(1,518)**	(8,890)	**(1,518)**	(8,890)
- Loss on fair value changes of listed securities	**810,964**	932,664	**1,008,580**	1,036,293
- Impairment loss on available-for-sale financial asset	**-**	197,584	**-**	197,584
- Exchange difference	**192,013**	8,350	**192,013**	8,769
- Interest income	**(297,969)**	(133,822)	**(533,502)**	(257,232)
- Interest expense	**2,428**	6,148	**9,075**	13,134
	(467,968)	(385,558)	**(902,364)**	(757,731)
Working capital adjustments:				
- Prepayments, deposits and other receivables	**(58,184)**	(49,529)	**(77,938)**	(59,984)
- Other payables, receipts in advance and accrued liabilities	**(91,213)**	(86,998)	**(404,294)**	(276,771)
Net cash flow used in operating activities	**(617,365)**	(522,085)	**(1,384,596)**	(1,094,486)
Financing activities				
Interest paid	**(2,428)**	(6,148)	**(9,075)**	(13,134)
Shares repurchased	**-**	(36,383)	**-**	(144,422)
Repayment of obligations under finance lease	**-**	(9,231)	**-**	(21,061)
Dividend paid	**(387,227)**	(373,836)	**(387,227)**	(373,836)
Repayment of from bank loan	**(965,380)**	(45,946)	**(1,011,326)**	(91,892)
Net cash flow used in financing activities	**(1,355,035)**	(471,544)	**(1,407,628)**	(644,345)
Investing activities				
Interest received	**296,813**	133,822	**532,346**	257,232
Additions of property, plant and equipment	**(5,266)**	(502)	**(8,234)**	(5,826)
Proceeds from disposal of property, plant and equipment	**41,251**	9,009	**41,251**	9,009
Net disposal/(addition) of debentures	**583,556**	(290,710)	**(399,604)**	(885,571)
Net maturity/(addition) of certificate of deposit	**-**	-	**499,825**	(2,002,997)
Acquisition of unlisted securities	**(257,400)**	-	**(257,400)**	-
Acquisition of listed securities	**(193,399)**	-	**(193,399)**	-
Net cash flow from/(used in) investing activities	**465,555**	(148,381)	**214,785**	(2,628,153)
Decrease in cash and cash equivalents	**(1,506,845)**	(1,142,010)	**(2,577,439)**	(4,366,984)
Effect of foreign exchange rate changes	**(331,829)**	-	**(331,829)**	-
Cash and cash equivalents at beginning of the period	**17,996,879**	23,939,266	**19,067,473**	27,164,240
Cash and cash equivalents at end of the period	**16,158,205**	22,797,256	**16,158,205**	22,797,256

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 these interim periods are 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 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 FVOCI
Elected investments in equity instruments at FVOCI 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 reporting 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 investment in equity, debt or other securities as well as direct ownership stakes in projects ("Investment business"); and (ii) the development, exploration and exploitation of mineral properties, mainly in Xinjiang, China ("Mining 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	June 30, 2018	December 31, 2017
	$	$
Segment assets		
Investment business	**18,650,693**	15,836,971
Mining business	**36,619,974**	38,083,641
Total segment assets	**55,270,667**	53,920,612
Unallocated	**23,298,116**	30,033,138
Consolidated assets	**78,568,783**	83,953,750
Segment liabilities		
Investment business	**12,292**	-
Mining business	**886,940**	951,445
Total segment liabilities	**899,232**	951,445
Unallocated	**1,331,328**	2,739,520
Consolidated liabilities	**2,230,560**	3,690,965

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

For the six months ended	June 30, 2018	June 30, 2017
	$	$
Segment revenue and results		
Investment business	**(451,279)**	(670,081)
Mining business	**(351,191)**	(516,551)
	(802,470)	(1,186,632)
Other income and gains	**123,001**	75,512
Unallocated corporate expenses	**(1,105,215)**	(1,055,297)
Gain on disposal of property, plant and equipment	**35,881**	-
Exchange loss	**(192,013)**	(8,769)
Finance costs	**(12,287)**	(15,241)
Loss before income tax	**(1,953,103)**	(2,190,427)

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents were held in following locations:

Location	June 30, 2018	December 31, 2017
	$	$
Canada	**165,545**	932,231
Hong Kong	**13,611,574**	16,924,562
China	**2,381,086**	1,210,680
Total	**16,158,205**	19,067,473

(Express in United States Dollars)

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.

6. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

As at June 30, 2018, the prepayments, deposits and other receivables balance mainly represented a loan of $3,000,000 (December 31, 2017: $3,000,000) to an investment company of the Group, Dragon Silver, and interest receivables from debentures of $192,216 (December 31, 2017: $99,908). The loan to Dragon Silver is secured by the personal guarantee of a director of Dragon Silver, bears interest at the rate of 8.5% per annum and is repayable on demand with 7 days' notice. For the six months ended June 30, 2018, the Group received interest income from loan to Dragon Silver of $130,333 (2017: nil).

7. FINANCIAL ASSETS

As at	**June 30, 2018**	December 31, 2017
	$	$
Current		
Listed securities	**1,968,957**	2,564,826
Debentures	**201,000**	-
Certificate of deposit	**-**	499,825
	2,169,957	3,064,651
Non-current		
Debentures	**6,616,145**	6,827,578
Unlisted securities	**1,378,378**	1,120,978
Listed securities	**193,399**	-
	8,187,922	7,948,556
Total	**10,357,879**	11,013,207

As at June 30, 2018, the listed securities represented the investment in an equity interest of 8.38% in Loco Hong Kong Holdings Limited ("Loco HK"), a company listed on the GEM of The Stock Exchange of Hong Kong Limited under the stock code 8162 and other listed securities that are designated at fair value through profit or loss. The fair value of the investments is determined with reference to quoted market price.

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

Unlisted securities representing an equity interest of 9.90% in Dragon Silver, a company incorporated in Hong Kong and engaged in metal trading and processing, at an investment cost of $1,120,978 and investment of $257,400 in an investment fund which is managed by experienced fund manager equipped with knowledge for investment in worldwide securities market. There is no material change in the fair value of the unlisted equity securities for the period ended June 30, 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**
Exchange difference	**(251,233)**	**-**	**(14,118)**	**-**	**(28,223)**	**(293,574)**
Additions	**-**	**-**	**5,428**	**-**	**2,806**	**8,234**
Disposals	**-**	**-**	**-**	**-**	**(85,914)**	**(85,914)**
At June 30, 2018	**15,460,962**	**237,107**	**407,036**	**602**	**779,127**	**16,884,834**
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**
Exchange difference	**(30,545)**	**-**	**(11,668)**	**-**	**(26,812)**	**(69,025)**
Depreciation for the period	**308,217**	**6,692**	**14,959**	**-**	**15,563**	**345,431**
Eliminated on disposals	**-**	**-**	**-**	**-**	**(80,544)**	**(80,544)**
At June 30, 2018	**2,508,121**	**229,411**	**353,725**	**602**	**733,629**	**3,825,488**
Net book value:						
At December 31, 2017	**13,481,746**	**14,388**	**65,292**	**-**	**65,036**	**13,626,462**
At June 30, 2018	**12,952,841**	**7,696**	**53,311**	**-**	**45,498**	**13,059,346**

As at June 30, 2018, the carrying amount of property, plant and equipment which were located in Hong Kong amounted to $7,447,711 (December 31, 2017: $7,650,574). The remaining property, plant and equipment were located in China.

(Express in United States Dollars)

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**

Cost:	$
At January 1, 2018	**31,533,596**
Exchange difference	(1,182,687)
At June 30, 2018	**30,350,909**

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. On May 24, 2018, the Department of Land Resources of Xinjiang has accepted our renewal application on existing exploration and mining licences. As at June 30, 2018, the renewed mining licence has been granted with a valid period up to December 31, 2018 and the renewed exploration licence is 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. 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. Mr. Felipe Tan, Chief Executive Officer of GobiMin, is a director of Loco HK and CPM.

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

11. OTHER PAYABLES, RECEIPTS IN ADVANCE AND ACCRUED LIABILITIES

As at June 30, 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	**June 30, 2018**	December 31, 2017
	$	$
Other payables	**884,180**	935,505
Accrued liabilities	**202,237**	520,720
Receipts in advance	**12,293**	88,300
Deposit received	**4,743**	8,007
Total	**1,103,453**	1,552,532

12. BANK LOAN

As at	**June 30, 2018**	December 31, 2017
	$	$
Bank loan due for repayment within one year	**-**	183,784
Bank loan due for repayment after one year but contained a repayment on demand clause (shown under current liabilities)	**-**	827,542
Total bank loan, secured and interest bearing	**-**	1,011,326

The bank loan was denominated in Hong Kong dollars, bearing interest at Hong Kong Interbank Offered Rate plus 1.75% per annum. It was 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). The outstanding balance of bank loan has been fully repaid during the period ended June 30, 2018.

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 June 30, 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 six months ended June 30, 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 ("2017 NCIB") 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 the 2017 NCIB on August 3, 2017.

(Express in United States Dollars)

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:

	Six months ended June 30, 2018		Six months ended June 30, 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

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 June 30, 2018							
0.50	**0.37**	**280,000**	**1.50**	**0.37**	**224,000**	**1.50**	**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.

(Express in United States Dollars)

13.7 Basic and Diluted Losses Per Share

For the three months ended	June 30, 2018	June 30, 2017
Net losses attributable to shareholders		
Basic and diluted	**($1,317,928)**	($1,557,288)
Weighted average number of shares outstanding		
Basic and diluted	**50,005,482**	50,270,790
Basic and diluted losses per share	**($0.026)**	($0.031)

For the six months ended	June 30, 2018	June 30, 2017
Net losses attributable to shareholders		
Basic and diluted	**($1,890,836)**	($2,025,617)
Weighted average number of shares outstanding		
Basic and diluted	**50,005,482**	50,370,996
Basic and diluted losses per share	**($0.038)**	($0.040)

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

14. RELATED PARTY TRANSACTIONS

14.1 Key management compensation

The remuneration of key management and directors was as follows:

For the three months ended	June 30, 2018	June 30, 2017
	$	$
Wages, fees and other benefits	**122,476**	108,098
Payment to defined contribution plans	**934**	579
Share-based payment	**96**	336
	123,506	109,013

For the six months ended	June 30, 2018	June 30, 2017
	$	$
Wages, fees and other benefits	**216,024**	197,171
Payment to defined contribution plans	**1,513**	1,158
Share-based payment	**308**	669
	217,845	198,998

(Express in United States Dollars)

14.2 Related party transactions

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

		For the three months ended	
Relationship	**Type of transactions**	**June 30, 2018**	June 30, 2017
		$	$
Companies controlled by a director	Rental income	**11,875**	11,917
	Share of office common expenses	**941**	-
	Disposal of property, plant and equipment (Note)	**41,251**	-
A company with common director who has controlling interest in the Company	Rental income	**30,116**	30,116
	Interest income	**30,542**	30,542
	Share of office common expenses and staff cost	**24,311**	25,540
Director of the company	Purchase of property, plant and equipment	**2,806**	-

		For the six months ended	
Relationship	**Type of transactions**	**June 30, 2018**	June 30, 2017
		$	$
Companies controlled by a director	Rental income	**24,212**	23,835
	Share of office common expenses	**1,898**	-
	Disposal of property, plant and equipment (Note)	**41,251**	-
A company with common director who has controlling interest in the Company	Rental income	**60,232**	60,232
	Interest income	**60,747**	60,747
	Share of office common expenses and staff cost	**50,810**	51,402
Director of the company	Purchase of property, plant and equipment	**2,806**	-

Note: During the three months and six months ended June 30, 2018, the Group disposed of a motor vehicle to a company controlled by a director and recognised a gain on disposal of property, plant and equipment of $35,881 (2017: nil).

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.

(Express in United States Dollars)

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	**(1,011,326)**
At June 30, 2018	**-**

16. COMMITMENTS

16.1 Capital commitments

The Group has the following capital commitment:

As at June 30, 2018	**Contract Date**	**Contracted Sum**	**Capital Commitments**
		$	**$**
Mine design and related facilities	October 31, 2011	1,185,714	**652,143**
Office building renovation	March 2, 2013	1,946,036	**857,804**
Research on gold processing method	June 1, 2017	125,982	**14,821**
Total capital commitments for the Gold Project		3,257,232	**1,524,768**

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	**June 30, 2018**	December 31, 2017
	$	$
Within one year	**122,901**	93,038
In the second to fifth years inclusive	**40,018**	67,563
Total future minimum lease receivables	**162,919**	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	**June 30, 2018**	December 31, 2017
	$	$
Within one year	**6,830**	20,402
In the second to fifth years inclusive	**-**	2,772
Total future minimum lease payables	**6,830**	23,174

(Express in United States Dollars)

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);

	Fair Value Measurements at Reporting Date Using			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
As at June 30, 2018				
Listed securities	**2,162,356**	**-**	**-**	**2,162,356**
Unlisted securities	**-**	**-**	**1,378,378**	**1,378,378**
Debentures	**6,817,145**	**-**	**-**	**6,817,145**
	8,979,501	**-**	**1,378,378**	**10,357,879**
As at December 31, 2017				
Listed securities	2,564,826	-	-	2,564,826
Unlisted 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 June 30, 2018, the Group held cash and cash equivalents of $16,158,205 and net current assets of $19,426,277. 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 $76,338,222 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 adjustment 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

On July 23, 2018, GobiMin announced that it intended to renew its normal course issuer bid to repurchase on the TSX Venture Exchange up to an additional 2,500,274 common shares, representing approximately 5% of the then common shares outstanding. Purchases are expected to be made in accordance with applicable regulations over a maximum period of 12 months commencing on July 25, 2018 and will end on July 24, 2019 or on such earlier date as GobiMin may complete its purchases pursuant to the normal course issuer bid or as it may otherwise determine. For the period from July 25, 2018 to August 23, 2018, a total of 13,000 common shares were repurchased at an aggregate cost of $3,750 (CAD4,843). All shares repurchased were or will be returned to treasury for cancellation.

GobiMin Inc.

(Incorporated in Canada under the Canada Business Corporations Act)

Interim Management's Discussion and Analysis of Financial Results

- Quarterly Highlights

June 30, 2018

(Expressed in United States Dollars except where otherwise noted)

GobiMin Inc.
Interim MD&A – Quarterly Highlights
For the quarter ended June 30, 2018
(Expressed in United States Dollars)
August 23, 2018

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 August 23, 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 June 30, 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.

GobiMin also owns 40% equity interests each in two companies incorporated in China to engage in base metals and precious metal exploration in Xinjiang.

The Group holds a portfolio of equity investments and debentures for reasonable interest return and potential capital gains.

(Expressed in United States Dollars)

2. Financial Highlights

	3 months ended June 30		12 months ended
	2018	2017	December 31, 2017
	$	$	$
Net loss for the period	**(1.3 million)**	(1.6 million)	(3.1 million)
LBITDA (1)	**(1.4 million)**	(1.5 million)	(2.9 million)
Basic and diluted losses per share	**(0.026)**	(0.031)	(0.059)
LBITDA per share (1)	**(0.029)**	(0.030)	(0.057)
Cash and cash equivalents	**16.2 million**	22.8 million	19.1 million
Cash and cash equivalents per share (1)	**0.32**	0.45	0.38
Working capital	**19.4 million**	28.0 million	21.7 million
Total liabilities	**2.2 million**	3.3 million	3.7 million
Total assets	**78.6 million**	82.2 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 ww.sedar.com.

(a) Equity Investments

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

(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, we have obtained the renewed mining licence with valid period up to December 31, 2018 while the renewal application on the existing exploration licence was still under processing by the Department of Land Resources of Xinjiang. It is estimated to obtain the renewed exploration licence in 2018. In respect of the application for conversion of the mining and exploration licences into mining licence, 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 June 30, 2018, there was no addition to the exploration and evaluation assets and the Group had a contractual commitment of $1.5 million for the future development of the Gold Project.

(ii) <u>Base Metal Exploration Projects in Xinjiang</u>

During the period under review, the Group owned a 40% equity interest in each of the three companies incorporated in Xinjiang, China, which are engaged in exploration of nickel, copper, and gold. The dissolution procedures of these three exploration companies have been commenced since November 2017. In May 2018, the deregistration of Xinjiang Tongcheng Minerals Limited ("Tongcheng") has been approved by the local industry and commerce departments. In July 2018, the Company received $59,436 (RMB401,052) as return of capital and Tongcheng was dissolved and derecognised as an associate of the Group. As at June 30, 2018, the carrying value of the remaining two exploration companies, which are regarded as associates of the Group, amounted to $0.1 million (RMB0.9 million) in aggregate.

(iii) <u>Others</u>

The Group holds 40,260,000 shares, representing 8.38% of the total outstanding shares, of Loco Hong Kong Holdings Limited ("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 six months ended June 30, 2018, the fair value loss on investment in Loco HK were $0.6 million (2017: $1.0 million).

The Group invested about $4.12 million in Dragon Silver Holdings Limited ("Dragon Silver") 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 a Hong Kong based company mainly engaged in trading, production, processing and investment in precious metals and non-ferrous metals and related products.

In April 2018, the Group invested about $1.5 million (equivalent to RMB10 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 is in preparatory stage for plantation of 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.

In June 2018, the Group acquired certain listed securities at a total cost of $193,000 and invested about $260,000 in an investment fund managed by experienced fund manager equipped with knowledge for investment in worldwide securities market.

(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 June 30, 2018, the Group held $7.1 million debentures with coupon rates ranged from 4.250% to 9.000% per annum and maturities ranged between November 14, 2018 and perpetual.

3.2 Normal Course Issuer Bid ("NCIB")

On July 23, 2018, GobiMin was granted approval by the TSX Venture Exchange to renew its NCIB to repurchase up to an additional 2,500,274 common shares, representing approximately 5% of the then common shares outstanding. Purchases are expected to be made in accordance with applicable regulations over a maximum period of 12 months commencing on July 25, 2018 and will end on July 24, 2019 or on such earlier date as GobiMin may complete its purchases pursuant to the normal course issuer bid or as it may otherwise determine. For the period from July 25, 2018 to August 23, 2018, a total of 13,000 common shares were repurchased at an aggregate cost of $3,750 (CAD4,843). 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 NCIB will be provided to shareholders upon receipt of written request to the Company at its registered office.

3.3 Liquidity and Capital Resources

As at June 30, 2018, the working capital of the Group amounted to approximately $19.4 million (December 31, 2017: $21.7 million), by netting off its current assets of $21.6 million (December 31, 2017: $25.4 million) with current liabilities of $2.2 million (December 31, 2017: $3.7 million).

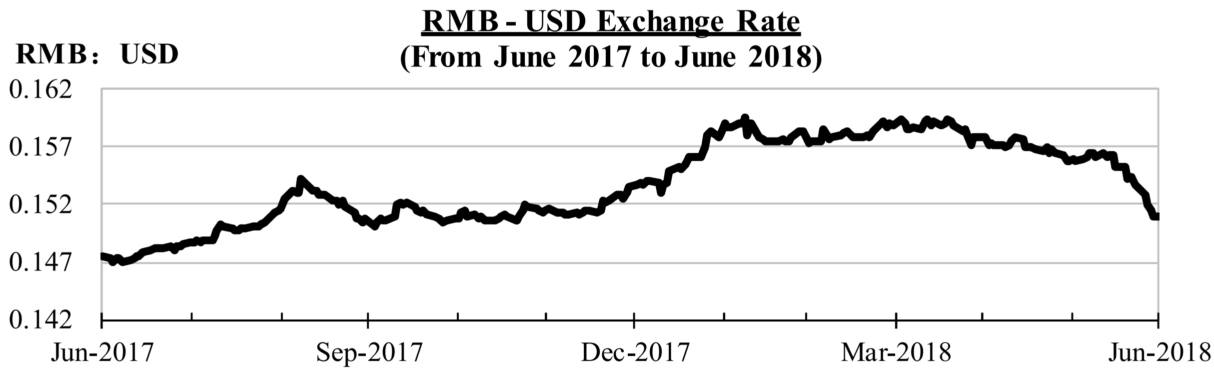
Among the cash and cash equivalents of $16.2 million, approximately $2.4 million were held in China. The subsidiaries in China are allowed to transfer funds to other Group companies outside China upon presentation of the relevant documentation required by applicable regulations, subject to the risks 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 $1.5 million.

4. Key Economic Trends

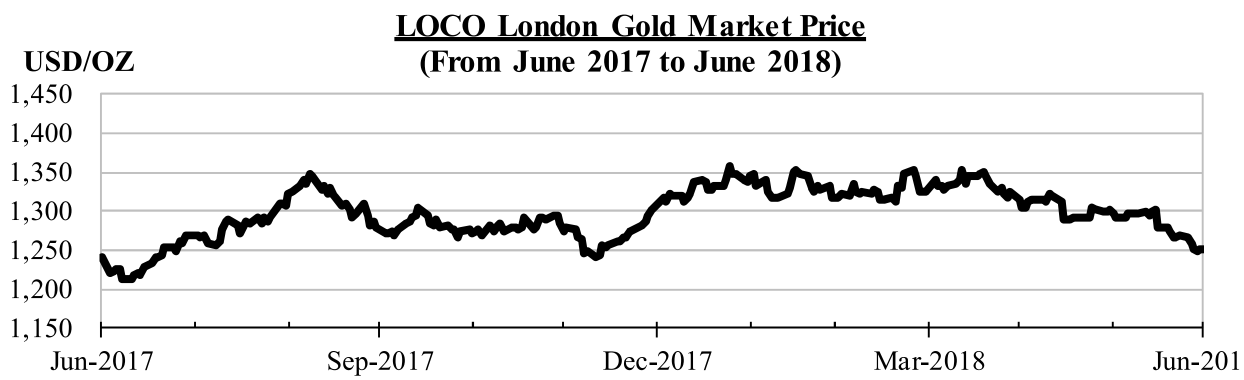
4.1 China Economy

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 June 30, 2018, the exchange rate of the Chinese Renminbi against the U.S. dollar decreased by 2.37%, as compared with that as at June 30, 2017.



4.2 Gold Market

The changes in price of gold have a strong influence on the Gold Project's value. As at June 30, 2018, the gold price decreased by 0.89% from that on June 30, 2017.



(Expressed in United States Dollars)

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 FVOCI
Elected investments in equity instruments at FVOCI 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 reporting 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 June 30, 2018, the Group reported a net loss of $1.3 million (Q2 2017: $1.6 million) and total comprehensive loss of $2.9 million (Q2 2017: $1.6 million) which mainly comprised loss on fair value changes of listed securities of $0.8 million (Q2 2017: 0.9 million) and the exchange loss of $1.6 million (Q2 2017: nil) due to the depreciation of RMB and CAD against USD.

In this quarter, the Group recorded a net cash outflow of $1.5 million (Q2 2017: cash outflow of $1.1 million). It mainly represented repayment of bank loan of $1.0 million and dividend paid of $0.4 million.

The total assets decreased by $5.4 million from $84.0 million as at December 31, 2017 to $78.6 million at this quarter end which mainly represented the payment for office expenses of $0.9 million, loss on fair value changes of listed securities of $1.0 million, dividend paid of $0.4 million, repayment of bank loan of $1.0 million, settlement of payables of $0.4 million and exchange losses of $1.8 million.

7. Results of Operations

7.1 Revenue

Interest income and rental income in the second quarter of 2018 were $0.3 million (3 months Q2 2017: $0.1 million) and $0.1 million (3 months Q2 2017: $0.1 million) respectively.

Fair value loss on financial assets for this quarter was $0.8 million (3 months Q2 2017: $0.9 million), represented the loss on fair value changes of listed securities on the 8.38% equity interest in Loco HK of $0.6 million (3 months Q2 2017: $0.9 million) and the loss on fair value change of debentures of $0.2 millions (3 months Q2 2017: nil) with reference to quoted market prices at the end of the reporting period.

Interest income and rental income for the six months ended June 30, 2018 were $0.5 million (6 months Q2 2017: $0.3 million) and $0.1 million (6 months Q2 2017: $0.2 million) respectively.

Fair value loss on financial assets for the six months ended June 30, 2018 was $1.0 million (6 months Q2 2017: $1.0 million), represented the loss on fair value changes of listed securities on the 8.38% equity interest in Loco HK of $0.6 million (6 months Q2 2017: $1.0 million) and the loss on fair value change of debentures of $0.4 millions (6 months Q2 2017: nil) with reference to quoted market prices at the end of the reporting period.

7.2 General and Administrative Expenses

General and administrative expenses were $0.7 million for this quarter (3 months Q2 2017: $0.7 million) and $1.5 million for the six months ended June 30, 2018 (6 months Q2 2017: $1.4 million). It mainly included pre-operating expenses incurred for the Gold Project, office rental, staff costs and legal and professional fees.

7.3 Losses Per Share

The basic and diluted losses per share were $0.026 for this quarter (3 months Q2 2017: $0.031) and $0.038 for the six months ended June 30, 2018 (6 months Q2 2017: $0.040).

(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 $1.4 million as compared to losses of $1.5 million incurred in the corresponding period last year. The calculation of LBITDA was set out in the table below:

For the three months ended	**June 30, 2018**	June 30, 2017
	$	$
Loss for the period	**(1,341,462)**	(1,586,624)
Interest income	**(297,969)**	(133,822)
Interest expense	**2,428**	6,148
Depreciation	**198,583**	206,625
LBITDA [(1)]	**(1,438,420)**	(1,507,673)
LBITDA per share [(2)]	**(0.029)**	(0.030)

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 summarises the Group's cash flows and cash on hand:

As at	**June 30, 2018**	December 31, 2017
	$	$
Cash and cash equivalents	**16,158,205**	19,067,473
Working capital *[(1)]*	**19,426,277**	21,695,289

For the three months ended	**June 30, 2018**	June 30, 2017
	$	$
Net cash flow used in operating activities	**(617,365)**	(522,085)
Net cash flow used in financing activities	**(1,355,035)**	(471,544)
Net cash flow from/(used in) investing activities	**465,555**	(148,381)
Decrease in cash and cash equivalents	**(1,506,845)**	(1,142,010)

For the six months ended	**June 30, 2018**	June 30, 2017
	$	$
Net cash flow used in operating activities	**(1,384,596)**	(1,094,486)
Net cash flow used in financing activities	**(1,407,628)**	(644,345)
Net cash flow from/(used in) investing activities	**214,785**	(2,628,153)
Decrease in cash and cash equivalents	**(2,577,439)**	(4,366,984)

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

8.1 Operating Activities

For the three months ended June 30, 2018

In this quarter, the Company recorded a net cash outflow from operating activities of $0.6 million (3 months Q2 2017: $0.5 million), mainly representing net cash payment of office expenses of $0.5 million (3 months Q2 2017: $0.5 million) and settlement of payables of $0.1 million (3 months Q2 2017: $0.1 millions).

For the six months ended June 30, 2018

For the six months ended June 30, 2018, net cash outflow from operating activities was $1.4 million (6 months Q2 2017: cash outflow of $1.1 million), mainly representing net cash payment of the office expenses of $0.9 million (6 months Q2 2017: $1.0 million) and settlement of payables of $0.4 million (6 months Q2 2017: $0.1 millions).

8.2 Financing Activities

For the three months ended June 30, 2018

In this quarter, the Company recorded a cash outflow from financing activities of $1.4 million (3 months Q2 2017: cash inflow of $0.5 million) which mainly represented dividend paid of $0.4 million (3 months Q2 2017: 0.4 million) and repayment of bank loan of $1.0 million (3 months Q2 2017: $0.1 million).

For the six months ended June 30, 2018

The cash outflow from financing activities was $1.4 million for the six months ended June 30, 2018 (6 months Q2 2017: $0.6 million) which mainly represent dividend paid of $0.4 million (6 months Q2 2017: $0.4 million) and repayment of bank loan of $1.0 million (6 months Q2 2017: $0.1 million).

8.3 Investing Activities

For the three months ended June 30, 2018

In this quarter, the Company recorded a cash inflow from investing activities of $0.5 million (3 months Q2 2017: cash outflow of $0.1 million), mainly representing the cash inflow from net disposal of debentures of $0.6 million (3 months Q2 2017: net addition of $0.3 million) and the interest income of $0.3 million (3 months Q2 2017: $0.1 million) netting off the payment for acquisition of unlisted securities of $0.3 million (3 months Q2 2017: nil) and acquisition of listed securities of $0.2 million (3 months Q2 2017: nil). The increase in net cash inflow was mainly due to the increase in disposal of debentures.

For the six months ended June 30, 2018

For the six months ended June 30, 2018, net cash inflow from investing activities was $0.2 million (6 months Q2 2017: cash outflow of $2.6 million) which mainly represents the net maturity of certificate of deposit of $0.5 million (6 months Q2 2017: $2.0 million), the interest income of $0.5 million (6 months Q2 2017: $0.3 million), netting off against net addition of debentures of $0.4 million (6 months Q2 2017: $0.9 million), acquisition of an unlisted securities of $0.3 million (6 months Q2 2017: nil) and acquisition of a listed securities of $0.2 million (6 months Q2 2017: nil). The increase in net cash inflow was mainly due to the increase in disposal of listed debentures and the maturity of the certificate of deposit.

9. Statements of Financial Position

9.1 Cash and Cash Equivalents

The Group had approximately $16.2 million in cash and cash equivalents as at June 30, 2018, compared to $19.1 million as at December 31, 2017. The decrease of $2.9 million was mainly the cash inflow from interest income of $0.5 million netting off against the repayment of bank loan of $1.0 million, settlement of payables of $0.4 million, acquisition of unlisted securities of $0.3 million, acquisition of listed securities of $0.2 million, payment of the office expenses of $0.9 million and payment of dividend of $0.4 million.

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 six months ended June 30, 2018, there was no addition in exploration and evaluation assets.

9.3 Financial Assets

As at June 30, 2018, financial assets comprised:

Current Portion
(a) $2.0 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) $6.6 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.
(e) $0.3 million investment in an investment fund.
(f) $0.2 million investment for listed securities.

9.4 Share Capital

As at June 30, 2018, GobiMin had 50,005,482 common shares issued and outstanding. For the six months ended June 30, 2018, no common shares were repurchased and cancelled.

10. Related Party Transactions

The Group had the following transactions with related parties:

10.1 <u>During the six months ended June 30, 2018</u>

(a) Fees and other remunerations to directors and key management amounted to $0.2 million (Q2 2017: $0.2 million).
(b) Rental income of $24,212 (Q2 2017: $23,835) from companies controlled by a director.
(c) Rental income of $60,232 (Q2 2017: $60,232) from a subsidiary of Loco HK.
(d) Interest income of $60,747 (Q2 2017: $60,747) from a subsidiary of Loco HK.
(e) Share of office common expenses and staff cost of $50,810 (Q2 2017: $51,402) from a subsidiary of Loco HK.
(f) Purchase of property, plant and equipment of $2,806 (Q2 2017: nil) from a director of the company.
(g) Disposal of property, plant and equipment at a total proceed of $41,251 (Q2 2017: nil) from a company controlled by a director, recording a gain from the disposal of property, plant and equipment of $35,881.

10.2 <u>As at June 30, 2018</u>

(a) A deposit of $29,643 (December 31, 2017: $30,798) was 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, 2017: $3.5 million) together with the accrued interest was due from a subsidiary of Loco HK.

11. Capital Commitment

As at June 30, 2018, the Group had capital commitments with an aggregate amount of $1.5 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	**June 30, 2018**	**August 23, 2018**
Number of Common Shares Outstanding	50,005,482	**50,005,482**	**49,992,482**
Number of Options Outstanding	280,000	**280,000**	**280,000**
Number of Common Shares Fully Diluted	50,285,482	**50,285,482**	**50,272,482**

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.