NEITHER THE TSX VENTURE EXCHANGE NOR ANY OTHER SECURITIES REGULATORY AUTHORITY HAS EXPRESSED AN OPINION ABOUT THE REVERSE TAKE-OVER DESCRIBED HEREUNDER AND IT IS AN OFFENCE TO CLAIM OTHERWISE.

GOLDSAT MINING INC.

Notice of

an Annual and Special Meeting of Shareholders

to be held on September 29, 2005

and

Proxy Circular

AUGUST 29, 2005

GOLDSAT MINING INC.

NOTICE OF AN ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT an annual and special meeting of the shareholders of Goldsat Mining Inc. (the **"Corporation"**) will be held at 1250 René-Lévesque Boulevard West, Suite 1400, Montreal, Quebec, H3B 5E9, at 10:00 a.m. (Eastern Standard Time) on **September 29**, 2005, for the following purposes:

1. receive the 2004 Annual Report of the Corporation, containing the financial statements of the Corporation for the year ended December 31, 2004, and the report of the auditors thereon;

2. approve the acquisition of all outstanding shares of Alexis Resources Limited and certain shareholders loans for an aggregate purchase price of $20,000,000 as more fully described in the proxy circular enclosed herewith;

3. adopt a special resolution approving the amalgamation of the Corporation with 4209931 Canada Inc. as more fully described in the proxy circular enclosed herewith;

4. ratify the adoption of a resolution reducing the amount of the Corporation's issued and paid-up share capital account in order to eliminate its accumulated deficit;

5. ratify the creation of a new employee stock option plan;

6. elect the directors;

7. appoint the auditors and authorize the directors to fix their remuneration;

8. approve the issuance of a maximum of 250,000 Goldsat Shares to certain creditors of Goldsat for the settlement of debts; and

9. transact such other business as may properly be brought before the meeting and at any adjournment thereof.

The proxy circular enclosed herewith provides detailed information on the items that will be brought before the meeting and is therefore to be considered as forming a part of this notice.

Shareholders may exercise their rights by attending the Meeting or by completing a Form of Proxy. Should you be unable to attend the Meeting, please kindly complete and signed the enclosed Form of Proxy and return same as soon as possible in the envelope provided herein. Your shares will be voted in accordance with your instructions as indicated on the Form of Proxy. Please note that said Form of Proxy will not be valid unless it is deposited at the offices of Computershare Trust Company of Canada, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1 or by facsimiles at 416-263-9524 or 1-866-249-7775, no less than forty-eight (48) hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting, or any adjournment thereof, or unless it is delivered to the Chairman of the Meeting prior to the commencement of the meeting, or any adjournment thereof. A person appointed as Proxy need not be a shareholder of the Corporation.

Notice is also hereby given that the Board of Directors of the Corporation has fixed the record date for the Meeting at the close of business on August 23, 2005 (the "**Record Date**"). Only holders of common shares as of the Record Date are entitled to receive notice of the Meeting. Shareholders at the Record Date will be entitled to vote their shares at the Meeting, unless any such shareholder transfers his shares after the Record Date, in which case the transferee of those shares will be entitled to vote such shares at the Meeting if the transferee establishes that he owns the said shares and demands, no later than ten (10) days before the Meeting, that the transferee's name be included in the list of shareholders entitled to vote at the Meeting.

Montréal, August 29, 2005

BY ORDER OF THE BOARD OF DIRECTORS

(*signed*): Vincent J. Thomson, President

NOTE: Shareholders eligible to vote but unable to attend personally are requested to complete, sign and forthwith return to the Corporation the enclosed form of proxy in the envelope provided for that purpose.

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GLOSSARY

The following is a glossary of terms and abbreviations used frequently in this Circular.

"Acquisition Agreement" means collectively the Simsen Agreement and the Belmont Agreement.

"Alexis" means Alexis Resources Limited.

"Alexis Shares" means the common shares in the capital stock of Alexis.

"Amalgamation" means the proposed amalgamation of Goldsat and Canco under the name of GobiMin Inc. following the approval of the shareholders of Goldsat and Canco.

"Amalgamation Agreement" means the amalgamation agreement dated June 28, 2005 entered into between Goldsat and Canco pursuant to which Goldsat and Canco will be amalgamated and continued under the name of GobiMin Inc. following the approval of the shareholders of Goldsat and Canco.

"Arm's Length Party" means in relation to an entity, a person or entity which is not a 'non arm's length party' of that entity within the meaning of the TSXV Policy 1.1, namely a promoter, officer, director, other insider or Control Person of that entity and any associate or affiliate of such persons. In relation to an individual, a non arm's length party means any associate of the individual or any company of which the individual is a promoter, officer, director, insider or Control Person.

"Available Funds" means the estimated consolidated working capital available to the Resulting Issuer upon Closing. See "Available Funds" in Schedule B to this Circular.

"Belmont" means Belmont Holdings Group Limited.

"Belmont Agreement" means the acquisition agreement dated February 7, 2005 entered into between Goldsat and Belmont, as amended, pursuant to which Goldsat agreed to purchase all of the Alexis Shares held by Belmont and the Belmont Shareholder Loan, on the Closing Date.

"Belmont Shareholder Loan" means the interest-free shareholder loan in the principal amount of $2,113,122 (HK$13,291,542) advanced by or on behalf of Belmont to Alexis prior to the date of the Acquisition Agreement.

"Belmont Warrants" means the 4,500,000 warrants of the Resulting Issuer to be issued to Belmont pursuant to the Belmont Agreement, each Belmont Warrant entitling the holder to purchase one common share of the Resulting Issuer at the price of $0.50 for a period of eighteen months from the Closing Date (subject to certain extension depending on the applicable escrow provisions and/or hold period in relation to such warrants).

"Canco" means 4209931 Canada Inc.

"Canco Shares" means the common share in the capital stock of Canco.

"Canco Warrants" means the 3,750,000 warrants of the Resulting Issuer to be issued to the shareholders of Canco pursuant to the Amalgamation in exchange for their existing warrants of Canco, on the basis of 0.75 Canco Warrants for each existing warrant of Canco, each Canco Warrant entitling the holder to purchase one common share of the Resulting Issuer at the price of $0.50 for a period of twelve months from the Closing Date.

"CBCA" means the *Canada Business Corporation Act*.

"Circular" means this management information circular dated August 29, 2005, including all schedules appended thereto.

"Closing" means the concurrent closing of the RTO, the Amalgamation and the Private Placement.

"Closing Date" means the date of the Closing.

"Consolidation" means the consolidation of the issued and outstanding common shares of Goldsat which took place on March 22, 2005 on the basis of one Goldsat Share for 10 pre-consolidation common shares, as approved by the shareholders of Goldsat at a special meeting held on February 11, 2005.

"Control Person" has the meaning ascribed thereto in TSXV Policy 1.1, namely any person that holds or is one of a combination of persons that holds a sufficient number of any of the securities of an entity so as to affect materially the control of that entity, or that holds more than 20% of the outstanding voting securities of an entity except where there is evidence showing that the holder of those securities does not materially affect the control of the entity.

"Conversion Period" means the one year period, starting on the Closing Date, during which the Simsen Convertible Note can be converted into common shares of the Resulting Issuer.

"Corporation" or **"Goldsat"** means Goldsat Mining Inc.

"Desjardins" or **"Sponsor"** means Desjardins Securities Inc.

"Goldsat Shares" means the common shares in the authorized capital of Goldsat, giving effect to the Consolidation.

"Goldsat Options" means the options to acquire up to 28,811 common shares of the Resulting Issuer which will be issued on the Closing Date to current directors of Goldsat in exchange for the options of Goldsat which they currently hold.

"Goldsat Warrants" means the 341,960 warrants of the Resulting Issuer to be issued to certain shareholders of Goldsat pursuant to the Amalgamation in exchange for their existing warrants of Goldsat, each Goldsat Warrant entitling the holder to purchase one common share of the Resulting Issuer at the price of $0.60 before 5:00 p.m., Calgary time, on July 21, 2006.

"Hami Projects" means the Hami nickel and copper projects, located in the Autonomous Region of Xinjiang, approximately 950 kilometres east of Urumqui, the capital city of the Xinjiang Uygur in the

PRC and which comprises three distinct mineral mining properties: Huangshan, Huangshan Dong and Xiangshan.

"HK$" means Hong Kong dollars, the lawful currency for the time being of Hong Kong.

"Hong Kong" means the Hong Kong Special Administrative Region of the PRC.

"Jubao" means Hami Jubao Resources Co. Ltd., a Sino-foreign equity joint venture enterprise established in the PRC with limited liability which is owned as to 70% by Yakesi, 25% by Alexis and the remaining 5% by an Arm's Length Party.

"Meeting" means the annual and special meeting of shareholders of Goldsat to be held on September 29, 2005 for the purposes described in the Notice of meeting and in the Circular, including any adjournment or postponement thereof.

"NI 43-101" means National Instrument 43-101, *Standards of Disclosure for Mineral Projects,* published by the Canadian Securities Administrators.

"Option Plan" means the new stock option plan of Goldsat submitted to shareholders' approval pursuant to the Circular and described under "Creation of a New Stock Option Plan" in the Circular.

"PRC" means the People's Republic of China.

"Private Placement" means the proposed private placement of a minimum of four million Goldsat Shares at a price of not less than $0.40 per share. The proceeds of the Private Placement will be used to pay a portion of the purchase price payable in cash by Goldsat pursuant to the Acquisition Agreement and for additional working capital. The Private Placement is conditional on the RTO and will occur on Closing.

"Promissory Note" means the non-interest bearing secured promissory note to be issued by Goldsat to Simsen in the aggregate sum of $ 2,667,000 in part satisfaction of the purchase price of the Alexis Shares and Simsen Shareholder Loan sold by Simsen under the Simsen Agreement and due on the day immediately preceding the first anniversary of the Closing.

"Record Date" means August 23, 2005.

"Resulting Issuer" means Goldsat as it will exist after the successful completion of the RTO, the Amalgamation and the Private Placement and proposed to be renamed as "GobiMin Inc".

"RMB" or **"Renminbi"** means Renminbi, the lawful currency of the PRC, which was, until July 21, 2005 pegged at 8.27for US$1.00, when it was switched from a United States dollars pegging system to a basket of foreign currencies systems effectively revaluing RMB rates against United States dollars by 2.1%.

"RTO" means the reverse take-over pursuant to which Goldsat will acquire all of the outstanding shares of Alexis pursuant to the Acquisition Agreement.

"Shareholder Loans" means the Simsen Shareholder Loan and the Belmont Shareholder Loan, totalling $4,179,736 (HK$26,290,542).

"Simsen" means Simsen (China) Investment Limited, a wholly owned subsidiary of Simsen International.

"Simsen Agreement" means the acquisition agreement dated February 7, 2005 entered into between Goldsat and Simsen, as amended, pursuant to which Goldsat agreed to purchase all of the Alexis Shares held by Simsen and the Simsen Shareholder Loan, on the Closing Date.

"Simsen Convertible Note" means the 2% convertible note in the principal sum of $3,810,000 to be issued by Goldsat to Simsen in part satisfaction of the purchase price of the Alexis Shares and Simsen Shareholder Loan sold by Simsen under the Simsen Agreement.

"Simsen International" means Simsen International Corporation Limited, a limited liability Bermuda company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

"Simsen Shareholder Loan" means the interest-free shareholder loan in the principal amount of $2,066,614 (HK$12,999,000) advanced by or on behalf of Simsen to Alexis prior to the date of the Simsen Agreement**.**

"Sponsor" or **"Desjardins"** means Desjardins Securities Inc, 1, Place Ville-Marie, suite 2707, Montreal, Quebec.

"Sponsor Warrants" means the 100,000 warrants of the Resulting Issuer to be issued to the Sponsor on Closing, each Sponsor Warrant entitling the Sponsor to purchase one common share of the Resulting Issuer at the price of $0.50 for a period of 12 months**.**

"SRK Report" means the independent technical report on the Hami Projects dated April 30, 2005, prepared by SRK Consulting (Canada) Inc.

"TSXV" means the TSX Venture Exchange Inc.

"Yakesi" means Xinjiang Yakesi Resources Co. Ltd., a Sino-foreign equity joint venture enterprise which is owned as to 97% by Alexis and the remaining 3% by an Arm's Length Party.

All references to "Resulting Issuer" or "Alexis" in this Circular include reference to all subsidiaries of such entity, except where the context reasonably otherwise requires.

CURRENCY AND EXCHANGE RATE DATA

Canadian Dollar/United States Dollar Exchange Rates

On August 15, 2005 the noon interbank rate quoted by the Bank of Canada was US$1.00 = CDN$1.1970. The following tables sets forth, for the periods indicated, one United States dollar expressed in Canadian dollars, based on the noon interbank rates quoted by the Bank of Canada.

	2004	2003	2002	2001	2000
Low for the period	1.1774	1.2924	1.5028	1.5031	1.4489
High for the period	1.3968	1.5747	1.6184	1.5924	1.5422
Rate at the end of the period	1.2036	1.2924	1.5801	1.5484	1.4852
Average rate for the period	1.3015	1.4015	1.5704	1.5489	1.4854

Canadian Dollar/Hong Kong Dollar Exchange Rates

On August 15, 2005 the noon interbank rate quoted by the Bank of Canada was HK$1.00 = CDN$0.1541. The following tables sets forth, for the periods indicated, one Hong Kong dollar expressed in Canadian dollars, based on the noon interbank rates quoted by the Bank of Canada.

	2004	2003	2002	2001	2000
Low for the period	.1515	.1665	.1937	.1915	.1843
High for the period	.1671	.2019	.2068	.2054	.1999
Rate at the end of the period	.1548	.1665	.2025	.2042	.1923
Average rate for the period	.1791	.1780	.2013	.1985	.1906

MANAGEMENT INFORMATION CIRCULAR

This Circular is being furnished in connection with the solicitation of proxies by management of Goldsat for use at the Meeting of shareholders to be held at 10:00 a.m. (Eastern standard time) on , September 29, 2005 at 1250 René-Lévesque Boulevard West, Suite 1400, Montreal, Quebec, H3B 5E9, and at any adjournment or postponement thereof.

It is anticipated that this Circular and the accompanying form of Proxy will be distributed to shareholders on or about August 31, 2005. Unless otherwise indicated, information in this Circular is given as at August 23, 2005.

See "Risk Factors" in Schedule B to this Circular for certain considerations relevant to shareholders regarding the RTO as referred to in this Circular.

No person is authorized to give any information or to make any representation not contained in this Circular and, if given or made, such information or representation should not be relied upon having been authorized. This Circular does not constitute an offer to sell, or a solicitation of an offer to acquire, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or proxy solicitation.

The TSXV has not in any way passed upon the merits of the transactions described herein and any representation to the contrary is an offence.

All information contained in this Circular with respect to Alexis and Canco was provided respectively by Alexis and Canco for inclusion herein, and with respect to that information, Goldsat has relied solely on the information provided by Alexis and Canco and take no responsibility for any errors in such information or omissions therefrom.

Warning Regarding Forward-looking Statements

Certain statements set forth in this Circular constitute forward-looking statements. Such forward-looking statements can often, but not always, be identified by the use of words such as “can”, “could”, “expect”, “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 Resulting Issuer 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” in Schedule B to this Circular. 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 Circular and the Corporation 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.

SUMMARY

The following is a summary of certain information contained elsewhere in this Circular. This summary is provided for convenience only and should be read in conjunction with and is qualified in its entirety by, the more detailed information and financial statements contained in this Circular, including the Schedules hereto, which are incorporated herein and form a part of this Circular. Unless otherwise stated herein, all capitalized terms herein shall have the meanings set forth in the Glossary. Shareholders are urged to review this Circular in its entirety.

The Meeting

The Meeting will be held on September 29, 2005 at 10:00 a.m. (Eastern Standard Time) at 1250 René-Lévesque Boulevard West, Suite 1400, Montreal, Quebec, H3B 5E9, for the purposes set forth in the Notice of Meeting. The business of the Meeting will be, among other things, to consider and vote upon the RTO and the Amalgamation and to attend to related and other matters. The Board of Directors of the Corporation has fixed the Record Date for the Meeting at the close of business on August 23, 2005. Only holders of Goldsat Shares as of the Record Date are entitled to receive notice of the Meeting. Shareholders at the Record Date will be entitled to vote their shares at the Meeting, unless any such shareholder transfers his shares after the Record Date, in which case the transferee of those shares will be entitled to vote such shares at the Meeting if the transferee establishes that he owns the said shares and demands, no later than ten (10) days before the Meeting, that the transferee's name be included in the list of shareholders entitled to vote at the Meeting.

The RTO

Goldsat has entered into the Acquisition Agreement with Simsen and Belmont which provides for the terms and conditions pursuant to which Goldsat will acquire all of the issued and outstanding Alexis Shares in a transaction that will constitute a RTO under the rules of the TSXV. Upon Closing, Alexis will become a wholly-owned subsidiary of Goldsat. See "Acquisition of Alexis Resources Limited" in the Circular.

The Amalgamation

The shareholders of Goldsat will be asked to approve at the Meeting a special resolution to authorize the Corporation to amalgamate with Canco on the Closing Date to form the Resulting Issuer. Canco is a private holding company the directors of which are Mr. Pierre Geoffrion, Mr. Jean-Charles Potvin and Mr. Hubert Marleau. The consideration for the acquisition of Canco has been determined principally on the basis of Canco's working capital at the time of Amalgamation. Upon the Amalgamation each Goldsat shareholder will receive one common share of the Resulting Issuer per Goldsat Share held and each shareholder of Canco will receive 0.75 common share of the Resulting Issuer per Canco Share held. See "Amalgamation with Canco" in the Circular.

Name of the Resulting Issuer

It is proposed that the name of the Resulting Issuer shall be "GobiMin Inc.".

The Private Placement

The proceeds of the Private Placement will be used to pay a portion of the purchase price payable in cash by Goldsat pursuant to the Acquisition Agreement and for additional working capital. The Private Placement is conditional on the RTO and the Amalgamation and will occur on Closing.

Market for Securities

It is a closing condition of the RTO that the TSXV shall have conditionally approved the listing of the Goldsat Shares to be issued pursuant to the RTO. Listing of the Goldsat Shares on the TSXV will be subject to the Resulting Issuer satisfying the minimum listing requirements of the TSXV. See "Acquisition of Alexis Resources Limited – Acquisition Agreement" in the Circular and "Risk Factors" in Schedule B to this Circular.

Directors of the Resulting Issuer

It is proposed that, subject to the approval of the TSXV, the Board of Directors of the Resulting Issuer consist of the following directors:

- Felipe Tan
- Jean-Charles Potvin
- Hubert Marleau
- Dominic Cheng

See "Directors, Officers, Promoters and Persons Holding More Than 10% of the Issued Equity Shares" in Schedule B to this Circular.

Auditors of the Resulting Issuer

It is proposed that Ernst & Young, LLP, Chartered Accountants be appointed as auditors of the Resulting Issuer.

Timing

If the Meeting is held as scheduled and all resolutions to be considered at the Meeting are approved and the other conditions to the RTO and the Amalgamation becoming effective are waived or satisfied, it is anticipated that the Closing will be on or about September 30, 2005. See "Acquisition of Alexis Resources Limited" in the Circular.

Alexis

Alexis Resources Limited is a British Virgin Island company engaged in the business of mining of base metals in the PRC through its operating subsidiaries, Yakesi and Jubao, two Sino-foreign equity joint venture companies with limited liability incorporated in the PRC.

Alexis is owned by Belmont and Simsen, both British Virgin Island companies. Belmont is a privately held investment company and Simsen is a wholly-owned subsidiary of Simsen

International, a limited liability Bermuda company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Alexis owns 97% of Yakesi and, directly and indirectly through Yakesi, 92.9% of Jubao.

Alexis has been operating since 1999, through Yakesi and Jubao, the Hami Projects.

See "Business of Alexis – Mineral properties" in Schedule A to this Circular.

Summary of Financial Information of Alexis[1]

	Three month period ended March 31, 2005 (unaudited)	Eight month period ended December 31, 2004 (audited)	Year ended April 30, 2004 (audited)	Year ended April 30, 2003 (audited)
Operating revenue	$1,813,200	$9,726,612	$4,637,620	$4,786,476
Cost of sales	$574,101	$3,966,760	$4,296,268	$3,237,973
Other revenue	$3,847	$25,997	$12,993	$29,217
EBITDA	$789,090	$4,884,544	$899,685	$1,000,683
Depreciation & amortisation	$283,993	$671,070	$986,413	$962,259
Profit (Loss) before tax	$499,431	$4,194,133	$(126,981)	$(29,052)
Profit (Loss) for the period / year	$333,566	$3,448,579	$(263,210)	$(104,210)
Current assets	$4,039,732	$5,037,843	$2,095,106	$2,496,923
Current liabilities	$2,668,264	$2,902,767	$2,468,341	$2,426,666
Total assets	$13,843,451	$13,718,364	$11,239,206	$11,647,238
Total liabilities	$6,865,400	$7,079,703	$7,098,563	$13,590,839

[1] This summary of Financial Information is derived from the financial statements of Alexis which were prepared in accordance with Hong Kong GAAP and unaudited statements of Alexis which were prepared in accordance with Canadian GAAP. Shareholders are urged to review these financial statements, which are reproduced in Schedule C to this Circular, in their entirety. Income statement items were converted to Canadian dollars based on the weighted average exchange rate during the period and balance sheet items were converted to Canadian dollars based on the rate at the end of the period.

The Acquisition Agreement

Pursuant to the Acquisition Agreement, Goldsat will acquire a) 100% of the issued and outstanding Alexis Shares for an aggregate purchase price of $15,820,263 and b) the Shareholder Loans totalling $4,179,736 for an aggregate purchase price equal to their face value.

The Belmont Agreement provides that Goldsat will acquire the 50.56% interest of Belmont in Alexis at a price of $8,689,877 and the Belmont Shareholder Loan in the amount of $2,113,122 at a price equal to its face value. The aggregate consideration to Belmont is payable by Goldsat by the issuance of 27,007,500 Goldsat Shares at a deemed price of $0.40, and the 4,500,000 Belmont Warrants.

The Simsen Agreement provides that Goldsat will acquire the 49.44% interest of Simsen in Alexis at a price of $7,130,386 and the Simsen Shareholder Loan in the amount of $2,066,614 at a price equal to its face value. The consideration for the 49.44% interest of Simsen is payable by the issuance of the Simsen Convertible Note in the amount of $3,810,000, the issuance of the Promissory Note in the amount of $2,667,000 and a cash payment of $653,386 at Closing. The consideration payable by Goldsat for the Simsen Shareholder Loan in the amount $2,066,614 is payable in cash at Closing.

The Simsen Convertible Note bears interest at a rate of 2% per annum, is payable on its second anniversary date and is convertible into common shares of the Resulting Issuer during the Conversion Period at a conversion price of $0.40 per share. In addition, the Resulting Issuer will be entitled to force the conversion of the Simsen Convertible Note during the Conversion Period if the daily closing price of the common shares of the Resulting Issuer on the TSXV exceeds $0.50 during ten consecutive trading days or in the event that the Resulting Issuer completes an offering of a minimum of 5,000,000 of common shares at a price of not less than $0.50.

The Promissory Note bears no interest and is payable in cash on the day immediately preceding its first anniversary date. The Promissory Note will be secured by an hypothec on 1,695 Alexis Shares.

Closing under the Acquisition Agreement is subject to a number of conditions, including the obtention of all necessary approvals from the shareholders of Goldsat and the TSXV, completion of the Private Placement and the Amalgamation.

Sponsorship Requirement

The Sponsor has agreed, subject to completion of satisfactory due diligence reviews, to sponsor the Resulting Issuer in connection with the RTO as required by the policies of the TSXV. The Sponsor will conduct a full sponsorship review of the Resulting Issuer and, assuming favourable results of such review, is expected to recommend the Resulting Issuer's approval for listing as a mining issuer on the TSXV. Neither Goldsat nor Alexis is a related party to the Sponsor. See "Sponsorship" in Schedule B to this Circular.

Reverse Take-Over and Regulatory Approvals

The RTO is subject to a number of regulatory considerations and approvals. The Acquisition Agreement provides that such approvals are a condition precedent to the RTO becoming effective. The RTO is an arm's length transaction. Notwithstanding that a transaction may meet the definition of a "reverse take-over", the TSXV may not approve the RTO if the Resulting Issuer fails to meet the minimum listing requirements prescribed by Policy 2.1 of the TSXV upon completion of the RTO or for any other reason at the sole discretion of the TSXV. See "Risk Factors" in Schedule B to the Circular.

Risk Factors

The Resulting Issuer and the securities of the Resulting Issuer should be considered highly speculative investments and the transactions contemplated herein should be considered of a high risk nature. The business of the Resulting Issuer is subject to a number of risk factors, each of which should be considered carefully. Shareholders should carefully consider all the information disclosed in this Circular, including the risk factors outlined under "Risk Factors" in Schedule B to this Circular.

Available Funds

For a description on how the Resulting Issuer will spend the funds available to it upon Closing, see "Available Funds" in Schedule B to this Circular.

PROXY CIRCULAR

Solicitation of Proxies

This Circular is furnished in connection with the solicitation by the management of the Corporation of proxies to be used at the Meeting to be held at the time and place and for the purposes set forth in the accompanying Notice of Annual and Special Meeting and in this Circular. Solicitation of proxies will be primarily by mail, but may also be by telephone or oral communication by the directors and officers of the Corporation, at no additional cost. The cost of the solicitation of proxies will be borne by the Corporation.

The Corporation may also reimburse brokers and other persons holding shares in their own name or in the names of their nominees for their expenses in sending proxies and proxy materials to the beneficial owners, and obtaining their proxies, but solicitations will not be made by employees engaged for that purpose or by soliciting agents.

Appointment and Revocation of Proxies

An instrument appointing a proxy shall be in writing and shall be executed by the shareholder or his attorney duly authorized in writing or, if the shareholder is a corporation, by a duly authorized officer or attorney thereof.

The persons named in the Form of Proxy accompanying the Notice of Meeting are officers and/or directors of the Corporation. A shareholder submitting a Form of Proxy shall have the right to appoint a person, other than the person or persons designated in the Form of Proxy furnished by the Corporation, to represent the shareholder at the Meeting. To exercise this right, the shareholder must either insert the name of the desired representative in the blank space provided in the Form of Proxy and by striking out the names printed on the form or submit another proxy. A person appointed as proxy need not to be a shareholder of the Corporation. A Form of Proxy will not be valid unless it is deposited at the offices of Computershare Trust Company of Canada, Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1, or by facsimiles at 416-263-9524 or 1-866-249-7775, no less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the time of the Meeting, or any adjournment thereof, or unless it is delivered to the Chairman of the Meeting at the Meeting, or any adjournment thereof.

A person giving a proxy has the power to revoke it. In addition to revocation in any other manner permitted by law, an Form of Proxy may be revoked by instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, by an officer or attorney duly authorized, and delivered to the offices of Computershare Trust Company of Canada, Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1, or by facsimiles at 416-263-9524 or 1-866-249-7775, at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof at which such Form of Proxy is to be used, or to the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof, and upon either of such deliveries the Form of Proxy shall be revoked.

Voting by Proxy

Shares represented by a Proxy are to be voted or withheld from voting on any ballot by the Proxy named in the enclosed Form of Proxy in accordance with the instructions of the shareholders. IF NO INSTRUCTIONS ARE INDICATED, THESE SHARES WILL BE VOTED IN FAVOUR OF THE MATTERS REFERRED TO IN THE ACCOMPANYING NOTICE OF MEETING AND DESCRIBED IN THIS CIRCULAR. The enclosed Form of Proxy confers discretionary authority on the persons named therein with respect to matters not specifically mentioned in the Notice of Meeting and which may properly come before the Meeting and on any amendments or variations to matters identified in the Notice of Meeting.

As at the date of this Circular, management of the Corporation knows of no amendments, variations or other matters to come before the Meeting, other than those matters referred to in the Notice of Meeting.

Non-registered holders

Only registered holders of Common Shares of the Corporation, or the persons they appoint as their proxies, are permitted to attend and vote at the Meeting. However, in many cases, Common Shares of the Corporation beneficially owned by a holder (a **"Non-Registered Holder**") are registered either:

(A) in the name of an intermediary (an **"Intermediary"**) that the Non-Registered Holder deals with in respect of the shares, such as, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered registered retirement savings plans, registered retirement income funds and registered educational savings plans and similar plans; or

(B) in the name of a clearing agency (such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant.

In accordance with the requirements of National Instrument 54-101 of the Canadian Securities Administrators, the Corporation has distributed copies of the Notice of Meeting, this Circular, the Form of Proxy and the Corporation's 2004 Annual Report (which includes management's discussion and analysis) (collectively, the **"Meeting Materials"**) to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Very often, Intermediaries will use service companies to forward the Meeting Materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive Meeting Materials will either:

(A) be given a proxy which has already been signed by the Intermediary (typically by facsimile, stamped signature) which is restricted as to the number of shares beneficially owned by the Non-Registered Holder but which is otherwise uncompleted. This form of proxy need not be signed by the Non-Registered Holder. In this case, the Non-Registered Holder who wishes

to submit a proxy should otherwise properly complete the Form of Proxy and deposit it with Computershare Trust Company of Canada as described above; or

(B) more typically, be given a voting instruction form that must be completed and signed by the Non-Registered Holder in accordance with the directions on the voting instruction form (which may in some cases permit the completion of the voting form by telephone).

The purpose of these procedures is to permit Non-Registered Holders to direct the voting of the shares they beneficially own. Should a Non-Registered Holder who receives either a form of proxy, a proxy or a voting instruction form wish to attend and vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should strike out the names of the persons named in the proxy and insert the Non-Registered Holder's (or such other corresponding directions on the form.) **In either case, Non-Registered Holders should carefully follow the instructions of their Intermediaries, including those regarding when and where the proxy or the proxy authorization form is to be delivered, and their service companies.**

Interest of Certain Persons in Matters to be Acted Upon

Other than as specifically disclosed in this Circular, no director or senior officer, present or nominated hereunder or any person who has held such position since the beginning of the last completed financial year of the corporation, or any associate or affiliate of such persons, has any material interest, direct or indirect, in any matter to be acted upon at the Meeting, except that such persons may be directly involved in the normal business of the Meeting

Voting of Common Shares and Principal Holders

As of the date hereof, there are 1,651,541 Common Shares of the Corporation issued and outstanding, each of which is entitled to one vote at the Meeting. Only shareholders registered at the close of business on the Record Date are entitled to receive notice of and to vote at the Meeting unless after that date a shareholder of record transfers his shares and the transferee, upon producing properly endorsed certificates evidencing such shares or otherwise establishing that he owns the shares, requests no later than ten days before the Meeting that the transferee's name be included on the list of shareholders entitled to vote, in which case such transferee is entitled to vote such shares at the Meeting.

The following table lists those persons who own or are known to the Corporation to own beneficially, directly or indirectly, or exercise control or direction over voting securities carrying more than 10% of the voting rights attached to all outstanding voting securities of the Corporation, as at the date hereof:

Name and Municipality of Residence	Number of Common Shares	Percentage of Common Shares
Richard De Vries Calgary, Alberta	239,450	15.15%

Particulars of matters to be acted upon

1. 2004 ANNUAL REPORT OF THE CORPORATION

A copy of the Annual Report of the Corporation containing the financial statements of the Corporation for the year ended December 31, 2004, and the report of the auditors thereon has been disseminated to shareholders in accordance with applicable laws. No vote by the shareholders with respect to the Annual Report is required or proposed to be taken.

2. ACQUISITION OF ALEXIS RESOURCES LIMITED

General

On February 11, 2005, Goldsat announced that it had signed the Acquisition Agreement with Simsen and Belmont pursuant to which Goldsat will acquire all of the issued and outstanding shares of Alexis in a transaction that will constitute RTO under the rules of the TSXV. All the terms and conditions, covenants, warranties and representations between the parties relating to the transaction are reflected in the Acquisition Agreement, a copy of which can be obtained without charge by shareholders upon written request to the Secretary of the Corporation at 300, 1324-17th Avenue South West, Calgary, Alberta, T2T 5S8.

It is contemplated that if Goldsat is successful in acquiring all of the issued and outstanding shares of Alexis, the Goldsat Shares to be issued to the Alexis shareholders will represent approximately 69% of Goldsat's issued and outstanding share capital, on a non-diluted basis, taking into account the issuance of 4,000,000 Goldsat Shares as part of the Private Placement, the Amalgamation and the other transactions described in this Circular.

Desjardins Securities Inc., subject to completion of satisfactory due diligence, has agreed to act as sponsor of Goldsat in connection with the RTO in accordance with the rules of the TSXV. See "Sponsorship" in Schedule B to the Circular.

Acquisition Agreement

The general description of the Acquisition Agreement which follows is qualified by its entirety by reference to the full text of the Acquisition Agreement, a copy of which is available for review by shareholders at Goldsat office at 300, 1324-17th Avenue South West, Calgary, Alberta, T2T 5S8 during normal business hours prior to the Meeting.

Pursuant to the Acquisition Agreement, Goldsat will acquire a) 100% of the issued and outstanding shares of Alexis for an aggregate purchase price of $15,820,263 and b) the Shareholder Loans totalling $4,179,736 for an aggregate purchase price equal to their face value.

The Belmont Agreement provides that Goldsat will acquire the 50.56% interest of Belmont in Alexis at a price of $8,689,877 and the Belmont Shareholder Loan in the amount of $2,113,122 at a price equal to its face value. The aggregate consideration to Belmont is payable by Goldsat by the issuance of 27,007,500 Goldsat Shares and 4,500,000 Belmont Warrants, each Belmont Warrant entitling the holder to purchase one common share of Goldsat at the price of $0.50 for a period of eighteen months from the Closing Date (subject to certain extension depending on the applicable escrow provisions and/or hold period in relation to such warrants).

The Simsen Agreement provides that Goldsat will acquire the 49.44% interest of Simsen in Alexis at a price of $7,130,386 and the Simsen Shareholder Loan in the amount of $2,066,614 at a price equal to its face value. The consideration for the 49.44% interest of Simsen is payable by the issuance of the Simsen Convertible Note in the amount of $3,810,000, the issuance of the Promissory Note in the amount of $2,667,000 and a cash payment of $653,386 at Closing. The consideration payable by Goldsat for the Simsen Shareholder Loan in the amount $2,066,614 is payable in cash at Closing.

The Simsen Convertible Note bears interest at a rate of 2% per annum, is payable on its second anniversary date and is convertible into Goldsat Shares at the discretion of the holder during the Conversion Period at a conversion price of $0.40 per share. In addition, Goldsat may force the conversion of the Simsen Convertible Note during the Conversion Period if the daily closing price of the Goldsat Shares on the TSXV exceeds $0.50 during ten consecutive trading days or in the event that Goldsat completes an offering of a minimum of 5,000,000 of Goldsat Shares at a price of not less than $0.50. The Promissory Note bears no interest and is payable in cash on the day immediately preceding its first anniversary date. The Promissory Note will be secured by an hypothec on 1,695 Alexis Shares.

Closing under the Acquisition Agreement is subject to a number of conditions, including the obtention of all necessary approvals from the shareholders of Goldsat and the TSXV, completion of the Private Placement and the Amalgamation and the Closing of the transactions contemplated by the Acquisition Agreement on or before September 30, 2005. Given that the Acquisition Agreement and the Closing is subject to the TSXV approval, it is also subject to the satisfactory completion of a due diligence review by the Sponsor. The Sponsor has agreed to act as sponsor for Goldsat in connection with a due diligence review of Alexis and Canco. Goldsat has not carried out its own due diligence review on Alexis and Canco but has reviewed the Sponsor's report. The Acquisition Agreement also contains certain customary representations and warranties, covenants and indemnification provisions for a transaction of the nature of the RTO. If the Meeting is held as scheduled and all resolutions to be considered at the Meeting are approved and the other conditions to the RTO becoming effective are satisfied, it is anticipated that the Closing will be on or about September 28, 2005.

About Alexis

Alexis is a British Virgin Island company incorporated on August 18, 1998. Alexis is engaged in the business of mining of base metals in the PRC through its operating subsidiaries, Yakesi and Jubao. Alexis owns 97% of Yakesi and, directly and indirectly through Yakesi, 92.9% of Jubao.

Alexis has been operating the Hami Projects since 1999 through Yakesi and Jubao.

Detailed information on Alexis and its mineral properties is included in Schedule A to this Circular. See "Business of Alexis - Mineral properties".

Financial and Other Information

Based solely on information provided by Alexis and not independently verified, Alexis has produced concentrate with nickel contents of 558 tonnes for the year ended April 30, 2004 and concentrate with nickel contents of 870 tonnes for the eight month period ended December 31, 2004, at average price per tonne of nickel concentrate of HK$46,000 and HK$65,000 per tonne, respectively.

Summary of Financial Information of Alexis[1]

	Three month period ended March 31, 2005 (unaudited)	Eight month period ended December 31, 2004 (audited)	Year ended April 30, 2004 (audited)	Year ended April 30, 2003 (audited)
Operating revenue	$1,813,200	$9,726,612	$4,637,620	$4,786,476
Cost of sales	$574,101	$3,966,760	$4,296,268	$3,237,973
Other revenue	$3,847	$25,997	$12,993	$29,217
EBITDA	$789,090	$4,884,544	$899,685	$1,000,683
Depreciation & amortisation	$283,993	$671,070	$986,413	$962,259
Profit (Loss) before tax	$499,431	$4,194,133	$(126,981)	$(29,052)
Profit (Loss) for the period / year	$333,566	$3,448,579	$(263,210)	$(104,210)
Current assets	$4,039,732	$5,037,843	$2,095,106	$2,496,923
Current liabilities	$2,668,264	$2,902,767	$2,468,341	$2,426,666
Total assets	$13,843,451	$13,718,364	$11,239,206	$11,647,238
Total liabilities	$6,865,400	$7,079,703	$7,098,563	$13,590,839

[1] This summary of Financial Information is derived from the financial statements of Alexis which were prepared in accordance with Hong Kong GAAP and unaudited statements of Alexis which were prepared in accordance with Canadian GAAP. Shareholders are urged to review these financial statements, which are reproduced in Schedule C to this Circular, in their entirety. Income statement items were converted to Canadian dollars based on the weighted average exchange rate during the period and balance sheet items were converted to Canadian dollars based on the rate at the end of the period.

The consolidated audited financial statements of Alexis for its eight month period ended December 31, 2004 and fiscal years ended April 30, 2004 and April 30, 2003 are enclosed as Schedule C to this Circular, together with its unaudited financial statements for the three month period ended March 31, 2005 and a pro forma balance sheet of the Resulting Issuer.

Other Material Information

The proposed RTO has been negotiated entirely at arm's length and the directors and officers of Goldsat have no interest in Alexis.

Goldsat has entered into an agreement with 3AT Inc. in connection with services rendered by 3AT Inc. in connection with the proposed acquisition of Alexis. In consideration for the services of 3AT Inc., Goldsat has agreed, subject to all required approvals, to issue 2,550,000 Goldsat Shares to 3AT Inc. at the closing of the RTO. 3AT Inc. and its principals reside in the Province of Quebec and are at arm's length to Goldsat, Alexis and Canco.

The completion of the RTO is subject to the approval of TSXV and all other necessary regulatory approvals. The completion of the RTO is also subject to additional conditions precedent, including shareholder approval of Goldsat, satisfactory completion of due diligence review by the Sponsor and Alexis and certain other conditions. See "Acquisition Agreement" above.

Shareholders' Approval

Under the rules of the TSXV, the RTO must be ratified by a majority of the votes expressed by the shareholders of the Corporation.

The Corporation is asking its shareholders to adopt the following resolution:

> *" THAT the transactions pursuant to which Goldsat will acquire all of the issued and outstanding shares of Alexis and certain shareholders loans for an aggregate purchase price of $20,000,000 as more fully described in the Corporation's management information circular dated August 29, 2005 be adopted."*

Subject to fulfilment of Closing conditions, including the successful completion of due diligence reviews by the Sponsor on Alexis, the Board of Directors of the Corporation recommends that the shareholders vote in favour of the resolution approving the acquisition of Alexis. In arriving at its conclusion, the Board of directors considered, among others matters (i) the lack of opportunities to generate value for the Goldsat Shareholders other than through the ownership of Alexis; (ii) the procedures by which the RTO will be approved, including the approval required from Goldsat Shareholders at the Meeting and the sponsorship review by the Sponsor; and (iii) that the Goldsat shareholders will continue to own immediately after the completion of the RTO an equity interest in the Resulting Issuer thought their continuing ownership of the common shares of the Resulting Issuer. However, there can be no assurance that benefits will be obtained by Goldsat completing the transactions contemplated by the Acquisition Agreement. **Unless otherwise specifically instructed, the persons named in the enclosed form of proxy intend to vote at the Meeting FOR the adoption of the proposed resolution approving the acquisition of the Alexis Shares**.

3. AMALGAMATION WITH CANCO

The shareholders will be asked to approve at the Meeting a special resolution proposed by the Board of Directors of the Corporation to authorize the Corporation to amalgamate with Canco. The Amalgamation resolution must be approved by the affirmative vote of not less than two thirds of the votes cast in respect thereof by Goldsat shareholders at the Meeting.

General

Canco is a private holding company incorporated under the CBCA on March 22, 2004. The head office of Canco is currently located at suite 2300, 200 King Street West, Toronto, Ontario, M5H 3W5. Canco has never carried on a business and has no material liabilities. Its only assets are cash and short term investments of approximately $1,400,000.

Capital structure of Canco

The authorized capital stock of Canco is comprised of an unlimited number of common shares of which only 5,000,000 common shares are issued and outstanding, which have been issued for a total consideration of $1,500,000. The holders of Canco Shares are entitled to one vote for each common share held and are entitled to receive dividends and to participate rateably in the distribution of assets on winding up or liquidation of Canco.

Canco has completed a private placement on February 25, 2005 with a total of 22 investors pursuant to which a total of five million units were issued at a price of $0.30 per unit. Each unit was comprised of one Canco Share and one warrant entitling the holder to acquire an additional Canco Share at a price of $0.40 for a period of 18 months.

Shareholders

The following table lists those persons who own or are known to own beneficially, directly or indirectly, or exercise control or direction over voting securities carrying more than 10% of the voting rights attached to all outstanding voting securities of Canco, as at the date hereof:

Name and Municipality of Residence	Number of Canco Shares	Percentage of Canco Shares
Thi Thu Thuy Nguyen Cote St-Luc, Quebec	650,000	13%

Directors and officers

The directors of Canco are Mr. Jean-Charles Potvin, Mr. Hubert Marleau and Mr. Pierre Geoffrion.

Mr. Geoffrion is Senior Vice-President of Groupe conseil Aon/Aon Consulting. Prior to 2002 he was with Towers Perrin and prior thereto, he was from 1999, First vice-president, Eastern Area for Gestion Privée Montrusco.

Mr. Potvin has been since 1994 president of Tiomin Resources Inc. which is actively involved in a titanium deposit in Kenya. He is also a director of Gold Reserve Corporation, a public natural resource company with holdings in Venezuela, of Exploration Azimut Inc., of Cardiff Capital Limited, a fund manager, and of Polaris Geothermal Inc.

Mr. Marleau is Founder, and has been President and Managing Partner of Palos Capital Corporation since 1998. With over 40 years of experience in the business and financial community, Mr. Marleau has structured many mergers and acquisitions as well as designed and created numerous financial transactions in Canada.

More detailed information concerning Messrs. Marleau and Potvin can be found in Schedule B to this Circular. See "Directors, Officers, Promoters and Persons Holding More Than 10% of the Issued Equity Shares".

The proposed articles of Amalgamation provide that on the Amalgamation the directors of the Resulting Issuer will be Mr. Felipe Tan, Mr. Jean-Charles Potvin, Mr. Hubert Marleau and Mr. Dominic Cheng. It is anticipated that Mr. Felipe Tan will be appointed Chief Executive Officer of the Resulting Issuer and that Mr. Michael Choy will be appointed Chief Financial Officer of the Resulting Issuer. See "Directors, Officers, Promoters and Persons Holding More Than 10% of the Issued Equity Shares" in Schedule B to this Circular.

Remuneration of directors and officers

Since its inception, Canco has never paid any form of compensation to its directors and officers or their affiliated entities. Canco has no long- term incentive plan, no formal option plan and no defined benefit or actuarial plans. There are no employment contracts between Canco and its officers. Canco has not acquired assets or services from an insider, promoter or member of management and their respective associates or affiliates.

None of the directors, officers, promoters and members of management of Canco nor their respective associates or affiliates, is or has been indebted to Canco.

Other Material Information concerning Canco

There are no outstanding or, to the knowledge of management of Goldsat and Canco, contemplated legal proceedings against Canco.

Raymond Chabot Grant Thornton LLP are the auditors of Canco.

There are no other material facts in respect of Canco's affairs that are not disclosed elsewhere in this Circular.

The audited financial statements of Canco for its financial year ended March 31, 2005 are enclosed in Schedule C to this Circular.

The Amalgamation

The consideration for the acquisition of Canco has been determined principally on the basis of Canco's working capital at the time of Amalgamation. Upon the Amalgamation, each Goldsat shareholder will receive one common share of the Resulting Issuer per Goldsat Share held and each shareholder of Canco will receive 0.75 common share of the Resulting Issuer per Canco Share held.

Canco has no options, warrants or other rights to purchase securities outstanding, with the exception of warrants to acquire a total of 5,000,000 Canco Shares at a price of $0.40 for 18 months which, on the Amalgamation, will be exchanged for the Canco Warrants. Goldsat does not have any options, warrants or other rights to purchase securities outstanding, with the exception of (i) warrants to acquire a total of 341,960 Goldsat Shares at a price of $0.60 until July 21, 2006 which, on the Amalgamation, will be exchanged for the Goldsat Warrants and (ii) options to acquire a total of 28,811 Goldsat Shares which are held by its current directors and which, on the Amalgamation, will be exchanged for the Goldsat Options.

In order to become effective, the Amalgamation must be approved by the shareholders by way of a special resolution. Such a resolution requires the approval of two thirds of the votes cast by the holders of common shares of the Corporation.

In order for the Amalgamation to be effected, the Goldsat shareholders will be ask and, if deemed advisable, to approve the following special resolution:

"RESOLVED AS A SPECIAL RESOLUTION THAT:

> "1. The amalgamation (the "Amalgamation") under section 181 of the *Canada Business Corporations Act* (the "CBCA") involving Goldsat Mining Inc. ("Goldsat") and 4209931 Canada Inc. ("Canco") pursuant to which Goldsat will amalgamate with Canco, as more particularly described and set forth in the management information circular (the "Circular") of Goldsat dated August 29 2005, (as the Amalgamation may be or may have been modified or amended) is hereby authorized, approved and adopted.
>
> 2. The amalgamation agreement in respect of the Amalgamation (the "Amalgamation Agreement"), the full text of which is included as Schedule E to the Circular (as the Amalgamation Agreement may be or may have been modified or amended) is hereby authorized, approved and adopted.
>
> 3. Any director or officer of the Corporation be and is hereby authorized, empowered and directed, for and on behalf of the Corporation, to do all acts and things and to execute and deliver all such documents or instruments which shall in their opinion be necessary or desirable to give effect to this special resolution; and
>
> 4. The directors of the Corporation be and are hereby authorized to revoke this special resolution and not to proceed with the matters referred to herein without further approval of the shareholders at any time prior to the special resolution being acted upon."

The Board of Directors of the Corporation recommends that the shareholders adopt the special resolution approving the Amalgamation. In the opinion of the Board, Canco will bring expertise to the Resulting Issuer as well as funding.

Unless otherwise specifically instructed, the persons named in the enclosed form of proxy intend to vote at the Meeting FOR the resolution approving the Amalgamation. Even if the resolution is approved, the Board of Directors of the Corporation retains the power to revoke it at all times without any further approval by the shareholders. The Board of Directors will only exercise

such power in the event that it is, in its opinion, in the best interest of the Corporation, notably in the event that the RTO is not completed.

Dissenting Shareholders' Rights

Registered Goldsat shareholders are entitled to dissent from the Amalgamation resolution in the manner provided by section 190 of the CBCA. Any such shareholder is entitled to be paid the fair value of all, but not less than all, of the Goldsat Shares held by such shareholder in accordance with section 190 of the CBCA if the shareholder sends to the Corporation a written objection to the Amalgamation resolution and the Amalgamation becomes effective. A registered Goldsat shareholder is not entitled to dissent with respect to the Amalgamation if he votes any of the Goldsat Shares held by him in favour of the Amalgamation resolution authorizing the Amalgamation. The execution or exercise of a proxy does not constitute a written objection for purposes of the CBCA.

The following summary does not purport to provide comprehensive statements of the procedures to be followed by a dissenting shareholder under the CBCA. However, the CBCA requires strict adherence to the procedures established therein (the "**Dissent Procedures**") and failure to do so may result in the loss of all dissenter's rights. **Accordingly, each registered Goldsat shareholder who might desire to exercise dissenter's rights should carefully consider and comply with the provisions of those sections and consult his legal adviser.**

A dissenting shareholder who seeks payment of the fair value of his or her Goldsat Shares is required to send a written objection to Goldsat at or prior to the Meeting. The address is 300, 1324-17th Avenue South West, Calgary, Alberta, T2T 5S8. A vote against the Amalgamation resolution or withholding votes does not constitute a written objection. Within 10 days after the Amalgamation resolution is approved by shareholders, Goldsat must notify the dissenting shareholder who is then required, within 20 days after receipt of such notice (or, if he does not receive such notice, within 20 days after he learns of the approval of the Amalgamation resolution), to send to Goldsat a written notice containing his name and address, the number of shares in respect of which he dissents and a demand for payment of the fair value of such shares and, within 30 days after sending such written notice, to send to Goldsat the appropriate share certificate or certificates. If the Amalgamation approved by the Amalgamation resolution becomes effective, Goldsat is required to determine the fair value of the shares and to make a written offer to pay such amount to the dissenting shareholder. If such offer is not made or not accepted within 50 days after the Amalgamation approved by the Amalgamation resolution becomes effective, Goldsat may apply to the court to fix the fair value of such shares. There is no obligation on Goldsat to apply to the court. If Goldsat fails to make such an application, a dissenting shareholder will be entitled to be paid the amount fixed by the court.

4. REDUCTION OF THE CORPORATION'S CAPITAL ACCOUNT

The shareholders will be asked to adopt a special resolution proposed by the Board of Directors of the Corporation authorizing the Corporation to reduce its stated capital account for the Goldsat Shares by an amount of $2,773,170 and to reduce its contributed surplus account by $182,418, without any repayment of capital or refund to the shareholders.

At the close of business on December 31, 2004, the accumulated deficit of the Corporation amounted to $3,375,168, the stated capital account for the Goldsat Shares was $2,773,170 and the contributed surplus account was $182,418. The Corporation proposes that the amount of the stated capital account for the Goldsat Shares be reduced by an amount of $2,773,170 and its contributed surplus account be reduced by $182,418. Such steps are taken in order to simplify the balance sheet of the Resulting Issuer as part of the RTO.

The Board of Directors of the Corporation recommends that the shareholders adopt the special resolution approving the reduction in the stated capital account of the Goldsat Shares. **Unless otherwise specifically instructed, the persons named in the enclosed form of proxy intend to vote at the Meeting FOR the approval of the proposed resolution.**

In order to be approved, such resolution requires a majority of at least two thirds of the votes expressed at the Meeting. Even if the special resolution is approved, the Board of Directors retains the power to revoke it at all times, without any further approval by the shareholders. The Board of Directors will only exercise such power in the event it is in the best interest of the Corporation, notably if the RTO is not completed. The text of the special resolution which the shareholders are asked to approve is as follows:

> " 1. That Goldsat Mining Inc. (the "Corporation") be authorized to reduce the stated capital account maintained for its common shares by an amount of $2,773,170, without any repayment of capital or refund to the shareholders and to eliminate its contributed surplus account of $182,418 so as to reduce its accumulated deficit.
>
> 2 That any director or officer of the Corporation be authorized to take any action and to sign, deliver and file any document which, in his opinion, is necessary or useful to give effect and implement this special resolution.
>
> 3. That even if this special resolution has been duly approved by the shareholders of the Corporation, the directors of the Corporation be and are authorized and have the power to revoke this special resolution at all times and to decide not to exercise such power, without any further approval by the shareholders of the Corporation."

5. CREATION OF A NEW STOCK OPTION PLAN

At a Board of Directors meeting held on May 26, 2005, the Corporation adopted a resolution cancelling all of its outstanding stock option plans and creating a new plan entitled the 2005 Stock Option Plan (the "Option Plan"). Subject to regulatory approvals, a number of 4,900,000 Common Shares were reserved for issuance pursuant to the exercise of options to be granted under the Option Plan. These shares represent less than 10% of the aggregate of the common shares of the Resulting Issuer to be reserved for issuance pursuant to the transactions described in this Circular.

The Option Plan will be for the benefit of the employees, officers and directors and certain consultants of the Resulting Issuer and its subsidiaries. The Option Plan will be administered by the Board of Directors of the Resulting Issuer. The Board of Directors may from time to time designate individuals to whom options may be granted and the number of shares to be optioned to each. The option price per share which is the subject of any option shall be fixed by the Board of Directors

when such option is granted. The option price cannot involve a discount to the market price at the time the option is granted. The period during which an option is exercisable shall not exceed five years from the date the option is granted. The options may not be assigned, transferred or pledged. Subject to any grace period allowed under the policies of the TSXV, the options will expire upon the termination of the employment or office with the Resulting Issuer or any of its subsidiaries or death of an individual. The total number of shares to be optioned to any one individual cannot exceed five percent of the total of the issued and outstanding shares.

In accordance with the rules of the TSXV, the Option Plan must be approved by a majority of the votes cast at the Meeting, other than votes attaching to Goldsat Shares beneficially owned by insiders to whom common shares may be issued pursuant to the Option Plan and their associates (representing to management's knowledge 180,031 Goldsat Shares).

Accordingly, the Corporation is asking its disinterested shareholders to adopt the following resolution:

> "THAT the adoption by the Corporation of the 2005 Stock Option Plan be ratified and approved."

The Board of Directors recommends that the shareholders vote in favour of the adoption of the creation of the Option Plan. **Unless otherwise specifically instructed, the persons named in the enclosed form of proxy intend to vote at the Meeting FOR the adoption of the proposed resolution approving, ratifying and confirming the creation of the Option Plan**.

6. ELECTION OF THE DIRECTORS

The Corporation is managed by a Board of Directors composed of five directors. The directors propose that the number of directors remain at five. **The persons designated in the enclosed form of proxy intend to vote FOR the election, as directors of the Corporation, of the five nominees whose names are set forth below, who are members of the Board of Directors since the dates indicated herein.** Management does not contemplate that any nominee will be unable or unwilling to serve as a director, but if that should occur for any reason prior to the Meeting, the persons designated in the enclosed form of proxy reserve the right to vote for another nominee in their discretion, unless otherwise instructed in the proxy. Each director will remain in office until the next annual meeting of the shareholders, unless his office is earlier vacated in accordance with the by-laws of the Corporation. All nominees have been proposed by management of the Corporation and have been elected at a prior annual shareholders meeting for which the proxy circular comprised a description of the principal occupation of the directors.

Name and Office	Principal Occupation	Director Since	No. of Shares
A. Lewis Moran[(1)] Quebec, Canada Director, Chief Financial Officer	Mr. Moran is the chief financial officer of the Corporation. From 1994 to 2001, Mr. Moran has been a self-employed business consultant. Mr. Moran is also President of M.Z. Consultants Incorporated, a private company currently engaged in a construction development project at Mt.	1996	Nil

Name and Office	Principal Occupation	Director Since	No. of Shares
	Tremblant, Quebec.		
Vincent J. Thomson Quebec, Canada Director, President	Dr. Thomson is a professor at McGill University (Montréal) where he holds the Werner Graupe Chair for Manufacturing Automation. He is the founder and director of the Master in Manufacturing Management program, whose aim is to train leaders and is sponsored by many large international manufacturers. Before taking the post at McGill University, Dr. Thomson held various positions at the National Research Council (Ottawa) with the last being the Director of Research for the Institute of Advanced Manufacturing Technology. Besides being involved in many technology development projects in Canada and internationally in manufacturing and information technology, he has worked in projects in mining and remote sensing.	2001	Nil
Darryl Vinet(1) Alberta, Canada Director	Mr. Vinet is a business man and the owner and operator of Value Drug Mart in Alberta since 1998.	2002	Nil
Gabor I. Zinner(1) Alberta, Canada Director	Mr. Zinner has been a member of the Law Society of Alberta and the founder of the law association of Zinner & Sara of Calgary. He completed his legal studies at McGill University and has been continuously engaged in the practice of law since 1978 during which time he has advised numerous corporate clients and has served on the board of directors of various corporations.	2004	10,031
Marc Bardoux, Quebec, Canada Director	Mr. Bardoux is the founder and President of Rheos Consulting Inc. His expertise with major and junior companies has taken him across North America, South America and Africa. Mr. Bardoux is an Associate Professor at the Department of Earth and Atmospheric Sciences at l'Université du Québec à Montréal.	2002	Nil

Notes: (1) Member of Audit Committee.

All directors and officers of Goldsat are expected to resign at the closing of the RTO. Subject to approval of the TSXV, the directors of the Resulting Issuer will be Messrs. Felipe Tan, Jean Charles Potvin, Hubert Marleau and Dominic Cheng. See "Directors, Officers, Promoters and Persons Holding More Than 10% of the Issued Equity Shares" in Schedule B to this Circular.

Statement of Executive Compensation

The following table sets forth the compensation information for the Chief Executive Officer and the Chief Financial Officer (collectively, the **"Named Executive Officers"**) for services rendered in all capacities during the fiscal years ended December 31, 2004, 2003 and 2002. No other officer of the Corporation has received compensation in excess of $150,000 for any of these fiscal years.

Such information includes the following: the salary earned, the bonus earned, any other compensation, including the specific benefits and other personal benefits, the options granted under the share option plan of the Corporation and any other compensation which is not disclosed elsewhere.

	Annual Compensation				Long-Term Compensation			
					Awards		Payout	
Name and Principal Position	**Year Ended December 31**	**Salary Earned During Fiscal Year $**	**Bonus Earned During Fiscal Year $**	**Other Annual Compen-sation $**	**Securities under Options Granted #**	**Restricted Shares Awarded $**	**LTIP Payouts $**	**All Other Compensation $**
Vincent J. Thomson President	2004	-	-	-	-	-	-	-
	2003	-	-	-	-	-	-	-
	2002	-	-	-	10,000[1]	-	-	-
A. Lewis Moran Chief Financial Officer	2004	-	-	-	-	-	-	-
	2003	-	-	-	-	-	-	-
	2002	-	-	-	40,000[1]	-	-	-

[1] Adjusted to take the Consolidation into account.

Options Granted during the Most Recent Fiscal Year

No option to acquire common shares of the Corporation were granted to the Named Executive Officers for the financial year ended December 31, 2004.

Options/SAR Exercised During the Most Recently Completed Fiscal Year and Year-End Value

The following table sets forth for the number of common shares acquired, if any, pursuant to options exercised during the financial year ended December 31, 2004 and the total value realized at the time of exercise. The table also indicates the total number of common shares under unexercised options, if any, held on December 31, 2004 by each named Executive Officer and the value of the unexercised options.

The value of such unexercised options is the difference between the exercise price and the market value of the pre-Consolidation shares on December 31, 2004 which was $0.05. This value has not been realized and may never be because these options have not been exercised and may never be. The value realized, if any, at the time of exercise will depend on the market price of the shares of the Corporation on the exercise date. There is no guarantee that these values will be realized.

Aggregated Option/SAR Exercises During the Most Recently Completed Fiscal Year and Year-End Option/SAR Values

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized	Unexercised Options/SARs at FY-End (#) Exercisable/ Unexercisable[1]	Value of Unexercised in the-Money Options /SARs at FY-End ($) Exercisable/ Unexercisable
Vincent J. Thomson	Nil	Nil	10,000/Nil	Nil/Nil
A. Lewis Moran	Nil	Nil	70,000/Nil	Nil/Nil

[1] Adjusted to take the Consolidation into account.

Compensation of Directors

Other than being reimbursed by the Corporation for their expenses, no cash compensation was paid to the directors of the Corporation for services rendered in their capacities as directors during the last completed fiscal year. The Corporation does not currently have a policy providing for the remuneration of directors, other than participation in the Option Plan.

During the financial year ended December 31, 2004, no options were granted by the Corporation to directors.

Finally, the Corporation presently has a consulting services agreement with A. Lewis Moran, a director and the Chief Financial Officer of the Corporation. Pursuant to this consulting contract, Mr. Moran is remunerated for periodic management consulting services. The agreement is of indefinite term and contains no penalty provisions upon termination. During the financial year ended December 31, 2003, Mr. Moran received $24,000 for management consulting services and $24,000 for the financial year ended December 31, 2004. See “Issuance of Goldsat Shares for Settlement of Debts”.

Other Compensation Matters

There were no incentive awards made to the directors of the Corporation during the fiscal year ended December 31, 2004. There are no pension plan benefits in place for the directors of the Corporation.

Employment Contract

There is presently no employment contract between the Corporation and any of its officers and there is no compensatory plan or arrangement that results or will result from the resignation, retirement or any other termination of office of a director with the Corporation, from a change of control of the Corporation or a change in the director’s responsibilities following a change of control.

Compensation Committee

The Board of Directors acted as the Corporation's Compensation Committee during the year ended December 31, 2004.

Loans to Directors

No director or nominee for the position of director or a person associated with such director or nominee is indebted to the Corporation.

Directors' and Officers' Liability Insurance

The Corporation does not maintain any liability insurance for its directors and officers acting in their respective capacities.

Audit Committee and Relationship with Auditor

Multilateral Instrument 52-110 of the Canadian Securities Administrators ("MI 52-110") requires the Corporation, as a venture issuer, to disclose annually in its Circular certain information concerning the constitution of its audit committee and its relationship with its external auditor as set forth below.

The Corporation's audit committee is governed by an audit committee charter, the text of which is attached as Schedule D to this Circular.

The Corporation's audit committee is comprised of three directors, A. Lewis Moran, Darryl Vinet and Gabor I. Zinner. As defined in MI 52-110, A. Lewis Moran is not "independent" and Darryl Vinet and Gabor I. Zinner are "independent". Also as defined in MI 52-110, all of the audit committee members are "financially literate".

Since the commencement of the Corporation's most recently completed financial year, the Corporation's Board of Directors has not failed to adopt a recommendation of the audit committee to nominate or compensate an external auditor.

Since the effective date of MI 52-110, the Corporation has not relied on the exemptions contained in sections 2.4 or 8 of MI 52-110. Section 2.4 provides an exemption from the requirement that the audit committee must pre-approve all non-audit services to be provided by the auditor, where the total amount of fees related to the non-audit services are not expected to exceed 5% of the total fees payable to the auditor in the fiscal year in which the non-audit services were provided. Section 8 permits a company to apply to a securities regulatory authority for an exemption from the requirements of MI 52-110, in whole or in part.

The audit committee has not adopted specific policies and procedures for the engagement of non-audit services. Subject to the requirements of MI 52-110, the engagement of non-audit services is considered by the Corporation's Board of Directors, and where applicable the audit committee, on a case-by-case basis.

In the following table, “audit fees” are fees billed by the Corporation’s external auditor for services provided in auditing the Corporation’s annual financial statements for the fiscal year ended December 31, 2003 and December 31, 2004. “Audit-related fees” are fees not included in audit fees that are billed by the auditor for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation’s financial statements. “Tax fees” are fees billed by the auditor for professional services rendered for tax compliance, tax advice and tax planning.

The fees paid by the Corporation to its auditors in each of the last two fiscal years, by category, are as follows:

Financial Year Ending	Audit Fees	Audit Related Fees	Tax Fees
December 31, 2004	$11,250	$3,250	$1,000
December 31, 2003	$10,400	$2,100	$2,500

The Corporation is relying on the exemption provided by section 6.1 of MI 52-110 which provides that the Corporation, as a venture issuer, is not required to comply with Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of MI 52-110.

7. APPOINTMENT AND REMUNERATION OF AUDITORS

The shareholders are asked to appoint Ernst & Young LLP, Chartered Accountants, as auditors of the Corporation and the Resulting Issuer for the financial year ending December 31, 2005.

The Board of Directors of the Corporation recommends that the shareholders vote in favour of the appointment of Ernst & Young as auditors of the Resulting Issuer. Unless otherwise specifically instructed, **the persons designated in the enclosed form of proxy intend to vote FOR the appointment of Ernst & Young, LLP, as auditors of the Resulting Issuer for the financial year ending December 31, 2005 and for the authorization to the Directors to fix the auditors’ remuneration.**

Auditor Independence

The auditors of the Corporation may provide tax, financial advisory, and other non-audit services to the Corporation and its subsidiaries from time to time. See “Audit Committee and Relationship with Auditors”.

8. ISSUANCE OF GOLDSAT SHARES FOR THE SETTLEMENT OF DEBTS

By resolution dated May 26, 2005, the Board of Directors of Goldsat agreed to issue a maximum of 250,000 Goldsat Shares at $ 0.50 per share, to certain of its creditors, for the settlement of debts owing to such creditors. This share issuance is conditional upon regulatory approval.

Goldsat has received verbal approval from the creditors for the issuance of shares in settlement of their claims, including from A. Lewis Moran, Chief Financial Officer and Director of Goldsat.

The shareholders are asked to approve, ratify and confirm the resolution of the Board of Directors authorizing the issuance of up to 250,000 Goldsat Shares to settle the above mentioned debts.

The persons designated in the enclosed form of proxy will vote FOR the approval, ratification and confirmation of the resolution of the Board of Directors authorizing the issuance of up to 250,000 Goldsat Shares for the settlement of debts. The resolution requires the approval of the majority of the votes cast at the meeting, other than Goldsat Shares beneficially owned by insiders of the Corporation to whom Goldsat Shares may be issued and their associates.

9. ADDITIONAL INFORMATION CONCERNING GOLDSAT

Background and reasons for the RTO

Goldsat does not have any mineral property interest as at the date of this Circular. In addition, Goldsat has a history of losses and is dependent on equity financing to meet its financial obligations. Goldsat has no working capital and an accumulated deficit of $3,375,168 as at December 31, 2004. Goldsat has been actively seeking new properties or projects to acquire and to provide a base for potential enhancement in shareholder value. Goldsat has agreed, subject to certain conditions, to purchase the Alexis Shares. See “Acquisition of Alexis Resources Limited.”

Existing Share Capital and Prior Sales

Goldsat’s authorized capital presently consists of an unlimited number of common shares. There are currently 1,651,541 Goldsat Shares issued and outstanding.

	Number of Issued Goldsat Shares	Price per Goldsat Share	Total Consideration
Prior sales of securities within the last 12 months	341,960	$0.50	$170,980
Issued as of the date of this Circular	1,651,541[(1)]	-	$2,944,150

[(1)] Taking into account the cancellation of 277,380 performance shares in May 2005 but prior to the cancellation of a balance of 71,715 performance shares will be cancelled prior to closing in accordance with Goldsat’s application.

Fully-Diluted Share Capital and Consolidated Share and Loan Capital

See "Share Capital and Loan Capital" in Schedule B to this Circular.

Goldsat's Trading History

The following table provides a weekly trading history (high, low, volume) for the Goldsat Shares on the TSXV for six weeks prior to the date of this Circular and monthly for the preceding 12 months.

Year	Period	High ($)	Low ($)	Volume (no. of shares)
2004	May	0.12	0.10	14,900
	June	0.10	0.10	-
	July	0.10	0.08	8,000
	August	0.09	0.06	63,400
	September	0.10	0.05	278,000
	October	0.15	0.04	687,500
	November	0.06	0.05	48,100
	December	0.07	0.03	26,500
2005	January	0.09	0.05	95,000
	February (to February 11, 2005) [1]	0.06	0.04	110,000

[1] Date on which the Goldsat Shares were halted for trading on the TSXV in connection with the announcement of the proposed RTO.

Statement on Corporate Governance Practices

The Toronto Stock Exchange (the "TSX") has issued guidelines for effective corporate governance. These guidelines deal with matters such as the constitution and independence of corporate boards, their functions, the effectiveness and education of board members, and other items dealing with sound corporate governance. The Corporation's Board of Directors has adopted a formal mandate outlining its responsibilities. The Corporation believes that its corporate governance practices ensure that the business and affairs of the Corporation are effectively managed so as to enhance shareholder value. The TSX guidelines and a commentary on the Corporation's approach with respect to each are set forth below.

TSX Corporate Governance Guideline	Does the Corporation Align?	Comments
1. The Board of Directors should explicitly assume responsibility for the stewardship of the corporation and specifically for:	Yes	See below
a) adoption of a strategic planning process	Yes	One Board meeting a year is specifically set aside for strategic planning. The Corporation's strategies, the implementation thereof, and any changes thereto are discussed regularly at meetings of the Board.

TSX Corporate Governance Guideline	Does the Corporation Align?	Comments
b) identifying the principal risks of the corporation's business and ensuring the implementation of the appropriate systems to manage these risks	Yes	The principal risks of the Corporation's business are identified in "management's Discussion and Analysis" contained in the Annual Report and interim financial statements of the Corporation. The Board considers the principal risks of the Corporation's business and receives reports of management's assessment and management of these risks. The Audit Committee reviews financial risk management activities.
c) succession planning for the corporation, including identifying, appointing, training, and monitoring senior management	Yes	The Board periodically review the Corporation's organizational plan and structures. The Board has active directors. Under the reporting structure, senior management reports to the CEO and the CEO reports to the Board.
d) communications policy	Yes	Management, supported by the Board, has put structures in place to ensure effective communication between the Corporation and its stakeholders and the public. The Corporation has not established a formal disclosure policy, but provides appropriate disclosure as required by law and legal counsel reviews the material press releases and shareholder reports. The Corporation has a dedicated Investor Relations Department, reporting jointly to the CEO and the CFO, responsible for corporate communications and shareholder relations.
e) overseeing the integrity of the corporation's internal controls and management information systems	Yes	Senior management has the primary responsibility for the Corporation's internal controls. Through the Audit Committee, which meets with the Corporation's external auditor, the Board assesses the strength of these controls. Internal controls and management of information are upgraded as required for the Corporation's continuing and growing operations.
2. Majority of directors should be unrelated and independent from management and free from conflicting interests.	Yes	For the purpose of the TSX Guidelines, an unrelated director is one who is independent of management and free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interest of the Corporation, other than interests or relationships arising from shareholding. After consideration of the above criteria, the Board has concluded that three of the directors are unrelated. The remaining two directors are officers of the Corporation.
3. Disclose for each director whether such director is related, and how that conclusion was reached.	Yes	The President of the Corporation and the Chief Financial Officer, are the only Board members who are considered related.
4. Appoint a committee responsible for the appointment and assessment of directors.	Yes	The Chairman of the Board and an unrelated director have the responsibility for recommending new directors and ensuring the appropriate mix of skill sets and experience on the Board, as well as the appropriate balance between related and unrelated directors.
5. Implement a process for assessing the effectiveness of the Board, its committees, and the contribution of individual directors.	Yes	The Chairman of the Board has the responsibility for assessing the Board's effectiveness as a whole and the effectiveness of the individual members of the Board, and for making recommendations for improvements when appropriate.
6. Provide orientation and education programs for new directors.	Yes	The Corporation's operations are regularly reviewed at Board meetings.
7. The Board should examine	Yes	The Board considers its size to be appropriate at the current time. The

TSX Corporate Governance Guideline	Does the Corporation Align?	Comments
its size and, where appropriate, reduce the number of directors, with a view to improving effectiveness.		Board, as presently constituted, brings together a mix of skills and backgrounds that the Board considers appropriate for the stewardship of the Corporation.
8. Review compensation of directors to reflect risk and responsibility and long-term orientation.	Yes	The Board periodically reviews the adequacy and form of compensation for directors. Given the state of the Corporation's affairs and its level of activity, it has been determined that Board members should not receive other form of remuneration than stock option.
9. Committees of the Board should generally be composed of non-management directors, a majority of whom are unrelated directors.	Yes	The Board currently has one standing committee – the Audit Committee. This committee is composed of a majority of unrelated directors.
10. Appoint a committee responsible for determining the Corporation's approach to corporate governance.	Yes	The Board by its Chairman has the responsibility to determine the Corporation's approach to corporate governance.
11. Define the mandate for the Board and the CEO. The Board should approve or develop corporate objectives, which the CEO is responsible for achieving.	Yes	See below.
a) Mandate of the Board of Directors	Yes	The Board manages the business of the Corporation on behalf of the shareholders. The Board endeavours to meet or exceed the duties and responsibilities recommended by the TSX. These include strategic planning, monitoring, and management of the Corporation's principal risks. Any responsibility that is not delegated to senior management or a committee of the Board remains with the full Board. In addition to those matters, which must by law be approved by the Board, Board approval is required for major transactions or expenditures.
b) The Mandate of the Chief Executive Officer	Yes	The CEO's objectives include the general mandate to maximize shareholder value and to develop and execute the strategic plans of the Corporation as approved by the Board. The CEO regularly reports and, when appropriate, seeks approval from the Board.
c) Corporate Objectives	Yes	The CEO's objectives are discussed and reviewed annually with the Board. The Board approves the CEO's objectives on an annual basis. The Board measures the CEO's performance against established objectives and makes a recommendation, if any.
d) Establish structures and procedures to ensure the Board can function independently of management.	Yes	The Chairman of the Board, is not a member of management and is therefore an unrelated director. Moreover, the Board considers that, by virtue of the number of unrelated directors and the fact that the audit committee of the Board are composed in majority by unrelated directors, it is independent of management. If the need ever arises, the Board or a committee thereof will meet independently of any related director or management.
e) Establish an Audit	Yes	The Audit Committee has a mandate, approved by the Board, and is

TSX Corporate Governance Guideline	Does the Corporation Align?	Comments
Committee with specifically defined mandate with all members being unrelated directors.		composed of a majority of unrelated directors. The Audit Committee reviews the annual and quarterly financial statements of the Corporation and certain other public disclosure documents required by regulatory authorities, and makes recommendations to the Board with respect thereto. The Audit Committee also reviews with the auditor and management the adequacy of the Corporation's financial reporting and internal control procedures to ensure they are effective and appropriate. The Audit Committee reviews on an ongoing basis the independence of the auditor and must approve the provision of any non-audit related services.
12. Implement a system to enable individual directors to engage outside advisors at the expense of the Corporation.	Yes	Directors are permitted to contact and engage outside advisors at the expense of the Corporation with the authorization of the Chairman. The Audit Committee is encouraged to speak directly to the external auditor on matters pertaining to its mandate.

If the shareholders approve the RTO, the Resulting Issuer will examine its corporate governance practices, and, if deemed appropriate, will modify them, taking into account the changes resulting from the RTO. In addition, the following practices will be adopted by the Resulting Issuer, pursuant to a request of the TSXV:

A. The Resulting Issuer will engage one of the following accounting firms: Ernst & Young, KPMG, PriceWaterhouseCoopers or Deloitte to be its auditors after the RTO. After engagement of one of these firms, the TSXV must approve, in writing, of any proposed change of auditors.

B. The Resulting Issuer's audit committee will engage the auditors to perform reviews of the Resulting Issuer's interim financial statements for each interim period in the two financial years following the RTO.

C. The Resulting Issuer will have in its employ a Chief Financial Officer ("CFO") with the following competences:

   a. Ability to apply Canadian generally accepted accounting principles, including disclosure standards, to all material foreign transaction streams and balances without reliance on third party technical accounting assistance;

   b. A strong understanding of Canadian securities laws related to financial reporting without reliance on third party accounting or legal assistance;

   c. The ability to speak and write both English and the primary language in which most of the Resulting Issuer's business is conducted;

   d. A reasonable understanding of the business environment in which most of the Resulting Issuer's transactions are conducted; and

   e. The capability to design and apply effective internal controls over financial reporting to all transaction streams conducted in accordance with local customs.

D. The Resulting Issuer's CFO will spend a significant amount of time at sites where operations are carried out so as to directly experience the local business customs and culture and to directly observe the application and effectiveness of internal controls.

E. The Resulting Issuer will have in place an audit committee with the following attributes:

   a. A membership that has the following collective skills or attributes (i.e. each audit committee need not possess each of these attributes):

      i. Experience is supervising international audit engagements for public companies;

      ii. Canadian financial reporting expertise; and

      iii. The ability to speak and write both English and the primary language where most of the corporation's business is conducted.

   b. Each audit committee members must:

      i. Undertake to receive training / orientation on local customs and business risks inherent in operating in the local environment; and

      ii. Be financially literate.

   c. A majority of audit committee members must undertake to visit at least one primary operational site at least once per year.

F. The Resulting Issuer will cause all material written agreements not prepared in English to be translated into English by a creditable translator and made available for CFO and audit committee review within 30 days of signing.

G. The Resulting Issuer will carefully document for CFO and audit committee review all material unwritten agreements and transaction streams for which an audit trail does not exist (for example, cash transactions).

Other Matters

As at the date of this Circular, management of the Corporation knows of no amendments, variations or other matters to come before the Meeting, other than those matters referred to in the Notice of Meeting.

Shareholder Proposals

Pursuant to the CBCA, shareholders wishing to submit to the Corporation a proposal for consideration at the Corporation's next annual meeting must do so by no later than 90 days prior to the anniversary of the date of this Notice of Meeting.

Availability of Documents

Additional information relating to the Corporation is on SEDAR at www.sedar.com. Copies of the Corporation's latest annual report, including audited financial statements and management's

discussion and analysis, and management proxy circular may also be obtained on request from the Secretary of the Corporation at the following address:

300, 1324-17th Avenue South West
Calgary, Alberta, T2T 5S8

The Corporation may require the payment of a reasonable charge when the request is made by someone other than a shareholder.

Financial information concerning the Corporation is provided in the Corporation's comparative financial statements and management's discussion and analysis for the financial year ended December 31, 2004.

Copies of the following documents are available without charge to shareholders upon written request to the Secretary of the Corporation:

1. The Acquisition Agreement described under "Acquisition of Alexis Resources Limited - the Acquisition Agreement";
2. The Amalgamation Agreement described under "Amalgamation with Canco - the Amalgamation";
3. The Simsen Convertible Note described under "Acquisition of Alexis Resources Limited - the Acquisition Agreement";
4. The Promissory Note described under "Acquisition of Alexis Resources Limited - the Acquisition Agreement";
5. The Sponsorship Agreement with Desjardins described under "Sponsorship"; and
6. subscription agreements to be entered into with subscribers to the Private Placement.

Approval of Circular

The Board of Directors of the Corporation has approved the contents of the management Proxy Circular as it relates to Goldsat and its sending to the shareholders.

Montreal, Quebec, August 29, 2005.

(*signed*) Vincent J. Thomson
Director and President

(*signed*) A. Lewis Moran
Director and Chief Financial Officer

SCHEDULE A

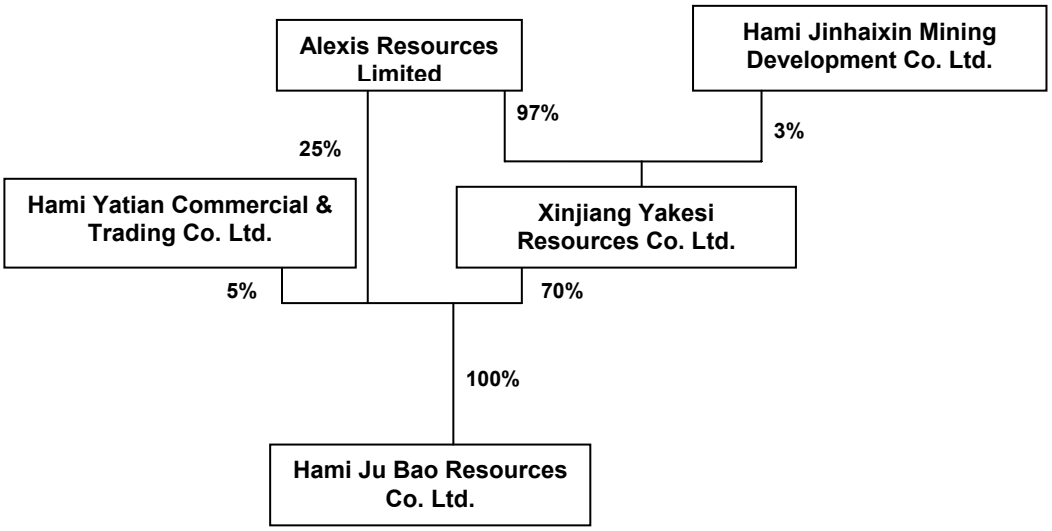
INFORMATION CONCERNING ALEXIS RESOURCES LIMITED

The information appearing in this schedule has been prepared by the management of Alexis. Although Goldsat has no reason to believe that such information may be inaccurate or incomplete, it assumes no responsibility for its content.

I. Name and Incorporation

Alexis is a British Virgin Island company incorporated on August 18, 1998. Alexis registered office is located at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. Alexis has two operating subsidiaries, Yakesi and Jubao. Jubao is a Sino-foreign equity joint venture enterprise which is owned as to 70% by Yakesi, 25% by Alexis and the remaining 5% by Hami Yatian Commercial & Trading Co. Ltd., an Arm's Length Party. Yakesi is a Sino-foreign equity joint venture enterprise which is owned as to 97% by Alexis and the remaining 3% by Hami Jinhaixin Mining Development Co. Ltd., an Arm's Length Party. In addition, Alexis has two non operating subsidiaries.

All of the issued and outstanding shares of Alexis are owned by Belmont and Simsen, both British Virgin Island companies. Belmont is a private company incorporated under the laws of the British Virgin Islands, whose shares are held indirectly as to 28.04% by Mr Felipe Tan, the sole officer and director of Belmont. The other shareholders of Belmont are five other entities who will be Arm's Length Parties with respect to the Resulting Issuer, including Mr. Zhang Ming, an Alexis management staff who owns indirectly 24.13% of the total issued shares of Belmont. Simsen is a wholly-owned subsidiary of Simsen International, a limited liability Bermuda company listed on the Main Board of The Stock Exchange of Hong Kong Limited. Belmont owns 5,056 and Simsen owns 4,944 of the 10,000 issued and outstanding common shares of Alexis.



Alexis' address for service in Canada is 1250 René-Lévesque Boulevard West, Suite 1400, Montreal, Quebec, H3B 5E9

II. Business of Alexis

2.1 Description and general development of the Business

Alexis is engaged in the business of mining of base metals in the PRC through its operating subsidiaries, Yakesi, and Jubao. Alexis has been operating the Hami Projects since 1999, through Yakesi and Jubao.

The following amounts have been incurred in development costs by Alexis on the Hami Projects for the period from 1999 to 2004, including construction costs for shafts and the concentration plant:

Year	Amount Incurred (RMBs)
1999	2,833,000
2000	23,365,000
2001	845,000
2002	1,156,000
2003	4,987,000
2004	11,409,000

See "Business of Alexis – Mineral properties".

2.2 Summary and analysis of consolidated financial operation (in HK dollars)[1]

	3 Month Period Ended March 31, 2005 (unaudited)	8 Month Period Ended Dec. 31, 2004 (audited)	Year Ended April 30, 2004 (audited)	Year Ended April 30, 2003 (audited)
Revenues	11,530,094	58,727,389	26,869,177	24,257,432
Gross profit	7,879,398	34,776,864	1,977,705	7,847,677
Exploration and Development Expenses	Nil	Nil	Nil	1,587,766
General and Administrative Expenses	2,716,930	6,792,160	3,844,385	4,334,835
Net Income (Loss) after Tax	2,121,139	20,821,846	(1,524,972)	(528,128)
Working Capital	8,842,926	13,788,115	(2,123,814)	382,243
Intangible Assets	30,610,567	31,610,227	34,350,195	38,283,905
Fixed Assets	32,601,715	24,447,744	17,682,374	11,499,094
Long Term Liabilities	26,290,540	26,290,540	26,290,540	60,611,283
Shareholders' equity	44,992,975	42,871,836	23,561,455	(10,574,313)

(1) This summary of Financial Information is derived from the financial statements of Alexis which were prepared in accordance with Hong Kong GAAP and unaudited statements of Alexis which were prepared in accordance with Canadian GAAP. Shareholders are urged to review these financial statements, which are reproduced as Schedule C to this Circular.

There are 1,651,541 Goldsat Shares issued and outstanding as of the effective date of this Information Circular, none of which are subject to an escrow agreement, of which 71,715 performance shares will be cancelled prior to Closing. In addition, 27,007,500 common shares of the Resulting Issuer are to be issued pursuant to the RTO, which will be required to be escrowed pursuant to a surplus shares escrow agreement in accordance with the policies of the TSXV which shares being released from escrow over a period of 36 months from the closing.

2.3 Management's discussion and analysis of financial condition and results of operation

This management discussion and analysis relates to the consolidated financial position and results of operations of Alexis and should be read in conjunction with the audited consolidated financial statements of Alexis and its accompanying notes for the eight month period ended December 31, 2004 and the years ended April 30, 2004 and April 30, 2003. The reader should be aware that historical results are not necessarily indicative of future performance. This discussion and analysis contain forward-looking statements, which generally include the plans and objectives of management for future operations of the Company, including plans and objectives relating to the future economic performance of the Company and current beliefs regarding potentially necessary capital requirements and potential revenues. The forward-looking statements and associated risks may include, relate to or be qualified by other important factors including, without limitation, anticipated trends in the financial condition and results of operations of the Company.

The consolidated financial statements of Alexis reproduced in schedule C to this Circular were audited by Ernst & Young, Hong Kong under Hong Kong auditing standards. As disclosed in note 11 to the financial statements in Schedule C to this information circular, the statutory audits of Yakesi and Jubao were not preformed by Ernst & Young, Hong Kong or any other Ernst & Young International Member firms. Statutory audits are the audits required under the laws of the PRC which must be performed according to the PRC auditing standards. In the course of their audit of Alexis consolidated financial statements, Ernst & Young, Hong Kong performed independent audit work on the results of operations of Alexis in accordance with Hong Kong standards and Hong Kong Generally Accepted Auditing Standards instead of relying on the findings from the statutory audits.

As used in this discussion and unless the context otherwise requires or unless otherwise indicated, all references to "Alexis," "we," "our," "company," or the "Group" refer to Alexis Resources Limited and its subsidiaries.

Overview of the Business

Alexis is engaged since 1999 in the business of development and mining of primarily Nickel in the area of Hami, in the North West China in PRC through its operating subsidiaries, Yakesi, and Jubao. Yakesi was established in the PRC on October 12, 1999. It is owned as to 97% by Alexis and the remaining 3% by an Arm's Length Party. Jubao was established in the PRC on July 12, 1999. It is owned as to 70% by Yakesi, 25% by Alexis and the remaining 5% by an Arm's Length Party.

Alexis is extracting mainly Nickel ore from two mines, Xiangshan and Huangshan Dong. It then processes the ore through its 500 tonnes per day concentration plant to produce Nickel concentrate. The Company sells its concentrate as it does not involve itself in the refining process.

Alexis' revenues, net earnings and cash flow from operating activities are affected directly by changes in the price of Nickel. The Company has not hedged any of its production. The Company derives all its revenues in RMB and most of its costs are incurred as well in RMB.

Review of Commodity Prices

The Company produces mixed metal concentrate with a nickel content. The concentrate is sold at a price which is calculated as a percentage of the prevailing Nickel market price in China (which is usually higher than Nickel price quoted on LME). Nickel price is quoted in RMB with reference to United States dollars per tonne. RMB had been pegged to United Stated dollars at one dollar to 8.27 until July 21, 2005 when it was switched from a United States dollars pegging system to a basket of foreign currencies system effectively revaluing RMB rates against United States dollars by 2.1%.

The average price of Nickel rose from approximately RMB 73,700 for the year 2003 to an average of RMB 127,000 per tonne for 2004, reflecting the huge demand from Chinese industries. These price levels are expected to remain high unless economic activity in China slows down due to government policies to curtail economic activity or there is a general economic slow-down attributable to global economic factors.

See "Business of Alexis – Mineral properties".

Critical Accounting Estimates

Management of Alexis is required to make estimates in preparing financial statements in conformity with accounting principles generally accepted in Hong Kong. These estimates may affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Changes to these estimates could result in material changes to these line items. The critical accounting estimates made by the Company relating to these items are set out below.

Translation of Foreign Currency

The reporting currency of the Company is the Hong Kong dollar. The functional currency of the Company's subsidiaries is the RMB since it is the currency in which the subsidiaries conduct its primary economic activities. RMB had been pegged to United Stated dollars at one dollar to 8.27 until July 21, 2005 when it was switched from a United States dollars pegging system to a basket of foreign currencies system effectively revaluing RMB rates against United States dollars by 2.1%. However, there is PRC exchange control regulations that restrict the ability of the Company to convert RMB to Hong Kong dollars. There is no assurance that the value of the monetary assets and liabilities of the Company as stated in Hong Kong dollars may be realizable at the rates used, or at all. Accordingly, the assumptions upon which the statements are based are subject to circumstances beyond the control of the Company.

Impairment of assets

This policy is described in note 3 to the audited financial statements of Alexis. This policy requires the management to estimate discounted future cash flows expected to be generated by the assets of Alexis. Because of changing market environment, it is impossible to predict with certainty the revenue expected to be generated from the assets, as well as to measure with certainty further costs to be incurred for earning such revenue. If unfavourable market condition persists, Alexis may not be able to recover the carrying value of its assets.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Change in Financial Year-end

The Board of Directors of Alexis approved to change the financial year-end from April 30 to December 31, commencing with the period ending December 31, 2004. The reason for the change was to align the financial reporting periods of Alexis with that of Goldsat Mining Inc., and thereby allow investors to better assess the performance of Alexis based on the same reporting periods.

Financial Review of Operations

Year Ended April 30, 2004 compared to year ended April 30, 2003

In order to strengthen the financial position of the company, shareholders loans of HK$32,160,743 were converted into common stock, thereby eliminating a substantial amount of long term debt. In addition, HK$3,500,000 was raised by the issuance of common stock. The proceeds together with cash of HK$ 3,107,303 generated from continuing operations allowed the company to finance its operations and capital projects during the year. The working capital deficiency was HK$2,123,814 compared to a positive working capital of HK$382,243. This was partly due to the repayment of a bank loan of HK$2,149,533.

For the year ended April 30, 2004, the company recorded a net loss of HK$1,524,972 compared with a net loss of HK$528,128 for the corresponding period in 2003. Net sales were HK$26,869,177 for 2004 compared to HK$24,257,432. Cost of sales for 2004 was HK$24,891,472 compared to HK$16,409,755 in 2003.

The revenue in HK$ of Alexis in the Year 2004 represented an increase of 11% from the Year 2003. The net sales were composed of concentrate with 558 tonnes of Nickel content, at an average price of HK$46,000 per tonne based on the agreed price determined by a formula with a local buyer. Even though the production volume was reduced, because of rising metal price, the increase in sales was contributed entirely by the increase in the selling price of the concentrates as stated below:

	Year Ended April 30, 2004			Year Ended April 30, 2003		
Revenues (in HK$)	HK$26,869,177			HK$24,257,432		
Nickel content of the concentrate sold (Tonnes)	558			638		
Nickel Price per tonne (US$) (Source London Metal Exchange)	High	Low	Average	High	Low	Average
	$17,800	$8,000	$9,500	$9,100	$6,300	$7,500

All concentrates were sold to a local buyer under a contract at a price based on a formula with reference to the domestic Nickel price as stated above, which in turn takes reference to the international commodity price. The increase in revenue is partially contributed by the increase in the agreed selling price in line with the increase in the domestic Nickel price.

Gross margin dropped from 32% in the Year 2003 to 7% in the Year 2004. The drop in the gross margin in the Year 2004 compared to 2003 was due to a combination of factors. Firstly, it was caused by a reduction in the average grade of ore processed by as much as12% and a corresponding decrease in production as stated below. In the Year 2004, due to underground engineering work being carried out in one of the shafts, extraction work from this shaft was momentary disrupted for about 3 months resulting in a drop in production from 109,392 tonnes in 2003 to 87,491 tonnes in 2004. The result of this affects gross margin as fixed charges, including depreciation and amortization, represent a higher portion of the total cost. In addition, during 2004, construction work of approximately HK$3.7 million proven to be of no economic value was charged to cost of sales resulting in a further decline in gross margin.

	Year Ended April, 30, 2004	Year Ended April 30, 2003
Milling Operations:		
Tonnes processed	87,491	109,392
Production:		
Nickel content of the concentrate produced (Tonnes)	537	753

The selling, general and administrative expenses and other operating expenses incurred by the Company in 2004 were HK$2,555,464 compared to HK$7,801,016 for 2003. The fact that a management fee of HK$2,160,000 charged in 2003, as described per note 22 of notes to the audited consolidated financial statements, was subsequently waived in 2004 has distorted the trend for the purpose of proper comparison. Had this effect been eliminated, the actual expenses in 2004 would have been lower by HK$925,552 compared to 2003. The decrease was mainly due to a loss on disposal of fixed assets of HK$472,547 recorded in 2003 compared to nil for the year 2004.

During the period, Alexis' parent company, Simsen, had been utilizing its existing resources to take care of certain administrative functions and Alexis therefore had a saving in related expenses. Simsen also assisted Alexis in obtaining bargain rates from various service providers. Had such assistance been absent and Alexis needed to assume those administrative functions and to negotiate directly with the service providers, the earnings of Alexis would, in management's estimate have been reduced by a total of HK$593,936 in 2004 and HK$735,430 in 2003.

Financial expense was HK$233,214 in 2004 compared to HK$341,962 in the previous year. The reduction of financial expense was due to savings achieved in interest cost resulting from the repayment of interest bearing loan facilities of HK$2,149,533.

The net cash flow generated from operating activities by the Company was HK$7,303,272 up significantly from HK$2,720,706 provided by operating activities in 2003. In 2004, cash was generated through changes in working capital, such as increase in payables and accruals in the amount of HK$2,332,854 and a reduction in the overall current assets by HK$2,064,118.

Alexis invested HK$7,916,998 in fixed assets in the Year 2004 compared to HK$306,590 in 2003. The capital expenditure of HK$5,699,696 was related to construction cost of mining shafts on the Huangshan Dong #12 and #17 Projects. As at the year end, the construction work was not completed and the costs were therefore recorded as construction in progress and were not depreciated. The capital expenditure was financed from funds generated internally through operating activities.

Period Ended December 31, 2004 compared to year ended April 30, 2004

This discussion presents a comparison of eight-month period ending December 31, 2004 to the twelve-month period ending April 30, 2004, instead of the prorated results because the management believes it would be more meaningful to evaluate the financial condition, results of operations and cash flows of the said periods.

The overall financial condition of the Company improved for the eight months period ended December 31, 2004 (the "Period"). The improvement was due to the Company's ability to capitalize on the rising price of Nickel. The working capital improved from a deficiency of HK$2,123,814 to a positive working capital of HK$13,788,115. Cash and cash equivalent increased from HK$4,369,943 to HK$21,573,705 which is the main reason for this increase in working capital.

For the Period, the company recorded net income of HK$20,821,846 compared with a net loss of HK$1,524,972 for the corresponding period in 2004. Net sales were HK$58,727,389 for the Period compared to HK$26,869,177 in 2004. Cost of sales for the Period was HK$23,950,525 compared to HK$24,891,472 for 2004. Gross margin on sales improved from 7% to 59%.

The revenue in HK$ of Alexis in the Period represented an increase of 119% to that of the Year 2004. The net sales were composed of concentrate with 870 tonnes of Nickel content, at an average price of HK $65,000 per tonne. In anticipation of rising price, the production volume was

increased as planned. The increase in revenue was contributed by the increase in the selling price of the mineral concentrates as stated below:

	8 Month Period Ended Dec. 31, 2004			Year Ended April 30, 2004		
Revenues (in HK$)	HK$58,727,389			HK$26,869,177		
Nickel content of the concentrate sold (Tonnes)	870			558		
Nickel Price per tonne (US$) (Source London Metal Exchange)	High	Low	Average	High	Low	Average
	$16,700	$10,700	$13,000	$17,800	$8,000	$9,500

All concentrates were sold to a local buyer under a contract at a price based on a formula with reference to the domestic Nickel price as stated above, which in turn takes reference to the international commodity price. The increase in revenue was largely contributed by the increase in the agreed selling price in line with the increase in the domestic Nickel price.

Gross margin improved from 7% in the Year 2004 to 59% in the Period. The improvement in the gross margin in the Period compared to 2004 was due to a combination of factors. Firstly, it was caused by an improvement in average grading of ore processed and a corresponding increase in production as stated below. In the Period, production increased from 87,491 tonnes in 2004 to 101,030 tonnes. This affects gross margin as fixed charges, including depreciation and amortization, represent a smaller portion in relation to total costs. The improvement was also caused by the increase in commodity prices and better terms negotiated with the local buyer.

	8 Month Period Ended Dec. 31, 2004	Year Ended April 30, 2004
Milling Operations:		
Tonnes processed	101,030	87,491
Production:		
Nickel content of the concentrate sold (Tonnes)	944	537

The selling, general and administrative expenses and other operating expenses incurred by the Company in the Period were HK$9,493,693 compared to HK$2,555,464 in 2004. Again, the fact that management fee of HK$2,160,000 charged in 2003 was reversed in 2004 has distorted the trend for the purpose of proper comparison. Had this effect been eliminated, the actual expenses would have increased by HK$4,778,229 in the Period. The increase was partially due to an increase in bonuses payable to staff resulting from the achievement of targeted goals. This resulted in an additional expense of HK$1,599,798. The freight and handling charges also increased due to volume and price increase. This accounted for about HK$1,567,124 of the

increase. The balance of the increase represented increased travelling costs and other related administrative expenses.

During the period, Simsen had been utilizing its existing resources to take care of certain administrative functions and Alexis therefore had a saving in related expenses. Simsen also assisted Alexis in obtaining bargain rates from various service providers. Had such assistance been absent and Alexis needed to assume those administrative functions at its expenses and to negotiate directly with the service providers, the earnings of Alexis would, in management's estimate have been reduced by HK$565,901 for the Period and HK593,936 in 2004.

Financial expense was HK$116,780 in the Period compared to HK$233,214 in 2004. The reduction of financial expense was due to savings achieved in interest cost resulting from the repayment of interest bearing loan facilities of HK$93,458 and a shorter financial reporting period.

The net cash flow generated from operating activities by the Company was HK$26,831,821 up significantly from HK$7,303,272 provided by operating activities in 2004. In the Period, cash was generated through a combination of changes in working capital, such as increase in payables and accruals in the amount of HK$4,700,221 and a net cash generated from operating activities of HK$29,276,480.

Alexis invested HK$8,077,189 in fixed assets in the Period compared to HK$7,916,998 in 2004. The capital expenditure of HK$6,507,941 was related to continuing construction activity of mining shafts on the Huangshan Dong #12, and #17 projects. As at the year end, the construction work was not completed and the costs were therefore recorded as construction in progress and were not depreciated. The funds generated internally enabled the company to finance its capital expenditure designed to enhance its future production capacity.

Three-month Period Ended March 31, 2005

As in the past, the operating activity in the period was reduced substantially due to winter weather condition. In fact, during the period, the concentrating plant had only less than one month production and the mining activities were also curtailed due to the Chinese new year holidays.

For the three-month period ended March 31, 2005, the Company recorded a net income of HK$2,121,139, the revenue was HK$11,530,094, and the cost of sales was HK$3,650,696.

The revenue for the quarter was derived entirely from the sale of finished goods inventory brought forward from December 31, 2004. The sale composed of concentrates with 156 tonnes of Nickel content at an average price of HK$73,000 per tonne based on the same arrangement determined by a formula with a local buyer. The price reflected a continued strong trend of Nickel commodity prices since 2004.

Historically, due to inclement winter condition in the region, concentration plant operation was suspended from late November to late February. During the quarter under review, the plant was closed up to March 5, 2005. As a result, selling activity was minimal and the production in the first quarter was focused to replenish inventory level as soon as the plant operation recommenced in

early March. Sales recorded during the quarter represented sales of previous year finished goods of mixed metal concentrates as stated below:

	Period Ended March 31, 2005		
Revenues (in HK$)	HK$11,530,094		
Nickel content of the concentrate sold (Tonne)	156		
	High	Low	Average
Nickel Price per tonne (US$) (Source London Metal Exchange)	$16,500	$14,000	$15,300

Gross margin was 68% in this quarter compare to 59% in the eight-month period ended December 31, 2004. The gross margin reflects a continuous upward trend since 2004 due in large part to the increase in average selling price reflecting the company ability to capitalize on the rising Nickel metal market. In addition, better terms were able to obtain through negotiation with the local buyer.

The selling, general and administrative expenses incurred by the Company in the quarter were HK$2,740,660. Included in the expenses were professional fees incurred relating to reverse take over transaction, provision of staff bonus and travelling and promotion expenses which in total accounted for about 70% of the expenditure.

The other operation expenses incurred by the Company in the quarter were HK$1,951,297. Included in the expenses were HK$366,053 plant operating cost written off resulting from the plant being idle and HK$1,165,680 of construction cost in relation to a mine development written off, the cost of which deemed impaired during the quarter.

The net cash flow generated in the quarter from operating activities by the company was HK$6,014,692. Cash flow remained strong bringing the Company's cash and cash equivalents balance to HK$16,621,381. During the quarter, cash was generated through changes in working capital, such as decrease in payables and accruals in the amount of HK$700,274 and a reduction in the overall current assets by HK$1,534,260. A repayment of bank loan HK$841,121 during the quarter was made by utilizing funds generated from operations.

Alexis invested HK$10,125,895 in fixed assets during the current quarter. The capital expenditure of HK$7,391,584 was related to the purchase of the construction work of mining shafts from a subcontractor. This resulted in a subcontracting charges reduction of approximately HK$125 cash cost per tonne mined subsequently. During the quarter, the Company continued to invest HK$1,202,393 in construction work that was not completed at quarter end and the costs were therefore recorded as construction in progress and were not depreciated. The capital expenditure was financed from funds generated internally through operating activities.

Taxation

The normal corporate income tax rate in the PRC is 33% on the profit generated. However, in order to attract foreign investment, certain tax concessions have been created. Thus, Jubao enjoys a two year tax exemption and will be subject to a 15% income tax rate for the following three years of operation. Yakesi will be subject to an income tax rate of 15% until December 2010.

Capital Resources and Liquidity

Operations of the Group are mainly financed by internally generated funds and shareholders loans. At March 31, 2005, Alexis had cash equivalent of HK$16,621,381 ($2,577,843) and a working capital of HK$8,842,926 ($1,371,467). Based on the Company's current operations and current metal prices, the operations of the Company should continue to generate positive cash flow until such time as economic factors change.

As a result of the proposed RTO and the subsequent recapitalization, the Company will have incurred debts including the Promissory Note of $2,667,000 and the Simsen Convertible Note of $3,810,000. The proceeds from a contemplated private placement for a minimum of $1,600,000 and the cash of about $1,400,000 resulting from the amalgamation of 4209931 Canada Inc, together with anticipated internally generated funds from operations will enable the company to meet its financial obligation as and when they become due for the foreseeable future.

RMB is not freely convertible into other currencies, however, the management believes under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, Alexis is permitted to exchange RBM for other currencies through banks authorized to conduct foreign exchange business. Should foreign exchange regulations restrict the repatriation of earnings by its subsidiaries, the Company may not be able to meet its debts obligations as they become due.

Our principal capital requirements are to fund our growth and our exploration and development activities. Alexis' access to adequate long-term funding for future development will rest on its ability to generate profits in the future. This will depend in part upon our capacity to effectively explore for and develop high grade mineral, upon continued favourable market conditions and upon the general economic environment relating to the demand for base metals. Capital requirements are subject to changes as business conditions warrant and opportunities arise. In connection with our expansion strategies, we may from time to time seek additional funding to finance our exploration and development activities. After the RTO, the increase in transparency will enhance our fund raising ability to provide a strong support for future development.

Alexs expects to fund expenditures for capital requirements as well as liquidity needs from a combination of internally generated funds and financing arrangements. Alexis believes that its internally generated liquidity, together with access to external capital resources, will be sufficient to satisfy existing commitments and plans, and also to provide adequate financial flexibility.

Alexis' consolidated cash flows provided (used) by operating, investing and financing activities are presented below. The following should be read in conjunction with Alexis' consolidated financial statements and notes thereto.

	For the 3 month period ended March 31, 2005	For the 8 month period ended December 31, 2004	For the year ended April 30, 2004	For the year ended April 30, 2003
Cash provided (used) by:				
Operating Activities	HK$6,014,692	HK$26,831,821	HK$7,303,272	HK$2,720,706
Investing Activities	HK$10,125,895	HK$7,861,746	HK$8,019,352	HK$36,978,090
Financing Activities	HK$(841,121)	HK$(1,766,313)	HK$1,117,250	HK$37,467,248
Net cash provided (used) by operating, investing and financing activities	**HK$ (4,952,324)**	**HK$17,203,762**	**HK$401,170**	**HK$3,209,864**

Commitments Not Reflected in the Balance Sheet

Alexis does not have derivative financial instruments or equity interests in unconsolidated companies or any other business arrangements related to the foregoing, which would have a material effect on the assets and liabilities of Alexis at December 31, 2004 and March 31, 2005.

As disclosed in note 21 to the financial statements, Alexis has commitments that are not reflected in the balance sheet. These commitments include office premises renovation and construction contracts entered for the Year 2004. Alexis has not provided any other guarantees other than those described in the financial statements that would have a material effect on the assets and liabilities of Alexis at December 31, 2004 and March 31, 2005.

Related Party Transactions

Management believes transactions described in note 22 'Related Party Transactions' and disclosed above under the heading "Financial Review of Operations" are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

Canadian GAAP

Disclosure of the differences between accounting principles and practices generally accepted in Hong Kong and those generally accepted in Canada is included in note 25 to the consolidated financial statements. Except as disclosed therein, none of those differences have a material effect on the consolidated financial statements.

Risks and Uncertainties

Each of the risks described under "Risk Factors" in Schedule B, together with other information contained in this Circular should be considered in evaluating Alexis and its business.

2.4 Mineral properties. Alexis has been operating since 1999 the Hami Projects through Yakesi and Jubao.

2.4.1 SRK Report

SRK Consulting (Canada) Inc. prepared the SRK Report on the Hami Projects. The principal authors of the SRK Report are Jean-Philippe Desrochers, Ph.D., P.Geo and Jean-François Couture, Ph.D., P.Geo, both employees of SRK. Dr Couture supervised the compilation of the report and is a "qualified person" within the meaning of NI 43-101. The SRK Report is based on site visits by SRK in March 2005. The following information relating to Hami Projects is derived from the SRK Report. Such information has been included herein with the prior consent and review of SRK. The SRK Report is available for inspection in Calgary at the office of the Corporation at 300, 1324-17th Avenue South West, Calgary, Alberta, T2T 5S8 during normal business hours. For the purposes of NI 43-101, the Hami Projects will be a material asset of the Resulting Issuer upon completion of the RTO.

2.4.2 Property Description and Location

The Hami Projects are located approximately 950 kilometres east of Urumqui, the capital city of the Xinjiang Uygur Autonomous region and approximately 140 kilometres east of Hami City.The Hami Projects comprise three distinct mineral mining properties: Huangshan, Huangshan Dong and Xiangshan.

At Huangshan Dong and Xiangshan, Alexis is currently mining nickel and copper mineralization from underground mines serviced by vertical shafts. The Huangshan project is currently under development. The nickel and copper mineralization extracted from the two mines and the projected production from the Huangshan project will be processed at the company's concentration facility located at approximately 50 kilometres to the west of the deposits.

The three projects comprise five distinct tenements arranged in three groups located within ten kilometres of each other and connected by graded gravel roads.

The *Huangshan* property consists of two contiguous tenements covering an aggregate area of approximately 198 hectares. The tenements are registered in the name of Yakesi.

The *Huangshan Dong* property comprises two contiguous tenements covering an aggregated area of approximatively 58 hectares. Three other tenements (Jiatai, Jiang Dong and Long Sheng) overlap the Huangshan Dong tenements. The mineral rights associated with each tenement vary according to depth. The Jiatai, Jiang Dong and Long Sheng properties comprise mineral rights to a vertical depth of 200 metres below the surface. Elsewhere within the Huangshan Dong tenements, Alexis holds mining rights from surface (1019 metre elevation) to a vertical depth of approximately 760 metres (280 metre elevation).

The *Xiangshan* property comprises one rectangular tenement covering an area of approximately 200 hectares. The tenements are registered in the name of Yakesi.

2.4.3 Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Hami Projects are located in a low mountain area characterized by rounded hills varying between 950 metres and 1050 metres in elevation. The mining area has a desert climate with temperatures ranging from forty degrees Celsius in July to minus thirty two degrees Celsius in January. Annual precipitation is thirty five millimetres per year, but the evaporation is 3,060 millimetres per year. Most of the moisture is received in July and August with spring and autumn experiencing northeasterly winds of up to 100 kilometres per hour. This sector has in the past experienced seismic activity of six to seven on the Richter scale, therefore planning for new mines and infrastructures considers seismicity in the design.

The mining complex and the concentration facility are accessed from the city of Hami via the newly constructed National Highway 312. The three mines and the concentration facility are internally connected by a newly constructed haulage road. The distance between the concentration facility and the mines is approximately 50 kilometres. The haul road and other access roads within the mitre area alts, graded gravel.

Water is obtained from a well at the concentration facility. At the mine sites, the water is collected within the mines themselves. Although water is scarce in the mine zones, weathered fracture zones appear to be the best targets for additional groundwater development. Water quality in the intrusive rocks tends to be sodium chloride to magnesium sulphate type and largely non potable. In the Xiangshan area some water pockets occur between thirty metres and seventy metres. Other undeveloped prospects for water development could include sandstone, conglomerates and limestones of the Gandong Formation. In such units, if water is found the quality will likely be better than the water from zones in proximity to mineralization.

2.4.4 History

<u>Huangshan</u>

The potential for the Huangshan project to host nickel-copper mineralization was identified by the No. 907 Team of the National Geology Survey in 1977. The zone was identified as a magnetic high anomaly on the same regional aeromagnetic survey that helped identify the Huangshan Dong zone. This discovery was followed up by ground gravity and resistivity surveys to help delineating the mineralization.

During the period of 1978 to 1990, the No 6 Geological Survey Team conducted field work, including the drilling of 42,207 metres of core to test for the nickel and copper mineralization at depth. An additional borehole was also drilled on line 122 to test the No. 30 and No. 31 nickel-copper zones in 1999.

Alexis started the onsite development of the No. 146 shaft in March 2004, located in the northeast corner of the Huangshan property, to extract nickel and copper mineralization from the No. I and No.2 lenses.

Huangshan Dong

The geologists of the Xingjiang Bureau of Geology and Mines were the first to identify the copper mineralization of the No. 12 zone at Huangshan Dong during a regional geological survey in 1958. The No. 907 Team of the National Geological Survey performed a regional aeromagnetic survey in 1977 and identified a magnetic high anomaly over the same zone. The No. 6 Geological Survey Team was then commissioned in 1979 to follow up this anomaly on the ground. They conducted a 1:50,000 geological survey and found additional nickel, copper and cobalt mineralization in the 1033 highland. During the period of 1981 to 1986, the No.6 Geological Survey Team conducted additional work including geological mapping, geochemical sampling, trenching, core drilling, and resource calculation and subsequently decided to sink a shaft on the No. 12 mineralized zone. By 1997, the No.6 Geological Survey Team had identified a total of twenty mineralized lenses, including the No. 17 and No. 19 lenses that account for over 72 percent of the reported resources for the Huangshan Dong project.

During the period of 1995 to 1998, a group of investors visited the project several times to evaluate the possibility of developing a nickel-copper operation at Huangshan Dong. In May 1999 they founded the Hami Ju Bao Resources Ltd which was registered in China in July of the same year. The newly formed company bought the Huangshan Dong No. 12 deposit in June 1999. In August of the same year, Alexis also purchased the 50 tonnes per day concentrating facility located some 50 kilometres to the west of the Huangshan Dong project.

In October of 1999, the Huangshan Dong No. 12 Mine entered into production while tests were performed at the mill. In December 1999, following the acquisition of the nearby Xiangshan project, it was decided to build a larger mill with a capacity of 500 tons per day that would treat mined material from the Huangshan Dong and Xiangshan projects. The construction of the mill was completed in May 2000.

Alexis contracted the No. 6 Geological Survey Team in 2000 to conduct additional geological work on the No. 17 deposit. The team opened and mapped three trenches for a total length of 2104 metres and drilled four diamond holes for a total of 1478.72 metres.

The construction of the Huangshan Dong No.17 Mine started in October of 2001 and in December of 2002, Alexis started to sink the No. 1 shaft on Zone 12.

Xiangshan

Very little information is known about the exploration history at the Xiangshan nickel-copper project. The potential to host nickel and copper mineralization at Xiangshan was probably identified in the 1977 regional aeromagnetic survey performed by the No.907 Team of the National Geology Survey.

By 1997, the No.704 Team of the Xinjiang Bureau of Non Ferrous Geology and Exploration had drilled a total of seventeen boreholes and collected bulk samples from two 200 metres deep shafts. In September 1999, Alexis purchased the Xiangshan property and started production in December of the same year.

During 2003 and 2004, Alexis discovered additional high grade mineralization from underground drilling and identified near surface nickel-copper mineralization in the western part of the property.

2.4.5 Regional Geology

The Hami Project is located along the southern margin of the oroclinally folded Hercynian Altaid or Central Asian Orogenic Belt (Qin et al., 2003). This orogenic belt is the result of episodic and complex accretion of Phanerozoic terranes including oceanic arcs, turbidite sequences, and fragments of Proterozoic micro continent blocks (Yakubchuk et al. 2003, Qin et a1., 2003). These terranes accreted to the north on the south side of the Siberian craton and the Eastern Europe craton in a Cordillan type orogeny. The accretion took place between the Ordovician and the late Carboniferous but intense magmatic activity continued until the Permian. This intense magmatic activity includes early Permian alkalic granite and mafic to ultramafic complexes, calc aicalic enriched granitoids, and volcanic rocks.

All rocks were subsequently overprinted by the Alpine Himalayan deformation event that began just after the start of the Tertiary. Several crustal scale structures developed during accretion and had a long history of post accretion movements. Some of the important structures include the Irtysh fault zone to the north (Goldfarb et al., 2003) and the Kanggur Huangshan Fracture (Qin et al., 2003) that borders the Kangguertag collisional belt to the south..

The region of the Hami Mining Complex is underlain by multiple elongated volcanic and sedimentary belts. The belts are continuous for several hundreds of kilometres but they are generally less than 30 kilometres wide. The following belts are present from north to south:

- ***Southern Turfan Hami marginal magmatic belt:*** This belt consists of Devonian to Carboniferous calc-alcalic volcanic units including interlayered clastic sedimentary rocks. It may also include Ordovician to Silurian calc-alcalic basalt to rhyolite units. The rocks of this belt are intruded by diorite, granodiorite and granite intrusions dated at 383 ±9Ma and 357 ±6.2 Ma on zircon (Song et al., 2002). This belt is interpreted as being a remnant of an island arc (Li et al., 2003);

- ***Kangguertag collisional belt:*** This belt corresponds to a strong, 10-20 kilometres wide, deformation zone that extends east west for 600 kilometres. Based on seismic data, Xu et al. (1992) interpreted a steep northerly dip for the belt. This belt comprises Devonian to Carboniferous volcanic and sedimentary rocks intruded by lat Carboniferous and Permian plutons. Several ultramafic to mafic complexes intrude the volcano-sedimentary package and several host copper and nickel mineralization. The Xinjiang Mining Complex is located in the eastern part of this belt. Magmatic zircon from two gabbro units yielded Permian ages of 269.2 ±3.2 Ma and 277.0 ±1.6 Ma, respectively (Li et al, 2003). This belt of highly deformed rocks forms part of a Devonian and Carboniferous island arc;

- ***Kushui Gandum Marginal belt:*** This belt is characterized by Carboniferous terrigenous clastic sedimentary rocks interlayered with limestone. This

sedimentary sequence grades into a sequence of bi-modal volcanic units including basalt, andesite, felsic flows, and tuffaceous units. A series of subvolcanic dikes and hypabyssal bodies intrude the lower sedimentary sequence. This belt is interpreted as a passive margin;

- ***Yamansu Aquishan Belt:*** This belt is comprised by Carboniferous terrigenous clastic sedimentary rocks interlayered with limestone. This sedimentary sequence grades into a sequence of bi-modal volcanic units including basalt, andesite, felsic flows, and tuffaceous units. A series of sub volcanic dikes and hypabyssal bodies intrude the lower sedimentary sequence. This belt is interpreted as a passive margin;

- ***Central Tianshan:*** This belt consists of middle Proterozoic metamorphic rocks comprising gneiss, schists, marbles, phyllite, amphibolite, and quartzite. These rocks are partly overlain by Carboniferous limestone and volcanic rocks intruded by Permian intrusions. A series of ophiolite bodies are also present in the southern portion of the belt. The central Tianshan belt is interpreted as a Proterozoic continental block affected by crustal extension during early Caiboniferous. The belt is juxtaposed to the south against the Tarim craton consisting of Archean and Proterozoic metamorphic sedimentary sequences partly covered by Cambrian to Ordovician volcanic units.

The belts are oriented mostly east west and are bounded by major fault zones. The fault zones generally dip steeply to the north but southerly dips are also present, as in the case of the North Marginal Fracture. Movements along these faults are interpreted as initially dextral followed by sinistral episodes that probably occurred during the Permian.

Several deposit types are present in the orogenic belts. These include volcanogenic massive sulphides (VMS), epithermal gold, mesothermal gold, and magmatic ultramafic mafic nickel-copper deposits. The magmatic nickel-copper deposits are associated with the major crustal scale fault zones such as the Irtysh fault zone to the north and the Kanggur Huangshan Fracture to the south. The Hami Mining Complex is located along the Kanggur-Huangshan Fracture whereas the Dragon Environmental Corporation's Kelatongke nickel-copper deposit is associated with the Irtysh fault zone.

2.4.6 Geology of the Hami Projects

The Hami Projects are hosted by a series of mafic to ultramafic intrusions varying from gabbro through pyroxenite to peridotite. The intrusions are several hundreds of metres in length but they are only 200 to 500 metres thick. In some cases they have been tested to a vertical depth of up to 1,500 metres below the surface.

The intrusions vary in orientation from east-west to northeast-southwest. The change in orientation is locally related to folding as in the case of the Huangshan and the Huangshan Dong deposits. A gabbroic unit from the Xiangshan deposit yielded a zircon age of 285 ±1.2 Ma (Qin, 2000) which is similar to the age of mineralization of 282 ±20 Ma reported for the Huangshan Dong mineralization.

The mafic to ultramafic bodies intrude a Carboniferous sequence of intermediate to felsic volcanic rocks and detrital and chemical sedimentary rocks. A thermal aureole of metamorphism is developed around each complex. The following paragraphs describe the local geological setting for each deposit.

Huangshan

The Huangshan deposit is the westernmost of the three deposits and lies on the northeast limit of the Jiaoluotag anticlinorium of the Tianshan fold belt. Rock types in the Huangshan deposit area include the following units from top to bottom: gabbroic diorite, hazburgite, lherzolite, hornblende olivine websterite, horriblende, pyoxenite, and blinopyroxene rich niorite. These mafic ultramafic bodies intrude a sequence of limestone, sandstone, and conglomerate units. The contact of the intrusive complex with the sedimentary rocks is marked by feldspar quartz hornfel, approximately 100 metres in thickness. The intrusive complex is partly covered by a sequence of Quaternary sediments in its eastern portion.

The Huangshan intrusive complex has a lopolith shape with an elongated tail extending for several hundreds of metres to the east. The intrusive complex is approximately 3,950 metres long, 600 metres thick on the west side and 55 metres thick near its eastern margin. On section, the intrusive complex has a dyke like shape and extends for at least 1,500 metres below the surface in the western part of the intrusive complex, where the feeder zone is located. Both contacts of the intrusive complex dip steeply towards the center of the intrusion.

The contact between the outer gabbroic diorite and the ultramafic complex coincides with a steeply dipping fault and a 10-50 metres thick chlorite talc schist. A series of northwest trending faults cross cut the intrusive complex, the surrounding sedimentary rocks, and the fault zone at the diorite ultramafic contact. More intense faulting and quartz veining are mapped proximal to mineralized zones. Apparent movements along the northwest-trending faults are generally dextral although some sinistral movements are also present, thus suggesting a component of vertical movement along these faults. Metallic mineralization is predominately found in the gabbroic diorite unit, near the faulted contact with the ultramafic complex.

Huangshan Dong

The Huangshan Dong deposit lies approximately 11 kilometres to the east-northeast of the Huangshan deposit. The geology surrounding the Huangshan Dong deposit consists of middle to lower Carboniferous slate, sandstone, minor conglomerate, and limestone of the Gandong Formation intruded by the Huangshan Dong mafic-ultramafic intrusive complex.

The intrusive complex has a lopolith shape with a possible feeder zone located in its western portion. The complex extends for 5.3 kilometres in an east-northeast direction and is up to 1.1 kilometre thick. Deep diamond drilling has confirmed its depth extension to at least 1,000 metres below the surface.

The Huangshan Dong intrusive complex comprises several mafic to ultramafic units. It has been sub divided into three main magmatic phases on the basis of cross-cutting relationships. The first magmatic phase includes diorite and gabbro units occurring mostly in the eastern and superior part

of the intrusive complex. The second phase is represented by a large hornblende gabbronorite that hosts most of the nickel-copper mineralization. Extensive gabbro, peridotite, troctolite, and homblendite units were also injected during this second magmatic phase and contain local mineralization at their lower contact. A minor leucogabbro unit is also present in the western portion of the intrusive complex. The third magmatic phase corresponds to a sequence of peridotite and pyroxenite located mostly at the base and the eastern portion of the main intrusive complex. It hosts mostly low grade nickel and copper mineralization.

The ultramafic complex is partly covered to the north by Tertiary and Quaternary units, including chemical lake sedimentation and silt and conglomerate fans related to flash flood periods in valleys.

The Huangshan Dong intrusive complex and the nickel-copper mineralization are folded into an open synclinal plunging moderately to the east. They are also cut by a few east southeast to southeast trending faults with apparent dextral movements of a few metres. Some of these faults may dislocate mineralized zones at depth.

Xiangshan

The Xiangshan mafic to ultramafic intrusive complex extends for a distance for approximately nine kilometres to the east northeast and is approximately 300 to 500 metres thick. It has been tested down to approximately 500 metres below the surface in the area of the main nickel-copper mineralization. This intrusive complex has a lopolith or funnel shape with a feeder zone centered on section 24.

The intrusive complex is characterized by hornblende-rich and olivine-rich gabbro, pyroxenite, and peridotite. Diabase units are also present in the periphery of the main intrusive complex. Internal contacts between the units of the intrusive complex are generally sub horizontal.

This complex intrudes a sequence of Carboniferous andesite, porphyritic andesite, andesitic tuff, and rhyolitic tuff. A few late and thin dioritic and porphyritic granite dykes cut the sequence or are located at important intrusive contacts. The volcanic and intrusive rocks are partly covered with Quaternary sediments.

The intrusive complex is cut by several east-trending reverse faults with important movements, thus juxtaposing different lithologies. At its western limit, the contacts of the intrusive complex with the surrounding volcanic rocks coincide with east trending faults. In addition, a few north-northwest sinistral transcurrent faults displace the contacts and the east-trending faults for up to several tens of metres.

2.4.7 Deposit Types

The type of mineralization at the Hami mining complex is referred to as magmatic nickel-copper platinum group elements (PGE) deposits associated with a rift environment (Eckstrand, 1995). The Noril'sk nickel-copper deposit in Siberia (reported resource of 555 million tonnes grading an average of 2.7 percent nickel, 2.07 percent copper in Eckstrand, 1995) and the Duluth nickel-copper deposit in Minnesota (reported total resource of 4,000 million tonnes grading an average of 0.2 percent nickel, 0.66 percent nickel in Eckstrand, 1995) are two world class examples of this type

of deposit. As in the case of the Hami complex, the Noril'sk nickel-copper deposit is also associated with a major crustal fault zone (Noril'sk Kharaleyakh) that is interpreted as the main magmatic and mineralization conduit for the formation of the Noril'sk deposit.

These deposits are developed in large stratified sills and dykes of mafic to ultramafic composition. Such deposits form by the exsolution of immiscible sulphide liquids from mafic to ultratnafic mamas during magma crystallisation. The immiscible sulphide liquid forms droplets that settle through less dense silicate magma and typically accumulate in depressions near the base of the cooling intrusion (Foose et al., 1995). The sulphide minerals, consisting of pyrrhotite, chalcopyrite, and pentlandite, form disseminated texture passing downwards to massive sulphide mineralization. The resulting mineralized zones are frequently lenticular and irregular in shape.

The nickel-copper mineralization of the Hami Mining Complex is present within kilometric mafic to ultramafic intrusions associated with the crustal-scale Kanggur Huangshan Fracture. Internal sub-horizontal to moderately dipping stratification within the intrusions is marked by different intrusive phases. The intrusions are lopolitic to funnel shaped with a feeder zone extending for several hundreds of meters below the surface. The nickel-copper mineralization is generally present at the bottom of a particular intrusive phase.

In addition to the Hami Mining Complex, a few other fault related mineralized mafic ultramafic bodies are also present in the Altaid Orogenic Belt. These include the Hulu copper nickel deposit to the east of the Hami complex and also associated with the Kanggur Huangshan Fracture and the Kelatongke copper nickel deposit associated with the Irtysh fault zone to the north. In the southern portion of the belt, the Huangshan and the Huangshan Dong deposits represents the two largest deposits that are being mined.

2.4.8 Mineralization

The magmatic nickel-copper mineralization has been dated at the Huangshan Dong deposit at 282 ±20 Ma (Re Os on sulphide; Mao et al., 2002). This age is consistent with the crystallization age of a gabbroic unit at the Xiangshan deposit (285 ±2 Ma) and confirms that the mineralization is syn magmatic.

The mineralization present at the Hami mining Complex is hosted in mafic ultramafic bodies ranging from 3.9 to nine kilometres in length.

The mafic to ultramafic magma is the product of partial melting of a depleted mantle with some crustal contamination in response to a shift from syn-collisional compression to post collisional extension at the end of the Altaid orogeny. Reactivation of the major terrane boundary structures may have reached the mantle and served as a conduit for magma to rise in the upper crust. The following paragraphs describe each of the three deposits in more detail.

<u>Huangshan</u>

The bulk of the nickel-copper mineralization is found within mineralized zones No. 30 and No. 31 and is hosted in a hazburgite unit at the base of the ultramafic intrusive complex and on the

southern flank of the intrusive complex. However, the Huangshan project as a whole includes 74 large and small mineralized zones, some of which have only been intersected with one drill hole.

The mineralized zone No. 30 is located at the base of the hazburgite unit and contains 76 percent of the reported resources. This zone corresponds to nickel and copper sulphides interlayer within the hazburgite. The zone measures approximately 700 metres east west by 60 metres in thickness and has a down dip (50 degrees) extension of up to 700 metres. Nickel grades in mineralized zone No.30 are up to 1.95 percent whereas copper grades are up to 2.3 percent.

The mineralized zone No. 31 contains 12 percent of the reported resources. It is located some 30 to 50 metres above and sub parallel the No. 30 mineralized zone. This zone measures approximately 350 metres in an east-west direction and up to 600 metres of down dip extension (approximately 60 degrees). It reaches a maximum thickness of 55 metres on section 118.

The mineralized zones No. 1 and No. 2 are located on section 146, approximately 1,100 metres to the northeast of the No. 30 and No. 31 mineralized zones. These two mineralized zones are located on the northern flank of the ultramafic intrusive complex at the base of a peridotite unit. The two zones are sub parallel and dip steeply to the south, along the contact. Both zones are separated by approximate five metres. The No. 1 zone is approximately 260 metres long in an east west direction whereas the No. 2 zone extends for approximately 330 metres in the same direction. Both zones are five metres in thickness and have been tested to a depth of 140 metres. These zones are accessed via a small vertical shaft (No. 146 shaft) and an adit located 100 metres to the northwest of the shaft.

Huangshan Dong

The Huangshan Dong intrusive complex comprises a total of sixty nickel and copper mineralized lenses, some of which have been intersected only with one borehole. The most important mineralized zones identified so far correspond to zones No. 6, No. 12, and No. 17. The first two zones are associated with hornblende gabbronorite and leuco gabbro of the second magmatic phase whereas the No. 17 mineralized zone is located near the lower contact of the peridotite unit of the second magmatic phase.

The sulphide mineralization at Huangshan Dong comprises pentlandite, pyrrhotite and chalcopyrite. Near surface mineralization has been partly oxidized to copper oxides. Texture of the metal mineralization includes vuggy iron but most of the sulphides are semi idiomorphic or allomorhic with some leaf blade texture. Gangue minerals include olivine, pyroxene, plagioclase feldspar, and amphibole.

The nickel-copper mineralization is also associated with cobalt, gold, silver, and platinum group metals (PGMs). Gold values generally range between 0.1 and 0.3 gpt whereas silver assays between 5 and 10 gpt. Qin et al., (2003) reported values of 0.023 gpt lo 0.11 apt platinum and 0.03 to 0.13 gpt palladium.

The No. 6 mineralized zone is oriented east northeast and dips steeply to the south. It is approximately 550 metres long by 50 metres thick and extends for approximately 200 metres down dip. This zone is present at a depth 450 to 650 metres below the surface.

Nickel and copper minerals are extracted from the No. 12 mineralized zone using the shafts No: I and No. 3. This zone is approximately 600 metres long in an east northeast direction and 50 metres in thickness. Its down-dip extension varies between 150 and 180 metres. The zone starts at approximately 350 metres below the surface and plunges moderately to the east to a depth of 750 metres around section 1, and flattens further to the east.

The No. 17 mineralized zone is located approximately 700 metres to the east-northeast of zone No. 12. It extends for approximately 1,500 metres to the east northeast and measures between 10 and 30 metres in thickness. This nickel-copper mineralized zone has a concave upward shape both on north-south section and on longitudinal section. Its north-south extension is up to 400 metres. The zone of best grade and continuity is found between sections 12 and 22. The No. 17 mineralized zone is accessed through the No. 8 shaft.

Xiangshan

The Xiangshan project comprises a total of sixteen mineralized zones or lenses. Two of these zones (No. 1 and No. 2) are classified as high-grade by the No.6 Geological Survey Team and are currently being mined. The mineralized zone No. 1 is located some 35 metres above zone No. 2. The nickel-copper mineralization is located near the lower contact of an altered gabbro. Both zones have a concave shape and dip steeply to the south on surface but change for a moderate to steep dip to the north below a depth of 200 metres. At this point, the two zones also merge together and the combined zone reaches their maximum thickness.

The No. 1 mineralized zone is approximately 600 metres long by 10 to 25 metres thick in an east northeast orientation. The mineralized zone starts on surface, where it forms a gossan, and extends to 260 metres below the surface.

The No. 2 mineralized zone is approximately 600 metres by up to 60 metres in thickness and extends to 400 metres below the surface but it remains open at depth.

2.4.9 Exploration

Each deposit area was subject of extensive and meticulous exploration by the Chinese Geological Survey Teams No. 6 and No.704 during the period 1977 to 2000. Typically exploration programs carried out under the control of the Geological team involves comprehensive collection of geological, geophysical, and geochemical data. Regional mapping and sampling is followed by systematic diamond drilling and academic studies designed to obtain a comprehensive understanding of the nature and geological characteristics of the deposits under exploration.

The Chinese Geological teams prepared detailed reports of field investigation for each of the three deposits. These reports include detailed surface maps and cross sections based on surface mapping and drill hole information. All the reports are in Chinese and only minor sections of the reports have been translated into English. SRK considers this information to be very good and generally a reliable source of information.

2.4.10 Diamond Drilling

Several surface diamond drilling programs have been performed to delineate the mineralization at the Hami Mining Complex. The following paragraphs describe the most salient features of the drilling programs in the three deposits.

Huangshan

Drilling programs were completed between 1981 and 1990 by the No. 6 Geological Survey Team. A total of 42,207.65 metres in 62 boreholes was drilled along north south sections. The sections are spaced every 100 metres except in the area of the No. 10 mineralized zone where the spacing is reduced to fifty metres. Drill hole spacing along the sections varies generally between fifty and 100 metres.

In general the holes were drilled at 49 millimetres diameter to a depth of 30 metres and then at 35 millimetres to the end of the hole. Core recovery varies between 80 and 95%.

The core of the Huangshan project is reported to be kept at the Huangshan Dong facility but SRK did not see the core shack where the core is reported to be kept during the site visit. There is a complete drill record including lithology, hole deviation, and assay results available.

Huangshan Dong

The drilling at Huangshan Dong was performed between 1982 and 1999. During this period the No.6 Geological Survey Team drilled 80 boreholes for a total of 46,596.93 metres.

The drill holes are set along north-south sections for the southern portion of the syncline and northwest southeast for its northern portion. The section spacing varies from 100 metres in the sectors of deposit SJ 1, SJ 3, SJ 8, and SJ 12 but increases to 200 metres to the east of line 12.

In general the holes were drilled at 49 millimetres diameter to a depth of 30 metres and then at 35 millimetres to the end of the hole. Core recovery varies between 80 and 95 percent.

There is no core available for this project since the boxes were mixed and damaged by local residents. However there is a complete drill record including lithology, hole deviation, and assay results available.

Xiangshan

The drilling programs were performed before the end of 1995 by the No. 704 Team of the Xinjiang Bureau of Non Ferrous Geology and Exploration. The team produced a report in January, 1996 from which the following information is extracted.

A total of 40,329.37 metres in 80 boreholes was completed to evaluate the mineralization at Xiangshan. The hole diameters were 90 millimetres arid 60 millimetres. The holes were drilled along north-northwest sections spaced between 50 and 100 metres. Most of the holes were drilled to the south southeast at a plunge of 80 to 85 degrees. Due to the plunge of the holes and the geometry

of the mineralized lenses, intersections are generally at shallow angles to the mineralized zone (30-50 degrees) and are not adequate to define the geometry and the limits of the zones.

The core drilled before 1989 was buried under a plastic tarp but most of it is destroyed now. An important quantity of the core obtained after 1989 is kept in a storage room at the Huangshan Dong site. The remaining core boxes are kept outside and are partly damaged.

Downhole Surveying

Boreholes drilled on the three projects were surveyed for azimuth and plunge deviation. However there are only records for the procedures used at the Huangshan project. In that case, typically the plunge of the holes were measured during drilling every 50 metres down the hole using a hydrofluoric acid test tube. The entire hole was surveyed every 100 metres at the end of the drilling using a magnetic instrument, thus providing unreliable azimuth readings in these magnetic ultramafic rocks and mineralization.

SRK could not comment on the validity of the surveys for the Xiangshan and the Huangshan Dong projects since the information concerning the instrument or method used to obtain those data is not available.

2.4.11 Sampling Approach and Methodology

A combination of trench samples and drill hole samples were collected to evaluate the mineralization at the Huangshan, Huangshan Dong, and Xiangshan projects. The following paragraphs describe the sampling approach for the three deposits used by the Chinese Geological Teams.

Huangshan

Surface Trenches. Although surface trenches are reported for the Huangshan intrusive complex, there is no available record of the surface sampling approach and methodology.

Drill Holes. Core samples collected for assaying correspond to intervals that had visual indication of nickel and copper mineralization. In addition, samples near the top and bottom parts of a mineralized section were collected for spectroscopic analysis. Samples returning spectroscopic results of greater than 0.15 percent for nickel and copper, and greater than 0.015 percent for cobalt were sent for the normal nickel, copper, and cobalt assaying. During the drill programs, a total of 8,330 samples were collected for nickel, copper, and cobalt determinations. In addition, an unknown number of samples were also assayed for silver and selenium. The samples were prepared at the No.6 Geological Team laboratory.

Huangshan Dong

Surface Trenches. An unknown number of samples were collected from the Huangshan Dong surface trenches. The samples were channelled at the trench bottom across the width of the mineralized interval over a sectional area of 3 by 10 centimetres and a length of one metre.

Drill holes. Drill core was split in the middle and half of it was sampled for assaying. Different sulphide bearing rocks and different anticipated grades of mineralization were sampled separately. Samples are generally one metre in length but since the samples were collected to reflect the different mineralization types, some samples were of shorter length. When a sample was over 0.5 metre but less one metre in length, it was sampled separately and given a unique number. When the sampling interval was less than 0.5 metre in length, contiguous samples were combined up to a 1.5 metre length. This sample was assigned a unique number. In addition, samples near the top and bottom parts of mineralized zones were collected for spectroscopic analysis. Samples returning spectroscopic results of greater than 0.15 percent for nickel and copper, and greater than 0.015 percent for cobalt were sent for the normal nickel, copper, and cobalt assaying. The samples were prepared at the No.6 Geological Team laboratory.

Xiangshan

Trenches. Surface nickel and copper mineralization was sampled using a systematic channel sampling method. The samples were taken along the centre line of the trench bottom on sectional areas of 8 by 5 centimetres, with a few exceptions at 8 by 3 centimetres or 10 by 3 centimetres. The minimum sample length was 50 centimetres it but varied generally between one and two metres. The samples were prepared for assaying at the laboratory of the No. 704 Team, Xinjiang Bureau of Non Ferrous Geology and Exploration.

Drill holes. The mineralized intervals were sampled in one and two metres lengths, with occasional samples smaller than fifty centimetres. The core was split in the middle and the two pieces of core were weighted. The relative weight difference was generally less than five percent. The saw and sludge tray were cleaned after each sample to prevent any cross sample contamination. The samples were prepared for assaying at the laboratory of the No. 704 Team, Xinjiang Bureau of Non Ferrous Geology and Exploration.

2.4.12 Sample Preparation and Analyses

Huangshan

The sample preparation procedure was not described by the No.6 Geological Team, Xinjiang Bureau of Geology and Mineral. A total of 8,330 core samples were assayed for copper, nickel, and cobalt at the laboratory of the No.6 Geological Team, Xinjiang Bureau of Geology and Mineral by acid digestion with an Atomic Absorption Spectrometry finish. A total of five to ten percent of the samples was internally checked at the lab against blind certified standards. A total of 440 samples, or 5.3 percent of the total samples, was also checked externally at the laboratory of Xinjiang Bureau of Geology and Mineral Resources. Nickel and copper values are reported to be within the acceptable relative error without indicating the failure test thresholds. In addition to the base metal mineralization, the No. 6 Geological Team also analyzed 314 samples for silver and selenium.

Huangshan Dong

The sample preparation procedure was not described by the No.6 Geological Team, Xinjiang Bureau of Geology and Mineral. A total of 28,576 surface and drill core samples were assayed for nickel, copper, and cobalt at the laboratory of the No.6 Geological Team, Xinjiang Bureau of

Geology and Mineral Resources by Atomic Absorption Spectrometry. In addition to the total nickel and total copper determinations, an unknown number of samples were also assayed for nickel sulphide and nickel silicate as well as copper oxide and copper sulphide.

A total of 618 samples, or 2.1 percent of the total samples, was sent to the Xinjiang Bureau of Geology and Mineral Resources laboratory for external checks. SRK obtained data for only 521 of those samples. Six of the samples had a grade above three percent nickel, 57 of the samples had a grade between one and three percent nickel, and the remaining samples had a grade between 0.1 and one percent nickel.

In addition, a total of 205 samples was assayed for silver and an unknown amount of samples were assayed for selenium. A suite of other elements comprising lead, zinc, arsenic, bismuth, iron, and antimony was also analyzed on an unknown number of samples from the different mineralized zones.

Summary of Check Assays Data collected by the No.6 Geological Team on the Hunagshan Dong Project.

Nickel Grade (%)	Number of external duplicates	Number of samples with values exceeding the tolerated error	Tolerated error (%)	Percentage of samples with values exceeding the tolerated error
>3	6	1	5	16.57
1-3	57	6	8	10.53
0.1-1	458	21	15	4.59
Total (Average)	521	28		(5.37)

Xiangshan

The sample preparation procedure was not described by the No. 704 Team of the Xinjiang Bureau of Non Ferrous Geology and Exploration. A total of 6,721 samples, of which 4,446 samples are from drill core, was assayed for copper, nickel, and cobalt at the laboratory of the No.704 Team by Atomic Absorption Spectrometry.

A total of twenty 24 samples, or 0.4, of the total samples, was checked internally for nickel at the No.704 Team laboratory and fourteen samples, or 0.2 percent of the total samples, were checked externally for nickel at the laboratory of the Xinjiang Bureau of Geology and Mineral Resources. The No.704 Geological Team also performed a total of fourteen internal checks and five external check assays for copper. The number of duplicate samples is insufficient to, adequately verify the validity of the original results.

Specific Gravity Data

A series of samples was collected for specific gravity measurements during the course of the drill programs performed at the three deposits. A total of 440 determinations was made at Huangshan

by immersion. At Huangshan Dong, specific gravity for 440 samples was measured whereas a total of only eleven specific gravity determinations was collected for the Xiangshan project.

The only detailed information concerning the methodology used for specific gravity determination is presented in a 2001 report prepared by the No.6 Geological Survey Team for the four boreholes drilled at the end of 2000 at Huangshan Dong. For those four boreholes, the specific gravity was determined using a volumetric method (water displacement). Core samples were weighted in air and immersed in water at the No.6 Geological Survey Team laboratory. A total of nineteen core samples was selected for density determination.

No specific gravity data were available to SRK for the Xiangshan project.

Variation of Specific Gravity Relative to the Nickel Grade for the Huangshan Deposit.

Number of Samples	Nickel grade (percent)	Specific Gravity (g/cm^3)
26	0.10-0.25	2.90
108	0.10-0.50	2.97
38	0.50-0.75	2.98
24	0.75-1.00	3.11
6	1.00-1.25	3.01
7	1.25-1.50	3.26
16	1.50-2.00	3.18
3	2.00-2.50	3.25
1	2.50-3.00	3.38
1	>3.00	3.92

Variation of Specific Gravity Relative to the Nickel Grade for the Huangshan Dong Deposit.

Number of Samples	Nickel grade (percent)	Specific Gravity (g/cm^3)
63	0.10-0.25	2.92
158	0.25-0.50	2.90
69	0.50-1.00	2.95
27	1.00-1.50	2.89
5	1.50-2.00	3.31
6	2.00-2.50	2.98
1	2.50-3.00	3.39
2	>3.00	3.84

2.4.13 Data Verification-Site Visit

SRK visited the Hami Projects in March 2005. The main purposes of the site visit were to ascertain the geological setting of the nickel-copper mineralization and to inspect the exploration and mining work undertaken by Alexis.

SRK visited underground exposures at Huangshan Dong and Xiangshan mines and examined several exposures on surface surrounding the Hunagshan mine area.

As part of this visit, SRK spent two days in Alexis' Hami office to examine historical exploration archives and to interview Alexis' technical staff regarding geological interpretations, data management and the mining operations.

During the site visit, SRK collected a total of six verification samples. Two underground samples were collected at the Huangshan Dong mine on the 710 metre level. Each sample consisted of a representative chip sample collected from the walls of active mining areas. Four samples were collected at the Xiangshan Mine, two samples from underground and two composite samples were collected from surface mineralization piles. A short description of each sample is presented in Table A below.

Verification samples were brought back to Toronto by SRK and submitted to ALS Chemex laboratories in Mississauga for assaying, along with two certified reference materials. All samples were assayed for a suite of sixteen elements (including nickel, copper and cobalt) by sodium peroxide fusion, acid digestion and followed by Inductively Coupled Plasma Atomic Emission Spectrometer ("ICPAES" method code: ME ICP81). Gold, palladium and platinum were assayed by fire assay with ICPAES finish on thirty grams of pulverized sub sample (method code: ME ICP23). In addition, the specific gravity of each sample was determined by immersion. Partial assay results are presented in Table B below.

Such a small sample collection cannot be considered statistically representative for assessing the average metallic grades at each deposit. They are nonetheless relevant to indicate the presence of useful metals in the sulphide mineralization sampled by SRK.

Assay results for certified reference materials inserted with the verification samples are within acceptable tolerance indicating that assay results for the verification samples are satisfactory.

Table A: Verification Samples collected by SRK at the Huangshan Dong and Xiangshan Mines, March 2005.

Sample_ID	UTM_E	UTM_N	Mine	Weight (kg)	Description
SRK-HM-01	643,650	4,681,607	HuangshanD	1.99	k #17 mine, U/G sample from Level 710m. Massive sulphide grab samples collected off the wall of a Xcut in ore. Mostly pyrrhotite with 1-5% chalcopyrite.
SRK-HM-02	643,650	4,681,607	HuangshanD	2.04	#17 mine, U/G sample from Level 710m. Coarse grained ultramafic rock (pyrroxenite peridotite) with 5-15% intergranular sulphides (pyrrhotite +/- chalcopyrite). Sheared and foliated.

SRK-HM-03	629,474	4,684,369	XS	2.26	U/G sample. Massive coarse grained massive gabbroic rock with 5-10% intergranular sulphides (Pyrrhotite-chalcopyrite).
SRK-HM-04	629,474	4,684,369	XS	3.02	U/G sample. Coarse grained ultramafic rock (pyroxenite) with 10-15% intergranular sulphides (pyrrhotite >> chalcopyrite).
SRK-HM-05	629,474	4,684,369	XS	1.49	Suface stock pule near the shaft. Massive sulphide (pyrrhotite, chalcopyrite +/- pyrite).
SRK-HM-06	629,474	4,684,369	XS	1.42	Surface stock pile near the shaft. Massive sulphide (pyrrhotite >> pyrite, chalcopyrite).

* Coordinates: UTM, datum WGS84.

Table B: Partial Assay Results for Verification Samples Collected by SRK at the Huangshan Dong and Xlangshan Mines*

Sample_ID	Lab_ID	Type	S.G.	Co	Cr	Cu	Ni	S	Au	Pt	Pd
			Unity	%	%	%	%	%	ppm	ppm	ppm
SRK-HM-01	SRKHM01	massive sulphide	4.20	0.19	0.02	0.51	6.26	31.60	0.012	0.041	0.022
SRK-HM-02	SRKHM02	5-15% sulphide	3.09	0.04	0.06	0.36	1.22	5.99	0.009	0.024	0.008
OREAS 14P	SRKHM03	CRM	3.53	0.08	0.01	1.01	2.13	23.80	0.031	0.048	0.077
SRK-HM-03	SRKHM04	5-10% sulphide	2.97	0.03	0.06	0.55	0.61	3.50	0.035	0.016	0.016
SRK-HM-04	SRKHM05	10-15% sulphide	3.02	0.03	0.06	1.49	0.55	5.92	0.192	0.011	0.031
OREAS 13P	SRKHM06	CRM	2.87	0.01	0.02	0.25	0.23	1.36	0.044	0.036	0.057
SRK-HM-05	SRKHM07	massive sulphide	4.27	0.19	0.02	0.13	3.95	35.10	0.012	0.049	0.029
SRK-HM-06	SRKHM08	massive sulphide	4.51	0.22	0.02	0.29	6.51	37.60	0.002	0.036	0.083

* Au Pt, Pd Ag assayed by Fire assay with ICPAES finish on 30g pulverized sub sample (ME ICP23);
Other elements assayed by sodium peroxide fusion, acid digestion followed by ICPAES (ME ICP81).
CRM = certified reference material from Ore Research and Exploration Pty Ltd, obtained from Analytical Solutions, Toronto, Ontario (http://www.explorationgeochem.com/)

Nickel grades in the verification samples vary between 1.22 and 6.51 percent. Copper grades vary between 0.12 and 1.49 percent and Cobalt tenors vary between 0.3 and 0.22 percent. Massive sulphide samples yielded the highest nickel and cobalt grades whereas the highest copper grades were obtained from disseminated sulphides in coarse grained gabbroic rocks. All samples assayed returned low gold, palladium and platinum values.

2.4.14 Mineral Processing and Metallurgy

During the site visit, SRK inspected the milling facility operated by Alexis near Hami which processes mineralized rock mined from the Huangshan Dong and Xiangshan Mines.

Construction of the processing plant commenced in January 2000 and was completed in May 2000. Production commenced in June 2000 and attained the design capacity of 500 tonnes per day during the month. The actual capacity limit of the plant is considered to be 600 tonnes per day. For the period between 2000 and 2001, the average production rate was reported to be 430 tonnes per day. From June 2002 to December 2004, the production rate was 500 to 520 tonnes per day. For December 2004, January 2005, and February 2005, the plant was shut down for routine maintenance. The production rate for March 2005 was 600 tonnes per day.

The production statistics for the processing plant are presented in Table C for the period 1999 to 2004

Table C: Historical Production Statistics for the Jubao Processing Plant, Period 1999 2004.

Year	1999	2000	2001	2002	2003	2004	Cumulative
Number of months of operation	3	10	9	10	10	9	**51**
Tonnage processed (t)	3,100	51,286	76,699	87,361	89,622	120,020	**428,087**
Head grade (Ni%)	0.97	0.74	0.65	0.72	0.72	0.92	**0.77**
Concentrate grade (Ni%)	6.48	5.49	5.66	5.29	5.45	5.58	**5.50**
Tailing grade (Ni%)	0.10	0.09	0.08	0.10	0.10	0.10	**0.09**
Concentrate (t)	419.3	6,072.9	7,801.9	10,379.9	10,425.8	17,965.3	**53,065**
Theoretical recovery (%)	90.5	89.3	89.1	83.8	87.7	90.6	**88.5**
Theoretical yield (%)	13.5	11.9	10.2	11.9	11.7	14.9	**12.4**
Ni Metal amount in original feed (t)	30.1	379.6	498.1	625.2	644.0	1102.0	**3,279**
Ni Metal amount in tailing (t)	3.2	47.9	62.0	83.7	86.8	118.9	**402**
Ni Metal amount recovered (t)	27.3	335.1	444.6	549.0	567.4	1015.0	**2,938**

The following stages are involved in the milling process:

Crushing. The plant is fed with a maximum material size of 400 millimetres. In the first stage of crushing, a 500 by 750 millimetres jaw crusher is used to reduce the particle size to less than 80mm. In the second stage, a 6108 cone crusher is employed. The cone crusher operates in closed circuit with one 1.8 metre by 3.6 metre vibrating sieve (17 millimetres to 35 millimetres) is used.

Grinding. In the grinding stage, the particle size is reduced from a maximum of 17 millimetres to a particle size distribution with 70 to 75 percent of the material passing 0.074 millimetres. The grinding circuit utilizes a 2 metre diameter ball mill that works with a spiral grader.

Flotation. The flotation circuit feed slurry density is 30 percent, with 70 to 75 percent passing 0.074 millimetres. The slurry pH is adjusted to approximately 8 by additions of sodium carbonate and sodium hydroxide (both have weak alkalinity). Collectors and frothing agents are used to float the Ni and Cu to produce a bulk concentrate. This is done in two flotation stages, each using 19 flotation cells.

Dewatering. After the dewatering, the concentrate target grades are set at 5.5 to 6.0 percent nickel, 3.0 to 3.5 percent copper and 0.20 to 0.22 percent cobalt. The production target is 13 percent, such that every 100 tonnes of plant feed will yield 13 tonnes of dewatered nickel-copper concentrate.

Tailings Disposal. The tailings dam is located about one kilometre from the processing plant, within a dry river bed. The available geological information indicates that there is a geological fault in the dam region. Between the fault and the processing plant, the groundwater is in close proximity to surface, being recharged by snow melt from the mountains in the region. On the other side of the fault the ground is apparently dry. The tailings are stored on the dry land side. At the time of the site visit, there were 5 ponds (each 200 metres by 200 metres by 2.5 metres high) constructed and available for tailings storage. The combined capacity of these tailings dams is approximately 2 to 2.5 years. The tailings are pumped from the processing plant to the tailings storage facility through a rigid 250 millimetres diameter pipe line. The water content in tailings is about 25 to 30 percent. During the 12 months prior to SRK's site visit, 120 kilotonnes of tailings were dumped and it is expected that 145 kilotonnes will be placed into the facility in 2005. No environmental rehabilitation plan has been developed.

Manpower in the processing plant includes 80 staff working for Alexis and 15 contractor workers. In terms of safety, there was one fatality reported in April 2001 when a worker was involved in a conveyor belt accident. Also, in December 2001, one employee injured his leg and required one month to recover.

2.4.15 Mineral Resource Estimation

The mineral resources for the Hami Projects were initially estimated by Chinese Geological Survey Teams during the 1990s, prior to commencement of mining and in accordance to the local Chinese classification system which differs from the classification proposed by the Canadian Institute of Mining and Metallurgy and Petroleum ("CIM") in the Standards on Mineral Resources and Reserves Definition and Guidelines (August, 2000).

Subsequently, SRK carried out limited additional modelling work on behalf of Alexis for a portion of the deposits between 1998 and 2004. However, the data supporting the historical resource estimates was not validated by SRK and the procedures and methodologies used by the Chinese Geological Survey Teams to derive the estimates were not audited by SRK.

Recommendations are expressed by SRK to undertake an exploration work program designed to address gaps in the technical information pertaining to the Hami projects, validate historical exploration data, and conduct limited infill drilling in support of a new resource estimate to update the technical disclosure about these projects to current Canadian guidelines.

2.4.16 Mining

Despite the fact that, under the NI 43-101 guidelines, there are no mineral resources and no mineral reserves on the Hami Projects, Alexis has been continuously mining nickel and copper mineralization at Huangshan Dong and Xiangshan underground mines. Also, underground mining development work is currently underway at Huangshan.

During the site visit, SRK witnessed the extent of the mining operations and inspected underground operations at Huangshan Dong, No. 12 Mine and at Xiangshan Mine. Furthermore, SRK visited the milling facilities located near Hami.

SRK considers these mining operations as relevant for disclosure. The following sections present factual technical information pertaining to the current mining operations carried out by Alexis as collected by SRK through interviews with mine personnel and personal visual inspections. SRK has not reviewed this information to assess the economic significance of the current mining operations.

Both Xiangshan and Huangshan Dong are operating mines, and Huangshan is in the development stage, with an inclined tunnel under construction. Xiangshan has one main shaft and one auxiliary shaft. Huangshan Dong has two Mining areas, namely:

- mining area No. 12 (zone No. 12) including shafts No. 1, 3 and 7, and;
- mining area No. 17 (zone No. 17) consisting of shafts No. 8 and 12.

In general, Mr. Shu He, a mining engineer employed by Alexis, is responsible for Xiangshan mine. Mr. Chen Qiang, a mining engineer employed by Alexis, is responsible for Huangshan Dong mining area 17, and Mr. Ren Guanliang, a geologist employed by Alexis, is responsible for Huangshan Dong mining area No. 12.

During the site visit, the Xiangshan main shaft and Huangshan Dong mining area No. 17 shaft No. 8 were visited, to collect samples of the mineralization being mined, and to assess the underground operations. The information presented in this section is based on observations made during the site visit as well as discussions with the above mentioned Alexis personnel. Mr. Shan Zhen Gang (Chief Engineer) and other Alexis staff also provided assistance to SRK.

2.4.16.1 Geotechnical

Geotechnical Database. Geotechnical data including remote data querying (RDQ) and other design parameters were requested by SRK but were not obtained or reviewed during the visit. No geotechnical design reports or consultant's reports were available for review. Subsequent to the site visit this information was requested, but has not been made available to SRK.

At the time of the site visit evidence of drilling was observed by SRK. This included borehole collars and also discarded and damaged core from previous drilling campaigns. SRK was advised that core was stored in a covered shed off site. No drill core was available for inspection at the time of the visit.

At the time of the site visit it was reported that the previous exploration company had done some rock strength testing, and that the Unconfined Compressive Strength ("UCS") for the surrounding rocks such as gabbros and peridotites was high. The peridotites tend to be weaker due to the deformation zone that is associated with them in some circumstances. SRK did not view any test results or summary data. However, SRK's observations indicate that the gabbro and peridotite exposed in the mines are strong to very strong rocks.

Ground Support Practices. In general, mine access tunnels are 2.2 metres wide by 2.0 metres high. Shafts are typically circular. At Xiangshan mine, the main and auxiliary shafts are 3.4 metres and 2.2 metres in diameter, respectively. At Huangshan Dong, shafts No. 1, 7, 8, and 12 are 4.5 metres, 3.6 metres, 3.0 metres and 3.6 metres in diameter, respectively. Shaft No.3 at Huangshan Dong is square with dimensions of two metres by four metres.

For Xiangshan mine shafts and shaft No. 3 at the Huangshan Dong mine, rockbolts and mesh were used to support the surrounding rocks. In shafts No.l and No.7 at Huangshan Dong mine concrete was used for support. Shotcrete was used in No.8 and No. 12 shafts at Huangshan Dong mine. The rockbolts used were 15 millimetres in diameter and 2.5 metres long, and the mesh was two metres wide by 5 metres long with 5 centimetres by 5 centimetres square openings. The concrete in the shafts is about 300 millilitres thick, and the shotcrete is 50 millimetres thick.

Mining depths are relatively shallow, less than 300m. Mine personnel have advised that the stress conditions in the mine are interpreted to be low, and that stress does not require special design features to improve design performance and safety. Microseismic monitoring is not used in any of the mines at this stage. SRK did not observe any features during the underground inspection that could be considered indicative of a high stress regime.

The surrounding rocks are strong, and according to Alexis personnel, no support is needed in most circumstances. In the fractured zones or shear zones, wooden sets or concrete walls with timber planking on the tunnel back, are used. Mine designs and the practice being observed allows for open spans of up to 12 metres for gently inclined deposits and up to 15 metres for the steeply deposits. In general there is no support used in stopes. In some circumstances pillars are used to support the roof.

According to the mine personnel there are no important structures that are sensitive to subsidence on surface in the vicinity of the mine workings. For this reason, old workings are not backfilled. SRK did not observe any sensitive structures above the mine workings and subsidence on surface was not observed during the site visit.

At the time of the site visit it was reported to SRK that one failure had occurred in the main shaft of the Xiangshan mine in July 2002 resulting in one fatality.

2.4.16.2 Mining Methods

Huangshan Mine. The Huangshan mine is in the development stage and has a decline of 234 metres inclined at an angle of 23 degrees. The decline is developed and managed by Wenzhou Tongye Co. The sinking of the main shaft is expected to start in August 2005.

Huangshan Dong Mining Area No.12. For mining area No. 12 at Huangshan Dong, the deposit is steeply inclined at 65 to 70 degrees. The mining method is the same as the one used at Xiangshan mine. The level design height is 45 to 50 metres. The thickness of deposit is approximately 5 to 6 metres: : For mining at area No. 12, the dilution rate is 7 to 8 percent and the mining loss rate is 25 to 30 percent. Mining area No. 12 has a production rate of about 60 kilotonnes per year.

Huangshan Dong Mining Area No.17. At the Huangshan Dong Mine, mining uses "room and pillar stoping". The deposit is a syncline structure with an average thickness of approximately 8 metres, inclined at 25 to 30 degrees. The inclined length of the stopes is 35 metres, the width 12 metres, and the width of the continuous rib pillars is 3 metres. The mining is conducted in 2 inclined slices. The first layer is 3.0 to 3.5 metres thick, and the second layer 3.5 to 7.5 metres. A deformation zone is adjacent to the roof, and a 0.5 metres thick "skin", or roof protection pillar, is designed to maintain roof stability. Mining of each layer progresses up dip from bottom to top. The blasted muck from the first layer is partly scraped out, and the remaining muck is used as a working platform to allow mining of the second layer above. For mining at area No. 17, the dilution rate is 10 percent and the mining loss rate is 27 percent.

For mining area No. 17, the design capacity is 60 kilotonnes per year, and since March 2004 the production rate has been 53 kilotonnes per year.

Shaft No. 8 is expected to be the auxiliary shaft, while shaft No. 12, scheduled for completion by the end of May 2005, will be the main shaft for mining. Production from shaft No. 12 will reportedly start by September 2005, ramping up to full scale production by December 2005 at a rate of 70 kilotonnes per year.

Xiangshan Mine. The mining method is called, "shallow shrinkage stoping" by the mine personnel. The deposits being extracted at the Xiangshan mine are inclined at 70 degrees with an average thickness of ten metres. The access tunnels to the stopes are 2.2 metres wide by 2.0 metres high. There are currently three stopes in the Xiangshan mine, designated stopes 6207, 504 and 670. The production is 60 kilotonnes per year or 220 tons per day including main and auxiliary shafts.

The design height is about fifty metres between levels. Pillars designed at the top and bottom of the stopes are five metres and six metres thick respectively. Draw cones are excavated at the bottom of the stopes, and they are spaced five to seven metres from center to center.

In the stopes, rock is broken using conventional drilling and blasting techniques. Blast holes are drilled to a depth of 1.0 to 1.5 metres at 30 degrees upwards. The blast hole spacing varies from 50 to 60 centimetres. The drill steel length is 2 metres and the hole diameter is 38 millimetres. The blast holes are drilled using hand held air leg drilling machines (YT7655) that consume 5 kilograms of air per minute. For each stope, there are 4 air leg machines; 2 for mining and 2 for breaking the oversize rocks. In terms of explosives, a product called No.2 rock ammonium nitrate explosive is used.

Mining is conducted from bottom level to the top in incremental horizontal slices of one meter thickness. One third of the blasted muck is removed from the stope and two thirds remains in the stope used as a working platform for the miners to stand on for drilling the next 1.0 metre lift. This cycle continues till the entire stope (50 metres) is drilled and blasted. Final mucking of the broken muck in the stope then takes place. At the Xiangshan mine, the dilution rate is about 10 percent and the loss rate to pillars is eight percent.

2.4.16.3 Production Statistics

The production statistics for Huangshan Dong No.3 shaft and No. 8 shaft are presented in Table D and Table E, respectively. The production statistics for Xiangshan mine are presented in Table 15. In 2004 mineralized rock extracted at the three underground mines was blended prior to processing. Grade data for individual mines is therefore not available (see Table C for aggregated data).

Table D. Huangshan Dong Mine No.3 Shaft Production Statistics, Period 1999 2004*.

	Year	Stock pile	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
Mined (t)												1,750	1,701	1,300	**4,751**
Hauled (t)												1,500	1,500	1,300	**4,300**
Stockpile (t)	1999											250	451	451	**451**
Ni grade (%)												0.86	0.87	0.92	**0.88**
Mined (t)			320	376	1,437	1,216	1,134	1,758	837	210	1,200	2,000	3,094	2,930	**16,512**
Hauled (t)			0	0	0	500	0	1,445	0	0	940	6,000	1,242	0	**10,126**
Stockpile (t)	2000	451	771	1,147	2,584	3,300	4,434	4,748	5,585	5,795	6,055	2,055	3,907	6,837	**6,837**
Ni grade (%)			1.12	0.94	0.88	0.90	0.86	0.88	0.92	1.24	0.98	0.91	0.92	0.82	**0.90**
Mined (t)			1,742	1,772	1,659	0	1,342	1,428	2,335	3,304	2,074	879	511	1,508	**18,553**
Hauled (t)			0	0	664	4,053	2,544	595	672	1,268	1,142	644	1,530	0	**13,111**
Stockpile (t)	2001	6,837	8,579	10,351	11,345	7,293	6,090	6,923	8,587	10,622	11,554	11,789	10,770	12,278	**12,278**
Ni grade (%)			0.77	0.77	0.78		0.67	0.62	0.70	0.58	0.92	1.15	1.02	1.02	**0.77**
Mined (t)			0	0	0	380	562	1,503	1,845	1,262	823	884	2,256	118	**9,633**
Hauled (t)			0	0	1,327	3,347	383	1,051	1,220	917	1,228	1,441	1,450	0	**12,363**
Stockpile (t)	2002	12,278	12,278	12,278	10,952	7,985	8,164	8,616	9,240	9,586	9,181	8,624	9,430	9,548	**9,548**
Ni grade (%)						0.90	0.74	0.75	0.72	0.77	0.70	0.76	0.82	0.75	**0.77**
Mined (t)		-8,500	0	0	250	480	356	793	419	597	1,500	1,305	604	379	**6,683**
Hauled (t)			0	0	470	831	166	713	832	402	1,120	1,863	503	162	**7,062**
Stockpile (t)	2003	1,048	1,048	1,048	828	477	667	747	334	529	909	351	452	668	**668**
Ni grade (%)					0.70	0.68	0.71	0.69	0.64	0.60	0.59	0.61	0.62	0.69	**0.60**
Mined (t)			593	593	1,848	2,224	2,387	2,002	2,902	2,180	2,661	250	0	2,634	**19,841**
Hauled (t)			467	467	1,910	2,287	2,638	2,649	2,649	2,087	2,728	763	0	0	**17,809**
Stockpile (t)	2004	668	795	795	892	829	578	552	552	645	579	66	66	2,700	**2,700**
Ni grade (%)															

***** Alexis took over the Huangshan Dong No. 1 mine 2 on June 23, 1999, resumed construction on July 8, 1999 to extend the vertical shaft and resumed production in October 1999, from Nov 1999 to May 2000, total three sales of extremely high grade ores are 2050t that were not counted in the material mined, transported and processed at the processing facility. The value of the extremely high grade sales was 920t at 1600yuan/t, 750t at 1200yuan/t, 580t at 750yuan/t. Production data from Alexis.

Table E. Huangshan Dong No. 17 Mine No.8 Shaft, Production Statistics, Period 2002¬2004*.

		Stock pile	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
											1,200	1,370	2,300	500	**5,370**
Mined (t)											490	1,988	2,292	417	**5,187**
Hauled (t)	2002										710	92	100	183	**183**
Stockpile (t)											0.98	0.96	1.32	1.11	**1.13**
Ni grade %)		1,700	1,918	1,763	1,428	2,300	1,941	1,800	1,600	4,350	4,500	3,850	4,438	1,687	**31,575**
Mined (t)	2003		0	0	4,820	4,309	2,099	188	1,108	4,220	4,232	4,987	5,138	402	**31,501**
Hauled (t)		1,883	3,801	5,564	2,172	162	5	1,617	2,109	2,239	2,507	1,371	671	1,957	**1,957**
Stockpile (t)			1,09	1,20	1,11	1,28	1,12	1,04	0,81	1,02	0.85	0.67	0.72	0.74	**0.93**
Ni grade %)			572	428	1,700	4,206	4,351	4,826	4,812	6,300	6,095	6,830	6,225	5,478	**51,823**
Mined (t)	2004		2,385	0	2,194	3,306	5,295	3,520	5,445	4,869	6,875	4,151	7,213	6,332	**51,585**
Hauled (t)		1,957	144	572	78	977	34	1,340	707	2,138	1,358	4,037	3,048	2,195	**2,195**
Stockpile (t)															

Alexis began construction of the No.8 shaft of No. 17 mine on May 8,2001, suspended from middle of June to September, resumed on October 18, 2001, developed to level 738 in August 2002 and began to mine in October 2002. Mining began on Level 710 in July 2003. Production data from Alexis.

Table F. Xiangshan Mine Production Statistics, Period 1999 2004*.

	Year	Stock pile	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
Mined (t)													2,235	2,531	**4,766**
Hauled (t)													0	1,200	**1,200**
Stockpile (t)	1999												2,235	3,566	**3,566**
Ni grade (%)													0.64	0.66	**0.65**
Mined (t)			1,500	500	2,051	2,000	3,296	5,465	7,013	7,785	7,197	7,026	8,093	7,926	**59,951**
Hauled (t)			496	0	1,461	386	1,486	4,899	10,962	8,972	6,174	3,233	3,318	0	**41,387**
Stockpile (t)	2000	3,566	4,570	5,070	5,660	7,274	9,084	9,749	5,800	4,613	5,636	9,429	14,204	22,130	**22,130**
Ni grade (%)			0.64	0.64	0.66	0.62	0.66	0.71	0.81	0.73	0.69	0.62	0.71	0.66	**0.69**
Mined (t)			6,895	7,230	6,962	2,520	2,313	2,312	2,109	5,800	8,032	8,791	199	8,384	**61,547**
Hauled (t)			496	1,464	8,054	514	5,186	10,474	8,623	5,651	10,328	6,377	4,308	0	**61,475**
Stockpile (t)	2001	22,130	28,529	34,295	33,203	35,209	32,336	24,174	17,660	17,809	15,513	17,927	13,818	22,202	**22,202**
Ni grade (%)			0.64	0.62	0.55	0.63	0.67	0.61	0.61	0.61	0.68	0.75	0.67	0.66	**0.65**
Mined (t)			4,524	5,646	4,532	4,755	5,107	7,619	6,600	7,157	6,090	7,529	6,225	5,600	**71,384**
Hauled (t)			0	0	7,133	6,670	7,004	10,889	10,059	9,048	6,257	8,622	6,502	0	**72,184**
Stockpile (t)	2002	22,202	26,726	32,372	29,771	27,856	25,959	22,689	19,230	17,339	17,172	16,079	15,802	21,402	**21,402**
Ni grade (%)			0.66	0.64	0.66	0.66	0.71	0.71	0.74	0.70	0.72	0.70	0.70	0.68	**0.69**
Mined (t)		16,200	1,662	300	3,500	4,060	4,969	6,380	5,698	4,398	4,048	4,128	5,452	116	**44,711**
Hauled (t)			0	0	3,407	7,573	5,933	8,265	5,078	4,914	3,421	4,125	6,094	586	**49,396**
Stockpile (t)	2003	5,202	6,864	7,164	7,257	3,744	2,780	895	1,515	999	1,626	1,629	987	517	**517**
Ni grade (%)			0.71	0.68	0.60	0.56	0.54	0.51	0.48	0.46	0.53	0.58	0.64	0.67	**0.55**

Table F. Xiangshan Mine Production Statistics, Period 1999 2004*.

	Year	Stock pile	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
Mined (t)			504	96	4,500	6,649	6,889	6,727	6,642	6,202	6,358	8,927	7,578	9,843	**70,914**
Hauled (t)			0	3.846	5.364	6.410	9.896	5.169	5.809	6.303	6.918	7.540	7,540	4,156	**61,411**
Stockpile (t)	2004	517	1,021	1.117	1.771	3.056	3.534	365	1.838	2.231	2.286	4.295	4,333	10,020	**10,020**
Ni grade (%)															

***** Alexis took over the Xiangshan Mine on 5 September 1999, resumed ,mining in November 1999. Production data from Alexis.

2.4.16.4 Grade Control

Alexis has initiated an underground drilling program to define deposits more precisely to provide direction for mine planning. Geologists sample the mining faces daily to confirm grades. Geologists also supervise the underground mining, on a daily basis. They are required to make decisions with respect to mining practice, and to instruct the mine contractors where to conduct the mining Contractor payments are linked to their conformance to the instructions given.

Alexis has an independent assay laboratory at the processing plant for the routine assaying of samples from the mine as well as samples taken from the processing plant. In the plant, the sampling schedule requires that for every half hour, samples for assay be taken from plant feed, concentrate, tailings, and the filter cake. A 7130 G VIS Spectrophotometer is used for copper and nickel analysis. This instrument is manufactured by Shanghai Precision Scientific Instrument Ltd.

The laboratory staff has developed a site specific calibration curve for copper and nickel. The copper standard is from Shanghai Chemical Reagent Company with a copper concentration of 99.999 percent. The nickel standard is from Jinchuan Company with a nickel concentration of 99.999 percent.

2.4.16.5 Mining Equipment

From discussions with mine personnel, SRK understands that:

- At the Huangshan Dong mine, YT 28 drilling machines (hand held air leg) are used to drill 38 millimetres diameter holes. The side tipping loading wagons used are 1.2 tonnes capacity. JK 2 by 1.2 (double drums of 1.2 metres diameter each) hoists are used at the main No. 8 shaft. The skip volume is 0.74 cubic meters (1.2 tonnes). Auxiliary shaft No. 12 will, by the end of the year, be fully operational as the main shaft.
- At the Xiangshan mine, drilling is carried out using hand held air leg drilling machines (YT7655). In stopes, an angle slusher is used to scrape the muck. Loading is done manually, normally by 3 to 4 persons into a side tipping wagon. The capacity of each wagon, which is pushed by hand, is 1.2 tonnes. At the shaft collar, the dumping is done by a mechanized device into a surface wagon, and the wagon is then manually pushed to one of two sites: the plant feed dump (stockpile), or the waste dump.

Surface trucks of 30 ton capacity are loaded by front end loader to transport the mined material to the processing plant.

2.4.16.6 Mine Services

Mine Backfill Description. No backfill is used for the current operations at Xiangshan, Huangshan Dong or Huangshan mines.

Shotcrete. No shotceto is used for the current operations at Huangshan, Huangshan Dong , and Xiangshast Xiangshan mines. Shotcrete was previously used in the shafts No. 8 and No12 at Huangshan Dong mine.

Rock Handling. Both mineralized rock and waste from the stopes are moved naturally in the steeply inclined deposits or manually in gently inclined deposits to the muck transfer raise opening. At the bottom of the raise the muck is loaded by chute into wagons. For the development tunnels, wagons are loaded manually by the shovel. Single 1.2 tonne wagons are then pushed manually by one or two persons to the shaft bottom. From there the muck is dumped to the skip which is hoisted to the surface. A mechanised device is used at the shaft top to dump the skip to the surface wagon, and the wagon is then manually pushed to the plant feed (stockpile) or waste dump. 30 tonne trucks transport the muck to the processing plant. The distance from the mine site to the plant is about 70 to 80 kilometres. In summer time, the trucks make 2 trips each day from mine site to the plant, while in winter they only make one trip due to the short period of daylight.

Mine Ventilation. At the Xiangshan mine, natural ventilation is assisted by mechanized ventilation. The ventilation fan is 11 kilowatts. There are 6 local fans and the air duct diameter 450 to 550 millimetres. Ventilation within the Huangshan Dong mine is similar to that at the Xiangshan mine. Natural ventilation is predominant and this is supplemented by mechanized ventilation. The local fan is 5 kilowatts and altogether there are three fans used for the dead end development headings. The ducting is flexible, with a diameter of 500 millimetres. Dust is controlled by spraying water into the air.

Compressed Air and Water Supply. At the Huangshan mine, water is transported from 30 kilometres away at a cost of 50 RMB/ton. At the Huangshan Dong mine there are three air compressors used at shaft No. 8 and two at shaft No.12 with a capacity of 10 cubic metres per minute each. There is one 20 cubic metres per minute and two 10 cubic metres per minute air compressors shared between shaft 1 and shaft No. 3. Shaft No.7 has a separate compressed air system. The water is transported from Tianlong company, 2 kilometres away at a rate of 50 RMB/ton. The Xiangshan mine has two air compressors on surface with a capacity of 10 cubic metres per minute each. Water is transported from a place called Miaoergou, 30 kilometres away. It is collected from a small ditch located at the foot of Tianshan Mountain. The cost of water supply is about 50 RMB/ton.

Mine Electrical Supply. The Huangshan Dong mine is supplied with electricity from the Hami electricity network. The electricity cost is 1.20 RMB per kilowatts per hours. At the Huangshan mine, power will be provided through a newly designed power network. Power network design details

were not available. At the Xiangshan mine, power is generated by two 12.5 kilowatts diesel powered generators. There is one spare emergency generator.

Mine Dewatering. SRK did not observe any significant water seepage into the underground mines. In general, at Xiangshan mine, the mine dewatering discharge is about 2 cubic metres per hour and at Huangshan Dong it was reported to be 0.5 cubic metre per hour or less. At Xiangshan mine, the underground water is pumped from the shaft bottom to a large container (about 10 cubic metres) located at the upper levels of the mine; and at Huangshan Dong water is pumped from the shaft bottom to a large container (about 10 cubic metres) at surface near the shaft collar, where the water is recycled back underground for mining use. In general, this recycled water can't be used for more than three times due to high alkalinity that may do harm to the drilling machines.

Mine Maintenance. Mining equipment both on surface and underground is maintained at the mine site by contractors called Huiyou Company. Maintenance is carried out by trained personnel.

Communications. The communication system is, in general, good. There is telephone communication between shaft bottom and surface. Telephones and mobile phones are also available in the mine site offices.

Mine Office and Dry Facilities. The mine office and other site buildings are of basic construction. The explosive storage was not inspected during the visit. The mine sites and processing plant have canteens that were judged to be hygienic by SRK.

2.4.16.7 Site Infrastructure and Services

Access to the mine site from Hami is by a high quality highway for the first 100 kilometres. The road then becomes a rough forty kilometres access road. The three mines are within approximately half an hour driving distance of each other. The surface buildings are all basic.

The processing plant is located at approximately sixty seven kilometres from Hami. Access is via a 60 kilometres good quality highway and 7 kilometres of good quality dirt road. The tailings dam is located about 1 kilometre from the processing plant, within a dry river bed.

2.4.16.8 Surface Transportation

The mine site has a stockpile that contains about 20 kilotonnes of the mined material. This represents more than 1 month processing supply. Some basic hand sorting is done to ensure the mineralized rock is roughly separated from the wasie rock. For big oversized material, secondary blasting is used to break the blocks into smaller blocks (less than 400 millimetres by 400 millimetres). The oversized blocks amount to approximately 5 percent of the mined material.

Thirty ton trucks are loaded by a front end loader for transport of the mined material to the processing plant 70 to 80 kilometres away.

At the plant there is a smaller stockpile that contains about seven kilotonnes. This represents a supply of about twelve days for the processing plant.

2.4.17 Recommendations

2.4.17.1 Introduction

The geological setting and character of the nickel-copper mineralization currently being extracted from the Hami Projects is of sufficient merit to justify the following work program.

The work program recommended by SRK is primarily designed to address three objectives:

- Validation and limited infill drilling to support a mineral resource estimation in compliance with NI 43-101 and NI 43-101F1;
- Audit of the current mining operations and additional engineering and environmental studies to develop mineral reserves;
- And finally, regional exploration work outside the mining areas in the remainder of the tenements.

2.4.17.2 Validation Drilling and Resource Estimation

Considering the geology of the nickel and copper mineralization and the extensive exploration carried out by the Chinese Geological Teams at each project, it is strongly recommended that all available hard copy geological data, such as borehole, trenching and underground sampling data be digitized into a suitable database. In this process, other geological, geochemical and geophysical data should also be digitized to assist future exploration needs.

Underground excavations and mining areas should also be digitized from available surveying maps and level plans. The location of all underground sampling data should also be properly digitized and assay data captured into a suitable database. This information will be required to properly account for mined out areas in the resource model to be constructed for each deposit.

The Chinese resources are not appropriate for public disclosure in Canada except as historical resources as permitted under NI 43-101. The classification of any of the nickel and copper mineralization as mineral resource under NI 43-101 requires the construction of a new resource model for all nickel and copper mineralization zones for which there is sufficient sampling information.

In order to use any of the historical drilling data, SRK strongly recommends that Alexis undertake a verification drilling program designed to duplicate a certain number drilling intersections to confirm the reliability of historical assaying data for resource estimation.

At Huangshan SRK recommends drilling two verification boreholes in each of Zones No. 146 and Zones No.30 and 31 (four holes totalling approximately 2,000 metres). At Huangshan Dong, four boreholes should be drilled to validate assay data in each of zones No. 12 and No. 17 (eight holes for a total of approximately 800 metres). Finally, at Xiangshan, four underground holes should test the main mineralization with the objective of duplicating historical surface intercepts (four holes for a total of approximately 400 metres).

Although the magnitude of a robust verification drilling program may only be determined once actual drilling results have been received, SRK considers that the proposed drilling program should be sufficient for validating historical assaying results. Drilling results should be scrutinized as they are acquired and any significant discrepancies between new and old drilling data should trigger a more exhaustive review of historical data.

Finally, many nickel and copper bearing zones are defined by limited surface drilling data; several of the smaller zones have been penetrated by only one or two boreholes. Moreover, most of the holes were drilled sub vertically and have interested the mineralized zones at a poor angle to define the geometry, the limits and the average grade distribution of the zones. SRK is of the opinion that in addition to the verification drilling, a delineation drilling program may be required to confirm the lateral continuity of the nickel and copper mineralization and delineate more completely several zones.

At Huangshan, SRK considers that an additional three boreholes totalling approximately 600 metres, would be required to enhance the delineation of Zone No. 146. At Huangshan Dong, a total of fourteen holes are recommended to enhance the delineation of Zones No. 12, No. 17 and No. 1 (approximately 1,400 metres). SRK recommends that six underground holes test the continuity of the main nickel mineralization zone. In total SRK estimates that a delineation program totalling approximately 3,200 metes in 23 boreholes would greatly enhance the confidence in the lateral continuity of the nickel and copper mineralization. This additional drilling information would also be of great value in assessing the spatial variability of grade across each zone and the resulting resource model would be considerably more robust.

SRK recommends that Alexis implement robust quality assurance and quality control measures during the acquisition of any future drilling information. In addition, since the targeted nickel mineralization is very rich in conductive sulphides, SRK recommends that downhole geophysical surveys be considered. Borehole lateral deviation should be monitored regularly with optical or gyroscopic devices non sensitive to magnetic properties of the rocks.

Following the completion of the verification and delineation drilling program, the mineral resources for each project should be re estimated using a computerized three dimensional geostatistical approach.

The estimated costs of the recommended work program are presented in Table G. The cost estimate for drilling assumes that drilling equipment is readily available near Hami (surface and underground drill rigs capable of drilling angled HQ size holes). In this estimate, SRK used a flat rate of US$125 per metre drilled inclusive of drilling supervision, surveying, geology, assaying and downhole geophysical surveying.

Table G. Breakdown of the Estimated Costs for the Recommended Work Program for the Huangshan, Huangshan Dong and Xiangshan Projects, Xinjiang Uighur Autonomous Region.

		Huangshan		Huangshan Dong		Xiangshan		Total	
	unit cost (US$)	unit	cost (US$)	unit	cost (US$)	unit	cost (US$)	**unit**	**cost (US$)**
Phase 1. Verification Drilling, Resource Estimation									
Compilation/Digitization			$25,000				$25,000		**$75,000**
Verification drilling	$125 metre	2,000	$250,000	800	$100,000	400	$50,000		
Delineation drilling	$125 metre	1,400	$175,000	600	$75,000	1,200	$150,000	**3,200**	**$400,000**
Database creation	Flat estimate		$15,000		$15,000		$15,000		**$45,000**
Resource modelling	Flat estimate								**$75,000**
Sub-total Phase 1			**$465,000**		**$215,000**		**$240,000**		**$920,000**
Phase 2. Developing an Ore Reserve									
Geology									
Ore Reserve estimate									
Metallurgy									
Tailing management									
Closure plan									**$250,000**
Technical report									**$250,000**
Sub-total Phase 2	approximatively 1,000 men hours, all inclusive								
Phase 3. Exploration peripheral to the mining operations									
Geological modelling									
Exploration drilling	$125 metre	20,000	$2,500,000	15,000	$1,875,000	5,000	$625,000	**40,000**	**$5,000,000**
Sub-total Phase 3			**$2,500,000**		**$1,875,000**		**$625,000**		**$5,000,000**
Total (Phase 1+2+3)			**$2,965,000**		**$2,090,000**		**$865,000**		**$6,170,000**

2.4.17.3 Developing an Ore Reserve for the Hami Projects

Once the mineral resources of the Hami nickel-copper projects have been classified in accordance with the CIM definitions used in Canada, SRK recommends that Alexis commission a complete review of the mining operations in order to attempt converting the mineral resources into a mineral reserve. This review would include the following work:

- Suitability of current mining methods;
- Minimum mining width criteria based on the mining method and equipment used;
- Review of historical records on actual dilution for each mining method;
- Review of definition used for dilution;
- Calculation of the net smelter return ("NSR") values for diluted measured and indicated resources (US$ per ton of feed). This considers process plant recovery factors, concentrate metal grades, metal price assumptions, concentrate handling

costs, smelter losses (amount of payable metals), smelter costs, refining costs, and cost of metal sales. (The NSR values will be used to determine which parts of the diluted resources can be economically mined);

- Review of site operating costs for each mine (US$ per ton), including mining, surface costs (including transportation), general and administration will then be reviewed and verified;
- Calculation of the cut off NSR (US$ per ton). The cut off must be applied to the diluted resources to exclude any areas that cannot be mined economically;
- Review of mining losses by applying mining recovery factors to the diluted resources that are above the cut off NSR. These factors should be determined by reviewing historical achievements and account for all forms of pillars needed to maintain stability (post pillars, rib pillars, crown pillars, skins left on the back) and also for losses inside the individual planned stopes. Areas of very weak ground, if any, that are considered un mineable are typically excluded.

This procedure will yield the ore reserves for the Hami projects. The ore reserve estimate will be classified Proven or Probable depending on the source classification of the mineral resources. Typically, the ore reserve statement must be accompanied with appropriate discussion on the extent to which the mineral reserve estimate may be materially affected by any known environmental, permitting, legal, title, taxation, socio economic, marketing, political or other relevant issue.

When the ore reserve is disclosed publicly, the issuer must file a technical report describing all technical aspects of the mineral project. In addition to the geological resource and reserve modelling, this triggers the review of additional aspects of the project such economic analysis, metallurgy, tailing engineering, mine closure plan and other environmental aspects. The compilation of a technical report typically requires the involvement of a geologist, mine engineer, metallurgist, geotechnical engineer and environmental specialist. This team must visit the site, review available data and prepare a technical report in compliance with NI 43-101.

In SRK'S experience, developing an ore reserve for public disclosure for a project like the Hami nickel-copper Projects comprising three separate underground mines and one milling facility producing one concentrate shipped to a smelter, will require at least 1,000 men hours and would cost in the range of US$150,000 to US$175,000 plus disbursements. For budgetary purpose SRK recommends that approximately $250,000 should be planned to the preparation of an ore reserve estimate for public disclosure (Table G).

2.4.17.4 Exploration

The Hami ultramafic complexes are very fertile in nickel-copper sulphide mineralization. Past exploration has successfully traced the sulphide mineralization at each project with surface vertical boreholes. Many borehole intersections have received little follow up work. In this context SRK considers that the Huangshan, Huangshan Dong and Xingshan projects offer excellent exploration potential for nickel and copper sulphide mineralization.

The compilation work recommended as the initial steps to re-assess the mineral resources of each project will undoubtedly highlight zones of nickel and copper bearing sulphides that have been penetrated by too few boreholes to support resource modelling. These boreholes intersections are thus considered very attractive exploration targets warranting additional drilling.

In addition, SRK recommends that the entire tenement areas be re-assessed for this style of mineralization. As a first pass exploration program, SRK recommends a provision for approximately 40,000 metres of surface drilling. In allocating this drilling provision consideration should be given to include both near mine targets with the objective to build on the resource base and exploration boreholes designed to ascertain the stratigraphy and structural architecture of the ultramafic complex with the objective to identify new sulphide-bearing mineralization outside the mining areas. At Huangshan and Huangshan Dong, SRK recommends approximately 20,000 and 15,000 metres of drilling, respectively. For the Xiangshan project, SRK considers that approximately 5,000 metres of drilling is reasonable for a first past exploration drilling program. At an estimated costs of approximately US$125 per metre drilled (all inclusive cost with downhole geophysics) the costs of the recommended exploration program are estimated at approximately US$3.75 million (Table G).

III. Corporate Information

3.1 Existing share capital and prior sales

Alexis' authorized capital consists of 50,000 ordinary shares with a par value of US$1.00, which are voting and participating.

There are currently 10,000 Alexis Shares issued and outstanding, which have been issued for a total consideration of US$4,571,990, (CAN$ 5,760,707)

The holders of Alexis Shares are entitled to one vote for each common share held and are entitled to receive dividends and to participate rateably in the distribution of assets on winding up or liquidation of Alexis.

	Number of Issued Common Shares	Average Price per Common Share	Total Consideration
Prior sales of securities within the last 12 months	Nil	N/A	Nil
Issued as of the date of this Circular	10,000	US $457	US $4,571,990 (CAN$ 5,760,707)

3.2 Indebtedness of directors, officers, promoters and other management

None of the directors, officers, promoters and members of management of Alexis nor their respective associates or affiliates, is or has been indebted to Alexis at any time during the period between December 31, 2003 and March 31, 2005.

3.3 Executive compensation

The following table sets forth all annual and long-term compensation for services in all capacities to Alexis for the eight month period ended December 31, 2004 and financial years ended April 30, 2004 and 2003 to the extent required by the applicable securities legislation in respect of Alexis' Chief Executive Officer (the "Named Executive Officer"). Alexis did not have a Chief Financial Officer during those years and there are no other executive officers who earned compensation in excess of $150,000 for any of those years.

		Annual Compensation					
					Payouts		
Name and Principal Position	**Fiscal Year Ended**	**Salary ($)**	**Bonus ($)**	**Other Annual Compensation ($)**	**Treasury shares**	**Severance Pay and Termination Clauses**	**All other Compensation ($)**
Felipe Tan CEO	Dec 31, 2004	-	-	$60,130			
	April 30, 2004	-	-	$6,904			
	April 30, 2003	-	-	-			

During the eight month period ended December 31, 2004, the Corporation had one executive officer. The aggregate cash compensation paid to this officer for services rendered was $60,130.

As of December 31, 2004, the fiscal year end of Alexis was changed to December 31st.

Alexis has no long-term incentive plan, no formal option plan and no defined benefit or actuarial plans. No options were granted to senior executives pursuant to the terms of their employment contracts.

3.4 Termination of Employment, Changes in Responsibility and Employment Contracts

Alexis has not entered into an employment agreement with the Named Executive Officer. No compensation is payable to such Named Executive Officer in the event of the termination of his employment (resignation, retirement or change of control) or in the event of a change in responsibilities following a change of control. No special compensation will be payable to the Named Executive Officer in connection with the RTO.

3.5 Non Arm's Length Party transactions

Alexis has not acquired assets or services from a non Arm's Length Party, with the exception of the purchase on September 1, 2002 of certain mining rights from Simsen (China) Industry Ltd., a wholly owned subsidiary of Simsen International for a consideration of HK$33,000,000, which was inferior to the actual cost of these mining rights to Simsen (China) Industry Ltd. In addition, on September

7, 2002, Alexis acquired additional mining rights at cost (HK$3,845,794) from one of its minority shareholders, Far Southern Resources Ltd. Both amounts were credited to the vendors as shareholders loans.

3.6 Legal proceedings

There are no outstanding or, to the knowledge of management of Goldsat and Alexis, contemplated legal proceedings that may be material to the business and affairs of the Resulting Issuer.

3.7 Auditor

Ernst & Young, Certified Public Accountants, Hong Kong, are the auditors of Alexis.

3.8 Other Material Facts

There are no other material facts in respect of Alexis' affairs that are not disclosed elsewhere in this Circular.

SCHEDULE B

INFORMATION CONCERNING THE RESULTING ISSUER

The following represents a description of the Resulting Issuer on the assumption that the RTO, the Amalgamation and the Private Placement are completed on the terms currently contemplated.

I. Name and Incorporation

The name of the Resulting Issuer will be GobiMin Inc., subject to applicable shareholder and regulatory approvals. The Resulting Issuer will be incorporated under the CBCA. The head office of the Resulting Issuer will be located at 225 West 5th Avenue, Vancouver, British Columbia V5Y 1J3.

II. Intercorporate Relationships

On Closing, the Resulting Issuer will hold all of the issued and outstanding securities of Alexis. Alexis has two operating subsidiaries, Yakesi and Jubao. See "Name and Incorporation" in Schedule A to this Circular. Jubao was established in the PRC on July 12, 1999. It is owned as to 70% by Yakesi, 25% by Alexis and the remaining 5% by an Arm's Length Party. Yakesi was established in the PRC on October 12, 1999. It is owned as to 97% by Alexis and the remaining 3% by an Arm's Length Party. In addition, Alexis has two dormant subsidiaries.

III. Business of the Resulting Issuer

The Resulting Issuer will carry on the business of Alexis and the property, liabilities and obligations of Goldsat, Alexis and Canco will be the property, liabilities and obligations of the Resulting Issuer. See "Business of Alexis" in Schedule A to this Circular.

IV. Available Funds

The following table sets forth the working capital of Goldsat, Canco and Alexis as of July 31, 2005 and estimated *pro forma* consolidated working capital available to the Resulting Issuer upon Closing:

Source of Funds	Goldsat Working Capital	Canco working Capital	Alexis Working Capital	Working Capital Available Upon Closing (estimate)
Alexis			$5,230,000	$4,760,000(1)
Goldsat	($250,000)			-
Canco		$1,400,000		$1,400,000
Private Placement Proceeds				$1,600,000
Total Funds Available	($250,000)	$1,400,000	$5,230,000	$7,760,000(1)

(1) Taking into account the payment of a dividend of $470,000 which was agreed to be paid to the shareholders of Alexis prior to Closing.

Private Placement

Closing of the RTO is conditional on the completion of the Private Placement pursuant to which a minimum of 4 million Goldsat Shares will have been issued at a price of at least $0.40 per Goldsat Share for minimum proceeds of $1,600,000. The proceeds of the Private Placement will be used to pay a portion of the purchase price payable in cash pursuant to the Acquisition Agreement and for additional working capital. The Private Placement is conditional on the RTO and will occur on Closing.

Principal Purposes

The Resulting Issuer will spend the funds available to it on the completion of the RTO (the "Available Funds") to pay the cash portion of the purchase price payable to Simsen pursuant to the Acquisition Agreement, to initiate the exploration and development program on Alexis' properties, as recommended by SRK, and for general corporate purposes. The Resulting Issuer will use the cash flow from its production to complete the proposed exploration and development program set out in "Mineral properties". There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. The Resulting Issuer will only redirect the Available Funds to other properties and will only do so on the basis of a written recommendation from an independent professional geologist or engineer.

The following table describes each of the principal purposes for which the Available Funds will be utilized:

Principal Purpose:	**Amount of Available Funds to be utilized:**
Balance of purchase price payable on closing	$2,720,000
Working Capital and General Corporate Purposes	$3,000,000
Completion of phases 1 and 2 of the work program recommended by SRK and commencement of phase 3.	$2,040,000
Total:	$7,760,000

The Resulting Issuer's working capital available to fund ongoing operations will be sufficient to meet its administration costs for the foreseeable future and to fund the balance of the costs for phase 3 of the work program recommended by SRK, given that Alexis is currently profitable and cash flow positive.

V. Share Capital and Loan Capital

The authorized share capital of the Resulting Issuer will be comprised of an unlimited number of common shares.

a) Fully Diluted Share Capital

The following table set forth the fully diluted share capital of the Resulting Issuer, following the completion of the Amalgamation, the RTO and assuming completion of the Private Placement and the adoption of the Option Plan.

	Number of Common Shares [1]	Percentage of fully diluted total of Common Shares
Common Shares of Goldsat currently outstanding [2]	1,579,826	3%
Common Shares to be issued pursuant to the RTO	27,007,500	43%
Common Shares to be issued pursuant to the Private Placement	4,000,000	6%
Common Shares to be issued to shareholders of Canco upon the Amalgamation	3,750,000	6%
Common Shares to be issued on exercise of the Goldsat Warrants, the Goldsat Options, the Canco Warrants, the Sponsor Warrants and the Belmont Warrants	8,720,771	14%
Common Shares to be issued on the conversion of the Simsen Convertible Note	9,525,000	15%
Common Shares to be issued to 3AT Inc	2,550,000	4%
Common Shares to be issued upon the settlement of debts	202,348	-%
Common Shares reserved for issue under the Option Plan	4,900,000	8%
TOTAL	**62,235,445**	**100%**

(1) Information as at June 30, 2005

(2) Adjusted to take the Consolidation into account and the cancellation of 349,095 performance shares.

b) Consolidated Share and Loan Capital

The following table sets forth the share and loan capital of Goldsat, Alexis and Canco as at March 31, 2005 and the consolidated share and loan capital of the Resulting Issuer upon Closing. Shareholders should also refer to the pro forma consolidated financial statements of the Resulting Issuer and the historical audited financial statements of Alexis included in this Circular under Schedule C.

Description	Amount Authorized	Goldsat as at March 31, 2005	Alexis as at March 31, 2005	Canco as at March 31, 2005	Combined Resulting Issuer Upon Closing
Long-term Debt	N/A	Nil	Nil	Nil	$3,810,000[1]
Other Secured Debt					$2,667,000[2]
Share capital	Unlimited	$2,944,150 (1,579,826 Goldsat Shares)[3]	$12,020 (10,000 Alexis Shares)	$1,489,546 (5,000,000 Canco Shares)	$5,155,442 (39,089,674 shares)[4]
Minority Interest			$119,683		$119,683
Contributed surplus/Reserve	N/A	$182,418	$ 4,540,625	Nil	$4,540,625
Retained Earnings/(Deficit)	N/A	$(3,364,132)	$2,425,405	$(88,362)	$(5,032,771)
Total shareholders' equity	N/A	$(237,564)	$6,978,050	$1,401,184	$4,942,296
Total Capitalization	N/A	$(193,121)	$11,175,185	$1,401,184	$11,259,979

(1) Represents the Simsen Convertible Note ($3,531,000 plus the $279,000 equity component of the note).

(2) Represents the Promissory Note.

(3) Takes the Consolidation and the cancellation of 349,095 performance shares into account.

(4) Including 2,550,000 common shares of the Resulting Issuer to be issued on Closing to 3AT Inc., 4,000,000 common shares of the Resulting Issuer to be issued pursuant to the Private Placement and 202,348 common shares of the Resulting Issuer to be issued on Closing on the settlement of certain debts.

(5) In addition a total of 8,720,771 shares of the Resulting Issuer will be reserved for issuance upon exercise of the Goldsat Warrants, the Goldsat Options, the Canco Warrants, the Sponsor Warrants and the Belmont Warrants, a total of 9,525,000 shares of the Resulting Issuer will be reserved for issuance upon the conversion of the Simsen Convertible Note and a total of 4,900,000 shares of the Resulting Issuer will be reserved for issuance upon the exercise of options to be granted under the Option Plan.

The only loan capital of the Resulting Issuer will be the Simsen Convertible Note and the Promissory Note owing to Simsen. See "Acquisition of Alexis Resources Limited - Acquisition Agreement" in the Circular. The Promissory Note will be secured by an hypothec on 1,695 Alexis Shares.

VI. Directors, Officers, Promoters and Persons Holding More Than 10% of the Issued Equity Shares

The proposed articles of amalgamation provide that on the Amalgamation the directors of the Resulting Issuer will be Mr. Felipe Tan, Mr. Jean-Charles Potvin, Mr. Hubert Marleau and Mr. Dominic Cheng. It is anticipated that Mr. Felipe Tan will be appointed Chief Executive Officer of the Resulting Issuer and of its subsidiaries and that Mr. Michael Choy will be appointed Chief Financial

Officer of the Resulting Issuer. The Board of Directors of the Resulting Issuer's subsidiaries will be established after the Closing.

6.1 Name, address, occupation and security holding

The following table sets forth the name, municipality of residence, the position in the Resulting Issuer and the number of securities of Goldsat, Alexis, Canco and the Resulting Issuer owned (or to be owned upon Closing), directly or indirectly, or over which direction or control is exercised by each of the proposed directors of the Resulting Issuer and executive officers that such directors intend to designate:

Name and Municipality of Residence	Position in the Resulting Issuer	Number of Goldsat Shares Held	Number of Alexis Shares Held	Number of Canco Shares Held	Number of Common Shares of the Resulting Issuer	% of Common Shares of the Resulting Issuer on Closing (1)
Felipe Tan, Hong Kong	President, Chief Executive Officer and Director	Nil	5,056(2)	Nil	27,007,500 (2)	69%
Hubert Marleau, Montreal	Director	Nil	Nil	200,000(3)	150,000(3)	Less than 1%
Jean-Charles Potvin, Toronto	Director	Nil	Nil	500,000 (4)	375,000(4)	Less than 1%
Dominic Cheng Richmond	Director	Nil	Nil	Nil	Nil	-
Michael Choy, Vancouver	Chief Financial Officer	Nil	Nil	Nil	Nil	-

(1) Assumes the completion of the RTO, the Amalgamation, the Private Placement and does not take into account the shares of the Resulting Issuer to be issued upon the exercise of the Goldsat Warrants, the Goldsat Options, the Canco Warrants, the Belmont Warrants, and the Sponsor Warrants, the shares to be issued upon conversion of the Simsen Convertible Note or the common shares reserved under the Option Plan, but takes into account the common shares to be issued to 3 AT Inc. and the common shares to be issued pursuant to the settlement of debts.

(2) These shares are held by Belmont.

(3) These shares are held by an investment fund managed by Mr. Marleau.

(4) These shares are held by Mr. Potvin's wife.

The directors of the Resulting Issuer held the following positions during the last five years:

Felipe Tan - President, Chief Executive Officer and Director. Mr. Tan is a director of Alexis. He has been Director of Belmont since 2004 and Deputy Managing Director of Simsen International since 1989. He began his career as a trading hall assistant for the Hong Kong Far East Stock Exchange, then became representative of Jebsen Co. Ltd. Later, he was a trader for Philipp Brothers (now known as Salomon Brothers). He has over 28 years of experience in metals trading in Hong Kong and PRC. He has been responsible since the beginning for the acquisition, financing, development and exploitation of Alexis' mining properties. He is also a member of the Political Consultation Committee of Hami City. Mr. Tan owns less than 1% of Simsen International and owns indirectly approximately 28.04% of Belmont. He is a Hong Kong resident.

Michael Choy - Chief Financial Officer. Mr. Choy has been a practicing member of the Certified General Accountants Association of British Columbia since 1990. He has been practicing his profession under the name of Michael Choy & Co CGA since August 2003 and prior thereto and since 1991 he was Group Controller with Moshe Paper Ltd in Vancouver. Mr. Choy has had over 18

years of experience in a management capacity overseeing business interest relating to the hospitality and packaging industries. He was a director of United America Enterprises Ltd, a VSE listed company from 1992 to 1996. Mr. Choy is a Vancouver resident.

Jean-Charles Potvin - Director. Mr. Potvin has been since 1994 President of Tiomin Resources Inc. which is actively involved in a titanium deposit in Kenya. He is also a director of Gold Reserve Corporation, a public natural resource company with holdings in Venezuela. He is also a director of Exploration Azimut Inc. and of Cardiff Capital Limited, a fund manager.

Hubert Marleau - Director. Mr. Marleau is Founder and has been President and Managing Partner of Palos Capital Corporation since 1998. With over 40 years of experience in the business and financial community, Mr. Marleau has structured many mergers and acquisitions as well as designed and created numerous financial transactions in Canada.

Dominic Cheng - Director. Mr. Cheng has occupied a number of management positions throughout his career. Prior to returning to Vancouver for his retirement in 2001, he worked for a publicly listed company in Hong Kong as an executive for 9 years, from 1992 until June 2001. He was involved in various investment projects located in the PRC and Malaysia. He also participated in various refinancing arrangements with investment bankers and played an important role to successfully implement a marketing strategy to enhance the timely realization of a number of real estate projects. Mr. Cheng has also acquired a strong accounting and auditing background before he immigrated to Canada in 1989. He was originally trained as an auditor by one of the then "Big Eight" accounting firms, for which he had worked for 10 years, before assuming the position as an audit manager for 14 years with a different accounting firm.

Certain of the directors and officers of the Resulting Issuer and experts named herein reside outside of Canada. Substantially all of the assets of those persons and of the Resulting Issuer are located outside of Canada. It may not be possible for investors to effect service of process within Canada upon the directors and officers and experts referred to above. It may also not be possible to enforce against the Resulting Issuer, such directors and officers and experts, judgements obtained in Canadian courts predicated upon the civil liability provisions of applicable securities laws in Canada.

6.2 Time Devoted to Corporation

It is expected that directors and officers that will be members of the management of the Resulting Issuer will devote such of their time as is necessary to fulfill their responsibilities. It is anticipated that Mr. Potvin, Mr. Marleau and Mr. Cheng will devote less than 5% of their time to the Resulting Issuer in their capacity as directors.

6.3 Compensation of Directors

The Resulting Issuer will compensate directors for their service on the Board of Directors. Each member of the Board will receive $1,000 per Board meeting attended, $500 per teleconference meeting. The directors, will additionally be reimbursed for their expenses incurred in attending meetings of the Board of directors and it is currently anticipated that each non-executive director will be granted 150,000 options to purchase common shares per year under the Option Plan. Non-

executive members of the audit committee will receive an annual retainer of $20,000 and will be granted an additional 75,000 options per year.

6.4 Aggregate ownership of securities

The directors and officers of the Resulting Issuer as a group will beneficially own, directly or indirectly, or exercise control or direction over an aggregate of 27,532,500 common shares of the Resulting Issuer, being approximately 70% of the issued and outstanding Common Shares of the Resulting Issuer after completion of the Amalgamation and the RTO and assuming the completion of the Private Placement without taking into account the shares of the Resulting Issuer to be issued upon the exercise of the Goldsat Warrants, the Goldsat Options, the Canco Warrants, the Belmont Warrants and the Sponsor Warrants, the shares to be issued upon conversion of the Simsen Convertible Note or the common shares reserved for issuance under the Option Plan, but taking into account the common share to be issued to 3 AT Inc. and pursuant to its settlement of debts.

6.5 Other reporting issuers

The following table sets out the proposed directors and officers of the Resulting Issuer that are, or have been within the last ten years, directors, officers or promoters of other issuers that are or were reporting issuers in any Canadian jurisdiction:

Name	Name of Reporting Issuer	Exchange	Position	From	To
Jean-Charles Potvin	Tiomin Resources Inc.	TSX	Chairman and CEO	1992	Present
	Sulliden Exploration Inc.	TSX	Chairman	2003	2005
	Gold Reserve Corporation	TSX	Director	1993	Present
	Exploration Azimut Inc.	TSXV	Director	2003	Present
	Polaris Geothermal Inc.	TSXV	Director	2004	Present
Hubert Marleau	A&E Capital Inc.	OTC	Director	1986	Present
	AMT International Mining Corp.	TSX	Director	1996	2001
	CFS Group Inc.	TSX	Director	1987	Present
	Canalaska Ventures Ltd.	TSXV	Director	1996	Present
	Cycomm International Inc.	AMEX	Director	1994	2003
	Ecu Silver Mining Inc.	TSX	Director	1996	2001
	Liquidation World Inc.	TSXV	Director	1993	2004
	Mitec Telecom Inc.	TSX	Director	1996	Present
	Niocan Inc.	TSXV	Director	1999	Present
	Olco Petroleum Inc.	TSX	Director	1996	Present
	Radiomutuelle Inc.	TSXV	Director	1985	1999
	Searchgold Resources Inc.	TSXV	Director	1999	2000
	Sharpe Resources Inc.	TSX	Director	2000	2000
	UniSelect Inc.	TSX	Director	1994	Present
	Warnex Inc.	TSX	Director	2000	Present
	Stanstead Capital Inc.	TSXV	Director	2000	2004
	Global (GMPC) Holdings Inc.	TSXV	Director	2003	Present
	Magistral Biotech Inc.	TSXV	Director	2000	Present
	Freegold Ventures Inc.	TSXV	Director	1998	Present
	Cowansville Capital Inc.	TSXV	Director	2004	Present
	ORTHOsoft Holdings Inc.(formerly North Hatley Capital Inc.	TSXV	Director	2004	Present
Michael Choy	United America Enterprises Ltd	VSE	Director	1992	1996

6.6 Corporate cease trade orders or bankruptcies

To the knowledge of management, no proposed director or officer of the Resulting Issuer is, or within the five years prior to the date hereof has been, a director or officer of any other reporting issuer that, while that person was acting in the capacity of a director or officer of that reporting issuer, was the subject of a cease trade order or similar order or an order that denied that issuer access to any statutory exemptions for a period of more than 30 consecutive days, was declared bankrupt or made a voluntary assignment in bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold the assets of that issuer.

6.7 Penalties or sanctions

To the knowledge of management and saved as disclosed below, no proposed director or officer of the Resulting Issuer has, during the ten years prior to the date hereof, been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, promotion or management of a publicly traded issuer, or theft or fraud, or entered into a settlement agreement with a Canadian securities regulatory authority or been subject to any penalties or sanctions by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

On November 18, 2003, Mr. Marleau, Palos Trading Fund L.P. and Gestion Palos Inc. undertook with the *Commission des Valeurs Mobilières du Québec* ("CVMQ" now the *Autorité des marchés financiers du Québec*) to cease acting as dealers until such time as Mr. Marleau and Gestion Palos Inc. registered with the CVMQ. Gestion Palos Inc. and Mr. Marleau were registered with the CVMQ on December 23, 2003. In addition Palos Trading Fund L.P., Gestion Palos Inc. and Mr. Marleau agreed to cease distributing units of Palos Trading Fund L.P. unless the necessary prospectus and registrations exemptions were obtained.

6.8 Individual bankruptcies

To the knowledge of management, no proposed director, officer or promoter of the Resulting Issuer has, within the five years prior to the date of this Circular, been declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

6.9 Conflicts of Interest

There are no known existing or potential conflicts of interest of any of the directors, officers or promoters of the Resulting Issuer as a result of their outside business interests.

6.10 Proposed compensation

Total compensation payable to the Resulting Issuer executive officers for the twelve months following Closing will be determined by the Board of Directors shortly after Closing and is expected

to total approximately $265,000 per year plus performance bonuses and management options under the Option Plan.

The following table sets forth the proposed annual and long-term compensation for services in all capacities to the Resulting Issuer for the twelve months following Closing to the extent required by the applicable securities legislation in respect of its Chief Executive Officer and Chief Financial Officer (the "Named Executive Officers"). No other executive officers of the Resulting Issuer are expected to earn compensation in excess of $150,000 in the foreseeable future.

Name and Principal Position	Salary ($)	Bonus ($)	Other Annual Compensation ($)	Treasury shares	Severance Pay and Termination Clauses	All other Compensation ($)
Felipe Tan CEO	150,000-	25,000-	15,000			
Michael Choy CFO	75,000	-				

It is not proposed that the Resulting Issuer establish a long-term incentive plan or defined benefit or actuarial plans.

6.11 Principal holders of voting securities

The following table set forth the shareholdings of those persons who beneficially own, directly or indirectly, or exercise control or direction over securities carrying more than ten percent of the voting rights attached to all voting securities of Alexis, Canco or Goldsat and set forth their holding of common shares of the Resulting Issuer upon Closing:

Name and municipality of residence	Number and Percentage of Goldsat Shares	Number and Percentage of Alexis' Shares	Number and percentage of Canco' Shares	Number and percentage of Common Shares of the Resulting Issuer upon Closing[1]
Belmont[2]	Nil	5,056 (50.56%)	Nil	27,007,500 (69%)
Richard De Vries, Calgary, Alberta	239,450 (12%)	Nil	Nil	239,450 (less than 1%)
Thi Thu Thuy Nguyen Cote St-Luc, Quebec	Nil	Nil	650,000 (13%)	487,500 (1%)

(1) Assuming the sale of 4,000,000 Goldsat Shares as part of the Private Placement and completion of the other transactions described in this Circular.

(2) In addition, Belmont will hold the 4,500,000 Belmont Warrants.

Belmont is a private company incorporated under the laws of the British Virgin Islands, whose shares are held indirectly as to 28.04% by Mr Felipe Tan, the sole officer and director of Belmont. The other shareholders of Belmont are five other entities who will be Arm's Length Parties with respect to the Resulting Issuer, including Mr. Zhang Ming, a member of Alexis management staff

based in the PRC who holds indirectly 24.13% of the total issued shares of Belmont, Mr. Lue Lin Jiang, an individual residing in the PRC who controls indirectly 25.5% of Belmont and Ms. Wong Siu Ling, an individual residing in Hong Kong who holds 11.5% of Belmont.

6.12 Public and Insider ownership

The insiders of the Resulting Issuer as a group and the public will beneficially own, directly or indirectly, or exercise control or direction over an aggregate of 27,007,500 and 12,042,174 common shares respectively representing 70% and 30% of the issued and outstanding common shares of the Resulting Issuer after completion of the RTO, the Amalgamation and the Private Placement, but without giving effect to the exercise of the Goldsat Warrants, the Goldsat Options, the Canco Warrants, the Belmont Warrants and the Sponsor Warrants and the shares to be issued upon conversion of the Simsen Convertible Note.

VII. Options and other rights to Purchase Securities

As at the date hereof, Goldsat does not have any options, warrants or other rights to purchase securities outstanding, with the exception of warrants to acquire a total of 341,960 Goldsat Shares and options to acquire 28,811 Goldsat Shares, which will be exchanged for the Goldsat Warrants and the Goldsat Options respectively. Each Goldsat Warrant will entitle the holder to purchase one common share of the Resulting Issuer at the price of $0.60 before 5:00 p.m., Calgary time, on July 21, 2006. The Goldsat Options represent the options granted to directors and officers of Goldsat which are still outstanding. The Goldsat Options will expire within six months of Closing.

If the Option Plan is approved, the Resulting Issuer will be authorized to issue options to purchase up to 4,900,000 common shares. No options will be granted under the Option Plan as part of the Closing.

In addition, during the Conversion Period, the Simsen Convertible Note can be converted into 9,525,000 common shares of the Resulting Issuer at the option of Simsen and, if certain conditions are met, at the option of the Resulting Issuer. See “Acquisition of Alexis Resources Limited - Acquisition Agreement” in the Circular.

Shareholders of Canco will be issued the Canco Warrants to acquire 3,750,000 common shares of the Resulting Issuer upon the Amalgamation. Each Canco Warrant will entitle the holder to purchase one common share of the Resulting Issuer at the price of $0.50 for a period of twelve months from the Closing Date See “Amalgamation with Canco” in the Circular.

The Belmont Agreement provides that Belmont will receive the 4,500,000 Belmont Warrants, each warrant entitling the holder to purchase one common share of Goldsat at the price of $0.50 for a period of eighteen months from the Closing Date (subject to certain extension depending on the applicable escrow provisions and/or hold period in relation to such warrants). See “Acquisition of Alexis Resources Limited - Acquisition Agreement” in the Circular.

The Sponsor will be issued on Closing the Sponsor Warrants enabling the Sponsor to acquire up to 100,000 common shares of the Resulting Issuer at the price of $0.50 for a period of twelve months.

There are no assurances that the options, warrants or other rights described above will be exercised in whole or in part.

VIII. Securities of the Resulting Issuer to be Held in Escrow or Subject to Hold Restrictions Escrow Provisions

The 27,007,500 common shares of the Resulting Issuer to be issued pursuant to the RTO, the 375,000 shares of the Resulting Issuer to be issued to Mr. Potvin's wife upon the Amalgamation and the 150,000 shares of the Resulting Issuer to be issued to an investment fund managed by Mr. Marleau will be placed into escrow as follows, representing approximately 70% of the total issued and outstanding common shares of the Resulting Issuer on Closing, assuming the sale of four million Goldsat Shares as part of the Private Placement and completion of the other transactions described in this circular:

		Upon Closing	
Name & Municipality of Residence of Shareholder	**Designation of Class**	**Number of Common Shares To Be Held in Escrow**	**Percentage of Class**
Belmont Holdings Group Limited	Common Shares	27,007,500	69%
Palos Capital Pool LP	Common Shares	150,000	—
Lucie Marion, Toronto	Common Shares	375,000	—
TOTAL	N/A	27,532,500	70%

Subject to TSXV approval, it is anticipated that the above common shares will be released in accordance with the TSXV's Form 5D Surplus Security Escrow Agreement for Tier 1 issuers. The release of these common shares will be over a 36-month period, being 10% on the issuance of the Exchange Bulletin announcing the completion of the RTO (the "Final Notice Date") and 15% on each of the 6, 12 , 18, 24, 30 and 36 month anniversaries of the Final Notice Date. Computershare Trust Company of Canada will act as escrow agent.

The escrowed common shares held pursuant to any of the above noted escrow agreements may not be sold, assigned, transferred, redeemed, surrendered or otherwise dealt with in any manner except as provided by the agreement. Common shares may be transferred within escrow to an individual who is a director or senior officer of the Resulting Issuer or a material operating subsidiary of the Resulting Issuer provided that certain requirements of the TSXV are met, including that the new proposed transferee agrees to be bound by the terms of the agreement. In the event of the bankruptcy of the common share holder, the common shares held by such holder may be transferred within escrow to the trustee in bankruptcy or other person legally entitled to such common shares provided that certain prescribed TSXV requirements are met. Common shares held in escrow may also be transferred within escrow by a common share holder to a RRSP or a RRIF provided that the TSXV receives proper notice of the same, the Common Share holder is the sole beneficiary of the RRSP or RRIF and the trustee of the RRSP or RRIF agrees to be bound by the terms of the escrow agreement. In the event of the death of a common share holder, the common shares held in escrow shall be released to the legal representatives of the deceased common share holder.

8.2 Resale Restrictions

The common shares and warrants of the Resulting Issuer to be issued to Belmont at Closing, the Sponsor Warrants, and the common shares of the Resulting Issuer to be issued pursuant to the Private Placement, and any underlying securities thereof will be subject to resale restrictions pursuant to the rules of the TSXV and applicable securities laws for a period of four months from the date of Closing.

IX. Risk Factors

The Resulting Issuer will carry on the business of Alexis and will assume the properties, liabilities and obligations of Alexis, Canco and Goldsat. The business currently conducted by Alexis to be conducted by the Resulting Issuer, upon closing of the RTO, is subject to a number of risks, including those outlined below. Readers should be aware that there are particular risks to doing business in the PRC that they may not be anticipated, some of which are outlined below.

Reverse Take-Over and Regulatory Approvals

The Resulting Issuer and the securities of the Resulting Issuer should be considered highly speculative investments and the transactions contemplated herein should be considered of a high risk nature. Shareholders should carefully consider all the information disclosed in this Circular, including the following risk factors.

The RTO is subject to a number of regulatory considerations and approvals. The Acquisition Agreement provides that such approvals are a condition precedent to the RTO becoming effective. The RTO is an arm's length transaction. Notwithstanding that a transaction may meet the definition of a reverse take-over, the TSXV may not approve the RTO if the Resulting Issuer fails to meet the minimum listing requirements prescribed by Policy 2.1 of the TSXV upon completion of the RTO of for any other reason at the sole discretion of the TSXV.

Legacy Problems

The Resulting Issuer may have to face unexpected expenses due to the past activities of Alexis, despite all the due diligence efforts deployed by Goldsat prior to the RTO. Even though Goldsat's due diligence review has not revealed current and significant environmental concerns, costs related to such liability may be material.

Significant Shareholder

Belmont will hold after the completion of the transactions described in this Circular 27,007,500 Common Shares representing approximately 69% of the voting interest in the Resulting Issuer. As a result, Belmont will be able to exercise significant influence over the Resulting Issuer's business and affairs and has the power to influence significantly all matters requiring shareholder approval, including the election of directors and the approval of significant corporate transactions. In addition, Belmont's voting power could have the effect of deferring or preventing a change in the Resulting Issuer that might otherwise be beneficial to the other shareholders of the Resulting Issuer.

Market for Securities and Volatility of Share Price

A public trading market in the common shares having the desired characteristics of depth liquidity and orderliness depends on the presence in the marketplace of willing buyers and sellers of the common shares at any given time, which presence is dependent on the individual decisions of investors over which the Resulting Issuer will have no control.

There can be no assurance that an active trading market in the common shares will be established and sustained. The market price for the common shares could be subject to wide fluctuations. Factors such as announcements of quarterly variations in operating results and acquisition or disposition of properties, as well as market conditions in the industry, may have a significant adverse impact on the market price of the common shares. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations may adversely affect the market price of the common shares. The stock market has from time to time experienced extreme price and volume fluctuations which have often been unrelated to the operating performance of particular companies.

Payment of Dividends Unlikely

The Resulting Issuer does not intend to pay dividends on the common shares in the near future. Instead, the Resulting Issuer intends to apply any earnings to the expansion and development of its business.

Risks Relating to the PRC

PRC Political and Economic Considerations

The business operations of Alexis are located in, and the revenues of the Resulting Issuer will be derived from activities in, the PRC. Accordingly, the business, financial condition and results of operations of the Resulting Issuer could be significantly and adversely affected by economic, political and social changes in the PRC. The economy of the PRC has traditionally been a planned economy, subject to five-year and annual plans adopted by the state, which set down national economic development goals. The PRC has been moving the economy from a planned economy to a more open, market-oriented system. The economic development of the PRC is following a model of market economy under socialism. Under this direction, it is expected that the PRC will continue to strengthen its economic and trading relationships with foreign countries and business development in the PRC will begin to follow market forces and the rules of market economics.

Although in recent years the PRC has implemented economic reforms and reduced state ownership, a substantial portion of productive assets in the PRC are still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry by imposing industrial policies. It also exercises significant control over the PRC's economic growth through the allocation of resources, control of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Economic growth in the PRC has been uneven both geographically and among various sectors of the economy. The PRC government has implemented various measures from time to

time to control the rate of economic growth and continues to introduce macro-economic control measures such as restrictions on bank lending introduced in 2004.

Despite generally favourable policies towards foreign investment, there is no guarantee that current policy trends and, specifically, the existing economic policy of the PRC will not be changed. Many of the policy changes initiated in the PRC since 1978 are experimental in nature and are frequently refined and adjusted, often without notice. PRC political policies are often driven by social policies, so any change in social conditions could have an impact on political and economic policies. This in turn could have a negative impact on the Resulting Issuer. A change in policies in the PRC could adversely affect the investment of the Resulting Issuer in Alexis as a result of changes in laws and regulations, or the interpretation thereof, confiscatory taxation, restrictions on currency conversion, imports and sources of supplies, or the expropriation of private enterprises.

Foreign Investment

In the PRC, foreign invested companies such as Yakesi and Jubao could be required to work within a framework which is different to that imposed on local companies. The PRC government generally is opening up opportunities for foreign investment in mining projects and this process is expected to continue. Nonetheless, certain organizations within the government do periodically attempt to implement measures to control or limit foreign investment in the mining sector. If the PRC government should impose greater restrictions on foreign companies, the Resulting Issuer's business and future earnings could be negatively affected.

PRC Licensing and Permits

In order to conduct exploration and development of mineral deposits in the PRC, resource companies are required to obtain licenses and permits from the relevant authorities in the PRC, including a business license which authorizes companies to carry on business in the PRC. The business licenses of Yakesi and Jubao are subject to annual renewals. The renewal of Yakesi and Jubao's business licenses are subject to an annual review process pursuant to which they must pass annual inspections of the Administration for Industry and Commerce in the PRC. As a result, if Yakesi and Jubao do not pass their annual reviews they will not be authorized to carry on business in the PRC until such time as their business licenses are renewed. There can be no assurance that Yakesi and Jubao will receive a renewal of their business licenses upon the expiration of the current licenses. While the Resulting Issuer anticipates that renewals will be obtained, if Yakesi and Jubao fail to receive renewals of their business licenses they will be prevented from conducting their current operations, seriously impacting the Resulting Issuer's current ability to generate revenue and maintain the viability of its business.

To the knowledge of Alexis, none of the properties covered by mining licences held by Yakesi and Jubao have been surveyed to establish boundaries. Alexis has investigated its rights to explore and exploit its various properties and, to the best of its knowledge, those rights are in good standing. There can be no assurance that any governmental authority in the PRC could not significantly alter the conditions of or revoke the applicable mining licences and authorizations held by Yakesi and Jubao or that their interests will not be challenged or impugned by third parties or governmental authorities.

In addition, there can be no assurance that the licences, the properties they cover or any assets in which Yakesi and Jubao have an interest are not subject to prior unregistered agreements, transfers, pledges, mortgages or claims, and title may be affected by undetected defects as it is difficult to verify that no agreements, transfers, claims, mortgages, pledges or other encumbrances exist given the state of the legal and administrative systems in the PRC.

Title to Properties

Yakesi and Jubao each hold mining licences issued by the provincial level authorities. Alexis has obtained an unqualified favorable opinion from Chinese counsel with respect to the validity of these mining licences; there is however no guarantee that title to such properties will not be challenged or impugned. There is a difference of interpretation in the PRC amongst government officials and legal professionals as to whether mining licences may be issued to foreign invested enterprises by provincial level government departments, or whether all mining licences issued to foreign invested enterprises must be issued by a higher level of government. As stated below under the section "PRC Legal System and Enforcement", many laws in the PRC leave room for significant discretion (whether specifically granted or not) at the provincial and local level, leading to inconsistent application from region to region. Different government departments or different levels of government may have different opinions or interpretations as to which authority is the proper issuing authority of the mining licences to foreign invested enterprises. In case a higher level of government is confirmed as the proper issuing authority, Yakesi and Jubao may have to seek replacement mining licences but there is no guarantee that such licences would be granted, which in turn would have a material adverse effect on the Resulting Issuer's business operations.

Inflation and Economic Growth in PRC

In the last 20 years the PRC economy has experienced rapid growth, although unevenly both the geographically and across sectors of the economy. Such rapid growth can lead to growth in the money supply and rising inflation. If prices for products of Alexis rise at a rate that is insufficient to compensate for the rise in the costs of raw materials necessary to operate its business, it may have an adverse effect on the profitability of the Resulting Issuer. In order to control inflation in the past, the PRC has imposed controls on bank credit, limits on loans for fixed assets and restrictions on state bank lending. Instituting any such policy could lead to a slowing of economic growth which may have an adverse effect on the Resulting Issuer.

PRC Legal System and Enforcement

The Sino-foreign joint venture agreements to which Alexis is a party and the material agreements which Yakesi and Jubao have or will enter into with respect to mining assets in the PRC are expected to be governed by PRC law and some agreements may be with PRC governmental entities. The PRC legal system embodies uncertainties that could limit the legal protections available to Alexis, the Resulting Issuer and its shareholders.

The PRC legal system is a system based on written statutes and their interpretation by the Supreme People's Court. Prior court decisions may be cited for reference but have no precedential value. Since 1979, the PRC government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations

dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new, and because of the limited volume of published cases and their non-binding nature, interpretation and enforcement of these laws and regulations involve uncertainties. As noted above, many political, economic and legal changes in the PRC have been undertaken on an experimental basis. The structure and content of the PRC laws reflects this in that they are frequently "bare bones" statutes that leave significant room to work within a developing and often untested framework. Many laws leave room for significant discretion (whether specifically granted or not) at the provincial and local level, leading to inconsistent application from region to region and the adoption of unpublished rules and policies. In addition, it is not unusual for different government departments or different levels of government to promulgate conflicting regulations with respect to the same subject matter. As the PRC legal system develops, changes in such laws and regulations, their interpretation or their enforcement may have a material adverse effect on the Resulting Issuer's business operations.

The outcome of any litigation may be more uncertain than usual because: (i) the experience of the PRC judiciary is relatively limited, and (ii) the interpretation of PRC laws may be subject to policy changes reflecting domestic political changes. Even where adequate law exists in the PRC, it may be impossible to obtain swift and equitable enforcement of such law or to obtain enforcement of judgments by a court of another jurisdiction. The inability to enforce or obtain a remedy under such agreements would have a material adverse impact on the Resulting Issuer.

Tax Practice

Many tax rules are not easily accessible and the rules can be ambiguous and contradictory, leaving a considerable amount of discretion to local tax authorities. The PRC currently offers tax and other preferential incentives to encourage foreign investment. However, the tax regime in the PRC may be undergoing review and there is no assurance that such tax and other incentives will continue to be available. The inconsistent application of tax policies in the mining sector is a source of ongoing concern for industry participants and an unfavourable application could negatively affects the results of the Resulting Issuer.

PRC Foreign Exchange Controls and Exchange Rate Risk

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

The official exchange rate for the conversion of RMB to US$ has generally been stable for the past number of years and is essentially pegged to the US$ within a very narrow band. Any appreciation of the RMB, may adversely affect the Resulting Issuer's earnings, through higher foreign currency denominated operating costs. There has been significant talk recently of moving the RMB towards becoming a more freely floating currency.

Substantially all of the revenues and operating expenses of Yakesi and Jubao are denominated in RMB**.** The reporting currency of the Resulting Issuer is Canadian dollars. The assets and revenues of the Resulting Issuer as expressed in Canadian dollars and the financial statements of the Resulting Issuer will decline in value if the RMB depreciates relative to the Canadian dollar. Likewise, fluctuation in the Canadian dollar and United States dollar exchange rates could adversely effect the Resulting Issuer and the market price of the Common Shares. Very limited hedging transactions are available in the PRC to reduce the exposure of the Resulting Issuer to exchange rate fluctuations. To date, Alexis has not entered into any hedging transactions in an effort to reduce exposure to foreign currency exchange risk. If the Resulting Issuer chooses to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and may not be successful. Additionally, currency exchange losses may be magnified by PRC exchange control regulations that restrict the ability of Alexis to convert RMB to dollars.

Shareholder's Rights and Enforcement of Judgments

As PRC legal entities, Yakesi and Jubao are subject to PRC company law and regulations. Company law in general and, in particular, provisions for the protection of shareholder's rights and access to information are less developed than those applicable to companies in other countries. Substantially all of the Resulting Issuer's assets are located in the PRC. The PRC does not have a treaty with Canada providing for the reciprocal recognition and enforcement of judgments of courts and as such, recognition and enforcement in the PRC of judgments of a Canadian court may be difficult or impossible. Although the rights of minority shareholders in the Resulting Issuer would be protected in Canada, judgments rendered against Alexis, the Resulting Issuer, Yakesi and Jubao would likely not be enforceable in the PRC.

Volatility of the Market Price of the Common Shares

The market price of the common shares may exhibit significant fluctuations in response to the following or other factors, many of which are beyond the control of the Resulting Issuer. The factors include variations in the quarterly operating results of the Resulting Issuer, material announcements by the Resulting Issuer or its competitors of mining developments, strategic partnerships, joint ventures or capital commitments, general economic and political conditions in the PRC and in the mining industry, and regulatory developments. The price at which an investor purchases or acquires common shares may not be indicative of the price of the common shares that will prevail in the trading market.

Dependence on Key Management Personnel

The success of the Resulting Issuer is highly dependent upon the continued services of key managerial employees both in Canada and in the PRC, including the Chief Executive Officer of the Resulting Issuer, Felipe Tan. Alexis does not currently maintain key-man life insurance policies on

any member of management. Accordingly, the loss of these key executives or one or more other key members of management could have a material adverse effect on the Resulting Issuer.

The success of the Resulting Issuer also depends upon the ability of the Resulting Issuer to recruit, assimilate and retain other qualified employees. The current economic growth in the PRC and the corresponding creation of a more liquid market for skilled employees may lead to problems retaining local PRC management. The loss of key employees and/or the inability to attract and retain management personnel could result in a management shortage and inefficient production which would have a material adverse effect on the Resulting Issuer.

Metal Prices

The profitability of any mining operation in which the Resulting Issuer has an interest is significantly affected by the market prices of the metals produced by such operation. Declines in the prices of base metals would have a serious impact on the Resulting Issuer. Depending on the market prices, cash flow from the business of Alexis may not be sufficient to meet all cash requirements of the Resulting Issuer including such things, among others, as operating costs and capital expenditures.

Metal prices fluctuate on a daily basis and are affected by numerous factors beyond the control of the Resulting Issuer. Interest rates, inflation, exchange rates and world supply of and demand can all cause fluctuations in the market prices for these metals. Such external economic factors are in turn influenced by changes in international economic growth patters and political developments.

Nature of Mineral Exploration and Mining

The exploration and development of mineral deposits involves significant financial risks over a significant period of time which even a combination of careful evaluation, experience and knowledge may not eliminate. Even after the commencement of mining operations, such operations may be subject to risks and hazards such as environmental hazards, industrial accidents, cave-ins, rock bursts, unusual or unexpected geological formations, ground control problems and flooding. The occurrence of any of the foregoing could result in damage to or destruction of mineral properties and production facilities, personal injuries, environmental damage, delays or interruptions of production, increases in production costs, monetary losses, legal liability and adverse government action.

The Hami Projects are located in a sector which has in the past experienced seismic activity of six to seven on the Richter scale. Therefore planning for mines and infrastructures must consider seismicity in the design.

While Alexis maintains insurance against certain risks, the nature of these risks are such that liabilities could exceed policy limits or could be excluded from coverage. There are also risks against which the Resulting Issuer and its affiliates cannot insure or against which they may elect not to insure. The potential costs that could be associated with any liabilities not covered by insurance or in excess of insurance coverage or compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the future earnings and competitive position of the Resulting Issuer and its affiliates and, potentially, their financial positions.

Numerous companies in the mining industry compete to acquire mining properties at various stages of development. Many of these companies are large with far greater financial resources than those of the Resulting Issuer. The Resulting Issuer's exploration and development activities in the PRC are subject to competition by PRC mining companies, many of which have been conducting operations in the PRC for a considerable period of time and which have the advantage of local knowledge and connections, and by other mining companies conducting operations in the PRC. The government of the PRC has sought to attract foreign investment to the mining industry in the PRC and, there are currently numerous foreign companies with a presence in the PRC exploration and mining sector. Accordingly, the Resulting Issuer anticipates that it will face increasing competition from worldwide mining companies.

Mineral Resource Estimates

Where used by the Resulting Issuer, figures for mineral resources are estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. Market fluctuations in the price of metals may render certain mineral resources uneconomical and prolonged declines in the market price of metals may render mineral resources containing relatively lower grades of mineralization uneconomic to exploit (unless the use of forward sales or other hedging techniques is sufficient to offset such declines). Such price fluctuations could materially reduce the reported mineral resources of Alexis. Should such reductions occur, material write-downs of the investment of the Resulting Issuer in mining properties or the discontinuation of development or production might be required, and there could be material delays in the development of new projects, increased net losses and reduced cash flows. Moreover, short-term operating factors relating to mineral resources, such as the need for orderly development of the mineral deposit or the processing of new or different mineral grades, may cause a mining operation to be unprofitable in any particular accounting period.

Conflicts of Interest

Certain directors and officers of the Resulting Issuer are directors and/or officers of, or are otherwise associated with, other natural resource companies that acquire or may acquire interests in mineral properties in the PRC. Such associations may give rise to conflicts of interest from time to time. The directors of the Resulting Issuer are required by law, however, to act honestly and in good faith with a view to the best interests of the Resulting Issuer and its shareholders and to disclose any personal interests which they may have in any material transaction which is proposed to be entered into with the Resulting Issuer and to abstain from voting as a director for the approval of any such transaction.

Environmental Considerations

Due to the very short history of the environmental protection laws in the PRC, national and local environmental protection standards are still in the process of being formulated and implemented. The Resulting Issuer believes that there are no outstanding notices, orders or directives from central or local environmental protection agencies or local government authorities alleging any breach of national or local environmental quality standards by Alexis or Yakesi or Jubao and that Yakesi and Jubao have complied with all existing environmental protection laws, regulations, administrative orders and standards. Given the nature of their businesses, it is likely that Yakesi

and Jubao will have to meet higher environmental quality standards as the economy of the PRC and its level of environmental consciousness increase in the future. Environmental protection has developed as a significant concern in the PRC in the past few years and the Resulting Issuer believes that regulation in this area is likely to become stricter and more comprehensive over time.

Reliability of Information

While the information contained herein regarding the PRC and its economy has been obtained from a variety of government and private publications and private sources, independent verification of this information is not available and there can be no assurance that the sources from which it is taken or on which it is based are wholly reliable.

Additional Financing

Alexis anticipates ongoing requirements for additional financing in order to support the expansion of its operations or take advantage of unanticipated opportunities. The ability of the Resulting Issuer to arrange such financing in the future will depend in part upon prevailing market conditions, as well as the success of the business success of the Resulting Issuer. There can be no assurance that the Resulting Issuer will be successful in its efforts to arrange additional financing on terms satisfactory to the Resulting Issuer. If additional financing is raised by the issuance of Common Shares, control of the Resulting Issuer may change and shareholders may suffer additional dilution. If adequate funds are not available, or are not available at acceptable terms, the Resulting Issuer may not be able to take advantage of opportunities, or otherwise respond to competitive pressures and remain in business.

X. Sponsorship

Pursuant to an agreement entered into on March 16, 2005, the Sponsor has agreed, subject to completion of satisfactory due diligence review, to sponsor the Resulting Issuer in connection with the RTO as required by the policies of the TSXV. The Sponsor will conduct a full sponsorship review of Alexis and Canco and, assuming favourable results of such review, is expected to recommend the Resulting Issuer's approval for listing as a mining issuer on the TSXV. Neither Goldsat, Canco nor Alexis is a related party to the Sponsor. The Sponsor will receive a cash remuneration of $60,000 plus reimbursement of expenses and will be issued the Sponsor Warrants on Closing. The Sponsor has also been granted the right to act as lead agent or underwriter in connection with any future equity or debt offering of the Resulting Issuer for a period of twelve months following the Closing.

XI. Investor relations arrangements

Neither Goldsat nor Alexis has entered into any written or oral agreement or understanding with any person to provide any promotional or investor relations services for the Resulting Issuer or its securities.

XII. Relationship with professional persons

There are no beneficial interest, direct or indirect, in any securities or property, of Goldsat or Alexis or of an associate or affiliate of either of them, held by a “professional person” or any associate of the professional person. For these purposes, “professional person” means, any person whose profession gives authority to a statement made by the person in the person’s professional capacity and includes a barrister and solicitor (attorney), a public accountant, an appraiser, valuator, auditor, engineer or geologist.

No professional person or any associate of the professional person, is or is expected to be elected, appointed or employed as a director, senior officer or employee of the Resulting Issuer, or of an associate or affiliate of the Resulting Issuer, or is a promoter of Alexis or Goldsat or of an associate or affiliate of Alexis or Goldsat.

XIII. Legal proceedings

There are no outstanding or, to the knowledge of management of Goldsat and Alexis, contemplated legal proceedings that may be material to the business and affairs of the Resulting Issuer.

XIV. Auditor

Grant Thornton LLP are the auditors of Goldsat. Ernst & Young, Certified Public Accountants, Hong Kong, are the auditors of Alexis.

Ernst & Young LLP will be the auditors of the Resulting Issuer if appointed by the shareholders of Goldsat at the Meeting.

XV. Registrar and transfer agent

Computershare Trust Company of Canada, at its principal offices in Calgary, is the registrar and transfer agent of Goldsat and is proposed to be the registrar and transfer agent of the Resulting Issuer.

XVI. Material contracts

The Resulting Issuer will be a party to the following material contracts upon closing of the RTO:

1. The Acquisition Agreement described under "Acquisition of Alexis Resources Limited - the Acquisition Agrement”;
2. The Amalgamation Agreement described under "Amalgamation with Canco - the Amalgamation”;
3. The Simsen Convertible Note described under "Acquisition of Alexis Resources Limited - the Acquisition Agrement”;
4. The Promissory Note described under "Acquisition of Alexis Resources Limited - the Acquisition Agrement”;

5. The Sponsorship Agreement with Desjardins described under "Sponsorship";
6. The agreement with 3AT Inc. described under "Acquisition of Alexis Resources Limited - Other Material Information"; and
7. The subscription agreements to be entered into with subscribers to the Private Placement.

Copies of the abovementioned contracts may be consulted at the head office of Goldsat during normal business hours for a period of 30 days following the date of this Circular.

XVII. Other Material Facts

There are no other material facts in respect of the Resulting Issuer's affairs that are not disclosed elsewhere in this Circular.

SCHEDULE C

FINANCIAL STATEMENTS

C-1	Audited Financial Statements of Alexis for the periods ended December 31, 2004, April 30, 2004 and April 30, 2003
C-2	Unauditied Financial statements of Alexis for the three months ended March 31, 2005
C-3	Audited Financial Statements of 4209931 Canada Inc for its financial year ended March 31, 2005
C-4	Audited Financial Statements of Goldsat for the periods ended December 31, 2004, 2003 and 2002 and Unauditied Financial statements of Goldsat for the three months ended March 31, 2005
C-5	Pro forma Consolidated Financial Statement of the Resulting Issuer

SCHEDULE C-1

ASSURANCE & ADVISORY
BUSINESS SERVICES

Audited Financial Statements

ALEXIS RESOURCES LIMITED
(Incorporated in the British Virgin Islands with limited liability)

30 April 2003, 30 April 2004 and 31 December 2004

ERNST & YOUNG

SCHEDULE C-1

ALEXIS RESOURCES LIMITED

CONTENTS

ERNST & YOUNG

■ 18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
Phone: (852) 2846 9888
Fax: (852) 2868 4432
www.ey.com/china

■ 安永會計師事務所
香港中環金融街8號
國際金融中心2座18樓
電話：(852) 2846 9888
傳真：(852) 2868 4432

REPORT OF THE AUDITORS

To the directors
Alexis Resources Limited
(Incorporated in the British Virgin Islands with limited liability)

We have audited the financial statements on pages 2 to 28 which have been prepared in accordance with the basis of preparation as set out in note 3 to the financial statements.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Group as at 30 April 2003, 30 April 2004 and 31 December 2004 and of the results and cash flows of the Group for the years ended 30 April 2003 and 30 April 2004 and for the eight months ended 31 December 2004.

Ernst & Young

Hong Kong
30 June 2005

SCHEDULE C-1

ALEXIS RESOURCES LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

Years ended 30 April 2003 and 30 April 2004 and eight months ended 31 December 2004

	Notes	Eight months ended 31 December 2004 HK$	Year ended 30 April 2004 HK$	Year ended 30 April 2003 HK$
TURNOVER	4	58,727,389	26,869,177	24,257,432
Cost of sales		(23,950,525)	(24,891,472)	(16,409,755)
Gross profit		34,776,864	1,977,705	7,847,677
Other revenue		156,965	75,280	148,067
Selling and distribution costs		(2,761,560)	(1,194,437)	(1,335,695)
Administrative expenses		(6,792,160)	(3,844,385)	(4,334,835)
Other operating gains/(expenses), net		60,027	2,483,358	(2,130,486)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	5	25,440,136	(502,479)	194,728
Finance costs	6	(116,780)	(233,214)	(341,962)
PROFIT/(LOSS) BEFORE TAX		25,323,356	(735,693)	(147,234)
Tax	7	(3,829,950)	(860,791)	(252,622)
NET PROFIT/(LOSS) BEFORE MINORITY INTERESTS		21,493,406	(1,596,484)	(399,856)
Minority interests		(671,560)	71,512	(128,272)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		20,821,846	(1,524,972)	(528,128)
DIVIDEND	8	1,500,000	-	-

SCHEDULE C-1

ALEXIS RESOURCES LIMITED

CONSOLIDATED BALANCE SHEETS

30 April 2003, 30 April 2004 and 31 December 2004

	Notes	31 December 2004 HK$	30 April 2004 HK$	30 April 2003 HK$
NON-CURRENT ASSETS				
Fixed assets	9	24,427,506	17,682,374	11,499,094
Intangible assets	10	31,630,465	34,350,195	38,283,905
		56,057,971	52,032,569	49,782,999
CURRENT ASSETS				
Inventories	12	6,596,943	4,903,801	7,992,764
Due from a related company	13	-	169,960	-
Prepayments, deposits and other receivables		4,363,260	2,478,054	1,623,169
Cash and bank balances	14	21,573,705	4,369,943	3,968,773
		32,533,908	11,921,758	13,584,706
CURRENT LIABILITIES				
Trade payables		708,192	2,232,478	1,537,496
Other payables and accrued liabilities		11,779,210	8,473,711	6,683,344
Tax payable		3,548,111	489,828	-
Due to a related company	13	-	-	28,352
Due to a director	13	-	45,817	-
Interest-bearing bank loans and other borrowings	15	2,710,280	2,803,738	4,953,271
		18,745,793	14,045,572	13,202,463
NET CURRENT ASSETS/(LIABILITIES)		13,788,115	(2,123,814)	382,243
TOTAL ASSETS LESS CURRENT LIABILITIES		69,846,086	49,908,755	50,165,242
NON-CURRENT LIABILITIES				
Due to immediate holding company	16	-	-	56,765,489
Due to a minority shareholder	16	-	-	3,845,794
Due to shareholders	17	26,290,540	26,290,540	-
		26,290,540	26,290,540	60,611,283
MINORITY INTERESTS		683,710	56,760	128,272
		42,871,836	23,561,455	(10,574,313)

.../continued

ALEXIS RESOURCES LIMITED

CONSOLIDATED BALANCE SHEETS (continued)

30 April 2003, 30 April 2004 and 31 December 2004

	Notes	31 December 2004 HK$	30 April 2004 HK$	30 April 2003 HK$
CAPITAL AND RESERVES/ (DEFICIENCY IN ASSETS)				
Issued capital	18	77,500	77,500	775
Reserves	19	42,794,336	23,483,955	(10,575,088)
		42,871,836	23,561,455	(10,574,313)

Director

SCHEDULE C-1

ALEXIS RESOURCES LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years ended 30 April 2003 and 30 April 2004 and eight months ended 31 December 2004

		Reserves					
	Issued capital HK$ (Note 18)	Share premium account HK$ (Note 19)	General reserve HK$	Currency translation reserve HK$	Retained profits/ (accumulated losses) HK$	Sub-total HK$	Total HK$
At 1 May 2002	775	-	157,795	81,391	(10,286,146)	(10,046,960)	(10,046,185)
Transfer from/(to) general reserve (Note 19)	-	-	196,264	-	(196,264)	-	-
Net loss for the year	-	-	-	-	(528,128)	(528,128)	(528,128)
At 30 April 2003 and 1 May 2003	775	-	354,059	81,391	(11,010,538)	(10,575,088)	(10,574,313)
Transfer from/(to) general reserve (Note 19)	-	-	507,290	-	(507,290)	-	-
Issue of new shares	76,725	35,584,015	-	-	-	35,584,015	35,660,740
Share premium account set off against accumulated losses	-	(13,976,000)	-	-	13,976,000	-	-
Net loss for the year	-	-	-	-	(1,524,972)	(1,524,972)	(1,524,972)
At 30 April and 1 May 2004	77,500	21,608,015	861,349	81,391	933,200	23,483,955	23,561,455
Exchange realignment and net loss not recognised in the profit and loss account	-	-	-	(11,465)	-	(11,465)	(11,465)
Transfer from/(to) general reserve (Note 19)	-	-	2,682,423	-	(2,682,423)	-	-
Net profit for the period	-	-	-	-	20,821,846	20,821,846	20,821,846
Dividend (Note 8)	-	-	-	-	(1,500,000)	(1,500,000)	(1,500,000)
At 31 December 2004	77,500	21,608,015	3,543,772	69,926	17,572,623	42,794,336	42,871,836

SCHEDULE C-1

ALEXIS RESOURCES LIMITED

CONSOLIDATED CASH FLOW STATEMENTS

Years ended 30 April 2003 and 30 April 2004 and eight months ended 31 December 2004

	Notes	Eight months ended 31 December 2004 HK$	Year ended 30 April 2004 HK$	Year ended 30 April 2003 HK$
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) from operating activities		25,440,136	(502,479)	194,728
Adjustments for:				
Depreciation	5	1,332,057	1,635,427	1,705,722
Amortisation of intangible assets	5	2,719,730	4,079,597	3,170,919
Loss on disposal/write-off of fixed assets	5	-	98,291	472,547
Interest income	5	(39,993)	(43,533)	(20,030)
Gain on disposal of partial interest in a subsidiary	5	(175,450)	-	-
Waiver of management fee payable to a shareholder	5	-	(2,160,000)	-
Operating profit before working capital changes		29,276,480	3,107,303	5,523,886
Decrease/(increase) in inventories		(1,693,142)	3,088,963	(1,567,144)
Increase in prepayments, deposits and other receivables		(1,885,206)	(854,885)	(1,228,102)
Increase/(decrease) in trade payables		(1,524,286)	694,982	(147,422)
Increase in other payables and accrued liabilities		3,305,499	1,790,367	363,758
Decrease/(increase) in balances with a related company		169,960	(198,312)	28,352
Increase/(decrease) in an amount due to a director		(45,817)	45,817	-
Cash generated from operations		27,603,488	7,674,235	2,973,328
Overseas taxes paid		(771,667)	(370,963)	(252,622)
Net cash inflow from operating activities		26,831,821	7,303,272	2,720,706
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received		39,993	43,533	20,030
Purchases of fixed assets	9	(8,077,189)	(7,916,998)	(306,590)
Proceeds from disposal of fixed assets		-	-	154,264
Proceeds from disposal of partial interest in a subsidiary		175,450	-	-
Purchases of intangible assets	10	-	(145,887)	(36,845,794)
Net cash outflow from investing activities		(7,861,746)	(8,019,352)	(36,978,090)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid	6	(116,780)	(233,214)	(341,962)
Loan from immediate holding company		-	-	37,878,929
Repayment of shareholders' loans		-	(32,160,743)	-
New bank loans		2,710,280	-	-
Repayment of bank loans		(2,803,738)	(2,149,533)	(69,719)
Proceeds from issue of share capital	18	-	35,660,740	-
Dividend paid to a minority shareholder		(56,075)	-	-
Dividend paid		(1,500,000)	-	-
Net cash inflow/(outflow) from financing activities		(1,766,313)	1,117,250	37,467,248

.../continued

ALEXIS RESOURCES LIMITED

CONSOLIDATED CASH FLOW STATEMENTS (continued)

Years ended 30 April 2003 and 30 April 2004 and eight months ended 31 December 2004

	Eight months ended 31 December 2004 HK$	Year ended 30 April 2004 HK$	Year ended 30 April 2003 HK$
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,203,762	401,170	3,209,864
Cash and cash equivalents at beginning of period/year	4,369,943	3,968,773	758,909
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	21,573,705	4,369,943	3,968,773
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21,573,705	4,369,943	3,968,773

ALEXIS RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

30 April 2003, 30 April 2004 and 31 December 2004

1. CORPORATE INFORMATION

The principal place of business of the Company during the years ended 30 April 2003 and 2004 and the eight months ended 31 December 2004 (the "Relevant Periods") was situated at 3rd Floor, Cameron Commercial Centre, 468 Hennessy Road, Causeway Bay, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are mining operations in Mainland China. There were no changes in the nature of the Group's principal activities during the Relevant Periods. The Group operates in a single segment, being the acquisition, exploration and mining of mineral resource properties and in one geographic location, being Hami, Xinjinag in Mainland China.

Pursuant to a resolution passed in a board of directors meeting held on 18 March 2005, the financial year end date of the Company was changed from 30 April to 31 December with effect from 31 December 2004. Accordingly, these financial statements cover a period of eight months from 1 May 2004 to 31 December 2004. The amounts presented for the consolidated profit and loss accounts, the consolidated statements of changes in equity, the consolidated cash flow statements and the related notes for the years ended 30 April 2003 and 2004 are not comparable.

2. IMPACT OF A REVISED HONG KONG STATEMENT OF STANDARD ACCOUNTING PRACTICE AND RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The revised Hong Kong Statement of Standard Accounting Practice ("SSAP") 12 "Income taxes" is effective for the first time for the year ended 30 April 2004. The revised SSAP prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

The adoption of this revised SSAP has had no significant impact for these financial statements on the amounts recorded for income taxes. However, the related note disclosures of deferred tax assets and liabilities are now more extensive than previously required. These disclosures are presented in note 7 to the financial statements and include a reconciliation between the tax charge applicable to the Group's profit/loss before tax using the statutory rates to the tax charge at the effective tax rates for the Relevant Periods.

Further details of these changes are included in the accounting policy for income tax in notes 3 and 7 to the financial statements.

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in these financial statements. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

ALEXIS RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

30 April 2003, 30 April 2004 and 31 December 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation and presentation

The consolidated financial statements of the Group for the year ended 30 April 2003 were previously approved and issued by the board of directors of the Company on 5 September 2003. Those financial statements had not included the consolidated cash flow statement as required by SSAP 15 "Cash flow statements". The auditors reported a qualified opinion on those financial statements on 5 September 2003 because of the non-inclusion of the consolidated cash flow statement as required by SSAP 15.

On 7 February 2005, subsequent to the issuance of those financial statements, the shareholders of the Company entered into agreements with Goldsat Mining Inc. ("Goldsat") with respect to the acquisition of the Company's shares by Goldsat (the "Acquisition"). For the purpose of providing relevant financial information about the Group for the Relevant Periods to be included in the information circular of Goldsat regarding the Acquisition, the directors of the Company approved the issuance of these financial statements. In view of the specific purposes for which these financial statements have been prepared, the comparative amounts as at 30 April 2002 and for the year then ended and the related notes thereto have not been presented.

These financial statements for the Relevant Periods have been prepared in accordance with HKFRSs (which also include Statements of Standard Accounting Practice and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong, except that no comparative figures as at 30 April 2002 and for the year then ended and the related notes thereto have been included. They have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements for the Relevant Periods comprise the financial statements of the Company and all of its subsidiaries for the Relevant Periods, after the elimination of all material intercompany transactions. The results of subsidiaries acquired or disposed of during the Relevant Periods are consolidated from or to their effective dates of acquisition or disposal, respectively. Acquisitions of subsidiaries are accounted for using the purchase method of accounting. All significant intra-group transactions and balances are eliminated on consolidation.

Minority interests represent interests of outside shareholders in the results of net assets of the Company's subsidiaries.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises.

Fixed assets and depreciation

Fixed assets, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	- Over the lease terms
Buildings	- 2% to 4% or over the lease terms, whichever is shorter
Plant and machinery	- 8% to 10%
Furniture, equipment and motor vehicles	- 20% to 50%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development costs
All research costs are charged to the profit and loss account as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Mining rights
Mining rights are stated at cost less accumulated amortisation and any impairment losses. The cost of mining rights is amortised on the straight-line basis over their estimated useful lives of 10 years.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Provision
A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

Income tax
Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with interests in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)
Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from negative goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with interests in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Revenue recognition
Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

- interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

Operating leases
Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Employee benefits
The Group has joined a mandatory central pension scheme operated by the PRC government for its PRC employees, the assets of which are held separately from those of the Group. Contributions are made based on a percentage of the eligible employees' salaries and are charged to the profit and loss account as they become payable, in accordance with the rules of the scheme. The employer contributions vest fully once they are made.

ALEXIS RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

30 April 2003, 30 April 2004 and 31 December 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the period, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the currency translation reserve.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

4. TURNOVER

Turnover represents the net invoiced value of sales of metals, after allowances for returns and trade discounts, but excludes intra-group transactions.

ALEXIS RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

30 April 2003, 30 April 2004 and 31 December 2004

5. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

This is arrived at after charging/(crediting):

	Notes	Eight months ended 31 December 2004 HK$	Year ended 30 April 2004 HK$	Year ended 30 April 2003 HK$
Cost of sales, excluding amortisation		21,230,795	20,811,875	13,238,836
Amortisation of intangible assets #	10	2,719,730	4,079,597	3,170,919
Total cost of sales		23,950,525	24,891,472	16,409,755
Auditors' remuneration		67,000	100,000	-
Directors' remuneration:				
Fees		-	-	-
Other emoluments		498,533	40,000	-
Depreciation	9	1,332,057	1,635,427	1,705,722
Research and development costs:				
Current year expenditure		-	-	1,587,766
Minimum lease payments under operating lease on land and buildings		79,665	127,257	101,648
Staff costs (including directors' remuneration)		3,214,407	2,444,455	1,865,587
Loss on disposal/write-off of fixed assets *		-	98,291	472,547
Interest income		(39,993)	(43,533)	(20,030)
Gain on disposal of partial interest in a subsidiary *		(175,450)	-	-
Waiver of management fee payable to a shareholder *		-	(2,160,000)	-

This item are included in "Cost of sales" on the face of the consolidated profit and loss account.

* These items are included in "Other operating gains/(expenses), net" on the face of the consolidated profit and loss account.

Auditors' remuneration for the year ended 30 April 2003 was borne by the Company's then ultimate holding company.

6. FINANCE COSTS

The balance represents interest expenses on bank loans and other borrowings which are repayable within one year.

ALEXIS RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

30 April 2003, 30 April 2004 and 31 December 2004

7. TAX

	Eight months ended 31 December 2004 HK$	Year ended 30 April 2004 HK$	Year ended 30 April 2003 HK$
Current - elsewhere than Hong Kong	3,829,950	860,791	252,622
Tax charge for the period/year	3,829,950	860,791	252,622

The statutory tax rate for Hong Kong profits tax is 17.5% for the Relevant Periods. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the Relevant Periods. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Xinjiang Yakesi Resources Co. Ltd. ("Xinjiang Yakesi"), a subsidiary of the Company established in Mainland China, was exempted from corporate income tax in Mainland China for the two years starting from the year ended 31 December 2000, and was eligible for a 50% relief from income tax for the following three years starting from the year ended 31 December 2002 under the Income Tax Law of Mainland China. As a result of the tax concession, Xinjiang Yakesi was subject to corporate income tax rate of 15% from the calendar years ended 31 December 2002 to 31 December 2010.

A reconciliation of the tax charge applicable to the Group's profit/(loss) before tax using the statutory rates for the countries in which the companies in the Group are domiciled, to the tax charge at the effective tax rates, is as follows:

	Eight months ended 31 December 2004 HK$	Year ended 30 April 2004 HK$	Year ended 30 April 2003 HK$
Profit/(loss) before tax	25,323,356	(735,693)	(147,234)
Tax charge/(credit) at the Hong Kong statutory rate of 17.5%	4,431,587	(128,746)	(25,766)
Different tax rates for specific provinces and local authority	(611,861)	(1,044,448)	(79,960)
Income not subject to tax	(320,579)	(312,409)	(26,652)
Expenses not deductible	330,803	2,346,394	385,000
Tax charge at the Group's effective rate	3,829,950	860,791	252,622

There was no unprovided deferred tax as at 30 April 2003 and 2004 and 31 December 2004.

ALEXIS RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

30 April 2003, 30 April 2004 and 31 December 2004

8. DIVIDEND

	Eight months ended 31 December 2004 HK$	Year ended 30 April 2004 HK$	Year ended 30 April 2003 HK$
Interim dividend – HK$150 per ordinary share	1,500,000	-	-

9. FIXED ASSETS

	Leasehold land and buildings HK$	Plant and machinery HK$	Furniture, equipment and motor vehicles HK$	Construction in progress HK$	Total HK$
Cost:					
At 1 May 2002	5,735,335	10,552,371	174,607	-	16,462,313
Additions	-	249,754	56,836	-	306,590
Disposals/write-off	(504,412)	(172,242)	-	-	(676,654)
At 30 April 2003 and 1 May 2003	5,230,923	10,629,883	231,443	-	16,092,249
Additions	1,259,515	1,049,886	7,901	5,599,696	7,916,998
Disposals/write-off	-	(160,067)	-	-	(160,067)
At 30 April 2004 and 1 May 2004	6,490,438	11,519,702	239,344	5,599,696	23,849,180
Additions	59,372	1,450,281	59,595	6,507,941	8,077,189
At 31 December 2004	6,549,810	12,969,983	298,939	12,107,637	31,926,369
Accumulated depreciation and impairment:					
At 1 May 2002	998,676	1,891,598	47,002	-	2,937,276
Provided during the year	599,133	1,078,761	27,828	-	1,705,722
Disposals/write-off	(33,627)	(16,216)	-	-	(49,843)
At 30 April 2003 and 1 May 2003	1,564,182	2,954,143	74,830	-	4,593,155
Provided during the year	403,663	1,194,324	37,440	-	1,635,427
Disposals/write-off	-	(61,776)	-	-	(61,776)
At 30 April 2004 and 1 May 2004	1,967,845	4,086,691	112,270	-	6,166,806
Provided during the period	459,551	841,012	31,494	-	1,332,057
At 31 December 2004	2,427,396	4,927,703	143,764	-	7,498,863
Net book value:					
At 31 December 2004	4,122,414	8,042,280	155,175	12,107,637	24,427,506
At 30 April 2004	4,522,593	7,433,011	127,074	5,599,696	17,682,374
At 30 April 2003	3,666,741	7,675,740	156,613	-	11,499,094

ALEXIS RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

30 April 2003, 30 April 2004 and 31 December 2004

9. FIXED ASSETS (continued)

The buildings are erected on land situated in Mainland China under medium term leases.

As at 30 April 2003 and 30 April 2004 and 31 December 2004, the Group's plant and machinery with net book values of HK$5,878,000, HK$5,602,000 and HK$5,096,000, respectively, were pledged to secure borrowing facilities granted to the Group (note 15).

10. INTANGIBLE ASSETS

Mining rights

	HK$
Cost:	
At 1 May 2002	9,754,609
Additions	36,845,794
At 30 April 2003 and 1 May 2003	46,600,403
Additions	145,887
At 30 April 2004, 1 May 2004 and 31 December 2004	46,746,290
Accumulated amortisation and impairment:	
At 1 May 2002	5,145,579
Provided during the year	3,170,919
At 30 April 2003 and 1 May 2003	8,316,498
Provided during the year	4,079,597
At 30 April 2004 and 1 May 2004	12,396,095
Provided during the period	2,719,730
At 31 December 2004	15,115,825
Net book value:	
At 31 December 2004	31,630,465
At 30 April 2004	34,350,195
At 30 April 2003	38,283,905

ALEXIS RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

30 April 2003, 30 April 2004 and 31 December 2004

11. INTERESTS IN SUBSIDIARIES

As at 31 December 2004, the Company had direct or indirect interests in the following subsidiaries, the particulars of which are set out below:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Group#			Principal activities
			31 December 2004	30 April 2004	30 April 2003	
Xinjiang Yakesi (note (a))*	Mainland China	RMB7,000,000	97	97	97	Mining operations
Fine Asia Development Limited	Hong Kong	HK$100	100	100	-	Dormant
Milin Foundate Limited	Hong Kong	HK$1,000	100	100	-	Dormant
哈密市聚寶資源開發有限公司 ("Hami Jubao") (note (b))*	Mainland China	RMB5,000,000	92.9	96.03	96.03	Mining operations

* Statutory audit not performed by Ernst & Young Hong Kong or other Ernst & Young International member firms.

\# All subsidiaries are held directly by the Company during the Relevant Periods except as explained in note b below.

Notes:

(a) Xinjiang Yakesi is a Sino-foreign equity joint venture established by the Company and a PRC venturer in Mainland China for a period of 50 years commencing from the date of issuance of its business licence on 12 October 1999.

(b) Hami Jubao is an enterprise established by Xinjiang Yakesi and a PRC venturer in Mainland China. In July 2004, Hami Jubao was reformed as a Sino-foreign equity joint venture with limited liability for a period of 30 years commencing from the date of issuance of its business licence on 12 July 1999, and is owned as to 70% by Xinjiang Yakesi, 25% by the Company and 5% by a PRC venturer.

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NOTES TO FINANCIAL STATEMENTS

30 April 2003, 30 April 2004 and 31 December 2004

12. INVENTORIES

	31 December 2004 HK$	30 April 2004 HK$	30 April 2003 HK$
Raw materials	2,946,247	1,696,959	1,013,636
Work in progress	-	-	4,875,910
Finished goods	3,650,696	3,206,842	2,103,218
	6,596,943	4,903,801	7,992,764

None of the above inventories was carried at net realisable value at the respective balance sheet dates.

13. BALANCES WITH A RELATED COMPANY AND A DIRECTOR

Details of an amount due from a related company are as follows:

	31 December 2004 HK$	30 April 2004 HK$	30 April 2003 HK$
Tigermetal Company Limited ("Tigermetal")	-	169,960	-

	Eight months ended 31 December 2004 HK$	Year ended 30 April 2004 HK$	Year ended 30 April 2003 HK$
Maximum amount outstanding during the period/year	169,960	169,960	-

As at 30 April 2004, a director of the Company is also a director of Tigermetal.

The balances with the related company and a director are unsecured, interest-free and have no fixed terms of repayment.

14. CASH AND BANK BALANCES

At 30 April 2003 and 30 April 2004 and 31 December 2004, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$3,969,000, HK$1,981,000 and HK$19,550,000 respectively. The RMB is not freely convertible into other currencies, however, under Mainland 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 authorised to conduct foreign exchange business.

ALEXIS RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

30 April 2003, 30 April 2004 and 31 December 2004

15. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	31 December	30 April	
	2004	2004	2003
	HK$	HK$	HK$
Bank loans, secured and repayable within one year	2,710,280	2,803,738	4,018,692
Other borrowings, secured and repayable within one year	-	-	934,579
	2,710,280	2,803,738	4,953,271

The interest-bearing bank loans and other borrowings are denominated in RMB and repayable in RMB. The other borrowings bore interest at a rate of 0.575% per month.

The Group's borrowing facilities were secured by the following:

(a) certain plant and machinery of the Group with net book values of approximately HK$5,878,000, HK$5,602,000 and HK$5,096,000 as at 30 April 2003 and 2004 and 31 December 2004, respectively; and

(b) personal guarantees executed by certain executives of the Group as at 30 April 2003.

16. DUE TO IMMEDIATE HOLDING COMPANY AND A MINORITY SHAREHOLDER

As at 30 April 2003, the amounts due to the immediate holding company and a minority shareholder were unsecured, interest-free and were repayable after one year from the balance sheet date. These balances were reclassified as amounts due to shareholders (note 17) during the year ended 30 April 2004 following the change of the Company's shareholding structure in that period.

17. DUE TO SHAREHOLDERS

The amounts due to shareholders are unsecured, interest-free and are repayable after one year from the balance sheet date.

ALEXIS RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

30 April 2003, 30 April 2004 and 31 December 2004

18. SHARE CAPITAL

	31 December 2004 HK$	30 April 2004 HK$	30 April 2003 HK$
Authorised:			
50,000 ordinary shares of US$1 each	387,500	387,500	387,500

Issued and fully paid:

	Number of Shares	Amount HK$
At 1 May 2002, 30 April 2003 and 1 May 2003	100	775
Issue of shares (Note)	9,900	76,725
At 30 April 2004, 1 May 2004 and 31 December 2004	10,000	77,500

Note: On 27 August 2003, a total of 9,200 ordinary shares of the Company of US$1 each ("Shares") were issued for a total consideration of HK$32,160,740 for cash to two subscribers to provide additional working capital to the Company. On 14 January 2004, a total of 700 Shares were issued for a cash consideration of HK$3,500,000 in aggregate to one subscriber to provide additional working capital to the Company.

19. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity on page 5 of the financial statements.

Pursuant to the relevant laws in Mainland China, a portion of profits of the Group's subsidiaries in Mainland China, subject to the discretion of its board of directors, was transferred to general reserve. Subject to certain restrictions set out in the relevant regulations in Mainland China and the articles of associations of the relevant companies, the general reserve may be used to set off losses or for capitalisation as paid-up capital.

20. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transaction:

On 29 August 2003, the then immediate holding company of the Company assigned a shareholder loan of HK$11,697,000 due from the Group to another shareholder of the Company following the change of the Company's shareholding structure during the year ended 30 April 2004.

ALEXIS RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

30 April 2003, 30 April 2004 and 31 December 2004

21. COMMITMENTS

(a) Operating lease commitments

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to twenty years. During the year ended 30 April, 2004, the Group acquired certain of the leased properties from the landlord.

At 30 April 2003 and 2004 and 31 December 2004, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December	30 April	
	2004	2004	2003
	HK$	HK$	HK$
Within one year	75,529	37,764	177,951
In the second to fifth years, inclusive	-	-	560,748
After five years	-	-	1,661,139
	75,529	37,764	2,399,838

(b) Capital commitments

	31 December	30 April	
	2004	2004	2003
	HK$	HK$	HK$
Contracted for, but not provided for	2,888,308	5,479,584	10,097,972

In addition to the above, the Group entered contracts relating to the construction of facilities for the development of certain mines in Xinjiang, Mainland China. As at 31 December 2004, the construction of these facilities has not yet been completed and the related construction cost was charged and payable by the Group based on the actual cost incurred.

(c) Other commitments

In prior years, the Group entered into a contract relating to the development of certain mines in Xinjiang, Mainland China. As at 30 April 2003, the committed contract sum outstanding under this contract amounted to HK$7,850,467. Subsequent to 30 April 2003, the contract was terminated and there was no outstanding amount payable under this contract as at 30 April 2004 and 31 December 2004.

22. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the Relevant Periods:

	Notes	Eight months ended 31 December 2004 HK$	Year ended 30 April 2004 HK$	Year ended 30 April 2003 HK$
Management fee payable to a shareholder	(a)	-	-	2,160,000
Waiver of management fee payable to a shareholder		-	(2,160,000)	-
Purchases of mining rights from:	(b)			
- a fellow subsidiary		-	-	33,000,000
- a minority shareholder		-	-	3,845,794

Notes:

(a) The management fee was charged based on the actual costs incurred for services provided.

(b) The purchase consideration of the mining rights were determined based on mutual agreements with related parties.

23. RECONCILIATION OF DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN HONG KONG ("HONG KONG GAAP") AND ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN CANADA ("CANADIAN GAAP")

Accounting principles under Hong Kong GAAP and Canadian GAAP are, as they affect the Group, substantially the same except for the following:

(a) Impairment of long-lived assets

Under Hong Kong GAAP, an assessment is made at each balance sheet date of whether there is any indication of impairment of any asset. If any such indication exists, the asset's recoverable amounts is estimated. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Impairment losses, if any, are recognised in the profit and loss account. Under Canadian GAAP, a long-lived asset should be tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss should be recognised when the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. This difference in accounting principles has had no impact on the reported consolidated financial statements of the Group.

23. RECONCILIATION OF DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN HONG KONG ("HONG KONG GAAP") AND ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN CANADA ("CANADIAN GAAP") (continued)

(a) Impairment of long-lived assets (continued)

Under Hong Kong GAAP, the recoverable amount of the Company's assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Under Canadian GAAP, the carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. This assessment is based on the carrying amount of the asset at the date it is tested for recoverability, whether it is in use or under development. This difference in accounting principles has had no impact on the reported consolidated financial statements of the Group.

In respect of impairment of assets, for Hong Kong GAAP, an impairment loss may be reversed if there has been a change in the estimates used to determine the recoverable amount of an asset. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Under Canadian GAAP, an impairment loss is not reversed if the fair value subsequently increases. This difference in accounting policy has had no impact on the reported consolidated financial statements of the Group.

(b) Related party transactions

Under Hong Kong GAAP, there is no specific requirement on the measurement basis of the related party transactions. Related party transactions are generally recognised at the amount of cash or cash equivalents paid or received (the "Exchange Amount"). Under Canadian GAAP, a related party transaction should be measured at the carrying amount (the "Carrying Amount") (the amount of an item transferred, or cost of services provided, as recorded in the accounts of the transferor, after adjustment, if any, for amortisation or impairment in value) except when the following criteria are met, for which the related party transaction should be measured at the Exchange Amount.

i. a monetary related party transaction, or a non-monetary related party transaction that represents the culmination of the earnings process in the normal course of operations; or

ii. a monetary related party transaction, or a non-monetary related party transaction that represents the culmination of the earnings process, that is not in the normal course of operations when both of the following criteria are satisfied:

- the change in the ownership interests in the item transferred or the benefit of the service provided is substantive; and
- the Exchange Amount is supported by independent evidence.

23. RECONCILIATION OF DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN HONG KONG ("HONG KONG GAAP") AND ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN CANADA ("CANADIAN GAAP") (continued)

(b) Related party transactions (continued)

When a related party transaction is measured at carrying amount, any difference between the carrying amounts of items exchanged, together with any tax amounts related to the items transferred, should be included as a charge or credit to equity. This difference in accounting principles has had no significant impact on the reported consolidated financial statements of the Group. All related party transactions are measured at the Exchange Amount except a mining right purchased from a fellow subsidiary which is measured at the Carrying Amount under Canadian GAAP. The Carrying Amount of this mining right recognised in accordance with the above policy is also the same as the cash consideration paid to the fellow subsidiary.

In addition, the waiver of management fee payable to a shareholder of HK$2,160,000 credited to the profit and loss account for the year ended 30 April 2004 under Hong Kong GAAP is considered as a capital transaction and recorded under equity under Canadian GAAP. As such, the effect of this difference between Hong Kong GAAP and Canadian GAAP is that the audited net loss of the Group will be increased by the said amount for the year ended 30 April 2004 per Canadian GAAP presented as follows.

Moreover, a shareholder of the Group (the "Shareholder") has been utilising its existing resources to perform certain administrative functions of the Group and the Group therefore had a saving in related expenses. The Shareholder also assisted the Group in obtaining favourable terms from various service providers. Had such assistance been absent and the Group need to carry out those administrative functions at its own expense and to negotiate with the service providers alone, the directors of the Group expected the earnings of the Group might be reduced by HK$565,901, HK$593,936 and HK$735,430 for the eight months ended 31 December 2004 and for the year ended 30 April 2004 and 2003 respectively.

ALEXIS RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

30 April 2003, 30 April 2004 and 31 December 2004

23. RECONCILIATION OF DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN HONG KONG ("HONG KONG GAAP") AND ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN CANADA ("CANADIAN GAAP") (continued)

(b) Related party transactions (continued)

The effects of differences between Hong Kong GAAP and Canadian GAAP on the Group's operating results are summarised as follows:

(i) Consolidated profit and loss accounts

	Eight months ended 31 December 2004 HK$	Year ended 30 April 2004 HK$	Year ended 30 April 2003 HK$
Net income/(loss) under Hong Kong GAAP	20,821,846	(1,524,972)	(528,128)
Management fee waived	-	(2,160,000)	-
Share of audit fee	(406,000)	(265,000)	(386,000)
Share of administrative expense	(159,901)	(328,936)	(349,430)
Net income/(loss) under Canadian GAAP	20,255,945	(4,278,908)	(1,263,558)

(ii) Consolidated balance sheets

	Eight months ended 31 December 2004 HK$	Year ended 30 April 2004 HK$	Year ended 30 April 2003 HK$
Total assets as per Hong Kong GAAP and Canadian GAAP	88,591,879	63,954,327	63,367,705
Total liabilities as per Hong Kong GAAP and Canadian GAAP	45,720,043	40,392,872	73,942,018
Total shareholders' equity/ (deficiency in assets) as per Hong Kong GAAP	42,871,836	23,561,455	(10,574,313)
Decrease in retained profits	(4,055,267)	(3,489,366)	(735,430)
Increase in reserves	4,055,267	3,489,366	735,430
As per Canadian GAAP	42,871,836	23,561,455	(10,574,313)

23. RECONCILIATION OF DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN HONG KONG ("HONG KONG GAAP") AND ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN CANADA ("CANADIAN GAAP") (continued)

(c) Cash flow statement

Under Canadian GAAP, the cash flows from interest paid and interest income received were included in the cash flows from operating activities. However, under Hong Kong GAAP , cash flows from interest paid was included in the cash flows from financing activities and cash flows from interest income received was included in the cash flows from investing activities.

(d) Disclosure of risk factors

The following disclosures are not required under the Hong Kong GAAP but are required under the Canadian GAAP:

(i) Concentration of economic risk

The Group's operations may be adversely affected by significant political, economic and social uncertainties in the Mainland China. In addition, the ability to negotiate and implement specific projects in a timely and favourable manner may be impacted by political considerations unrelated to or beyond the control of the Group. Although the government of the Mainland China has been pursuing economic reform polices, no assurance can be given that the government will continue to pursue such policies or that such policies may not be significantly altered. There is also no guarantee that the government's pursuit of economic reforms will be consistent or effective and as a result, changes in the rate or method of taxation, reduction in tariff protection and other import restrictions, and changes in state policies affecting the industries to which the Group sells its products, may have a negative effect on its operation results and financial conditions.

(ii) Concentration of currency risk

Substantially all of the revenue-generating operations of the Group are transacted in RMB, which is not freely convertible into foreign currencies. On 1 January 1994, the PRC government abolished the dual rate system and introduced a single rate of exchanges as quoted by the PRC. However, the unification of the exchange rate does not imply convertibility of RMB into United States dollars or other foreign currencies. All foreign exchange transactions continue to take place either through the People's Bank of China or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the People's Bank of China. Approval of foreign currency payments by the People's Bank of China or other institutions requires submitting a payment application form together with suppliers' invoices, shipping documents and signed contract.

23. RECONCILIATION OF DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN HONG KONG ("HONG KONG GAAP") AND ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN CANADA ("CANADIAN GAAP") (continued)

(d) Disclosure of risk factors (continued)

(iii) Risk of economic dependency

The Group's primary sources of revenue are generated from the ongoing sales of mineral concentrate through mining operations and processed through its concentrator plant, transacted with Nickel-Metropolis Ind. Co. The Group sold a total of HK$24,257,432 , HK$26,869,177 and HK$58,727,389 to this company for the years ended 30 April 2003 and 30 April 2004 and for the eight months ended 31 December 2004, respectively.

(iv) Risk of properties title

Yakesi and Jubao each hold mining licences issued by the provincial authorities. Alexis has obtained a legal opinion with respect to the legality of these mining licences; there is no guarantee that title to such properties will not be challenged or impugned. There is a difference of interpretation in the PRC amongst government officials and legal professionals as to whether mining licences may be issued to foreign invested enterprises by provincial level government departments, or whether all mining licences issued to foreign invested enterprises must be issued by a higher level of government. Many laws in the PRC leave room for significant discretion (whether specifically granted or not) at the provincial and local level, leading to inconsistent application from region to region. Different government departments at different levels of government may have different opinions or interpretations as to which authority is the proper issuing authority of the mining licences to foreign invested enterprises. In case a higher level of government is confirmed as the proper issuing authority, Yakesi and Jubao may have to seek replacement mining licences but there is no guarantee that such licences would be granted, which in turn would have a material adverse effect on the Group's business operations.

24. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the board of directors on 30 June 2005.

SCHEDULE C-2

ALEXIS RESOURCES LIMITED
(Incorporated in the British Virgin Islands with limited liability)

Interim Consolidated Financial Statements
(Unaudited – Prepared by Management)

(Prepared in accordance with Canadian Generally Accounting Principles)

(Expressed in Hong Kong Dollars)

March 31, 2005

SCHEDULE C-2

ALEXIS RESOURCES LIMITED

Interim Consolidated Balance Sheets
(Unaudited - Prepared by Management)
(Prepared in accordance with Canadian Generally Accepted Accounting Principles)
(Expressed in Hong Kong Dollars)

		March 31, 2005 (Unaudited)		December 31, 2004 (Audited)
ASSETS				
Current				
Cash and bank balances (Note 4)	$	16,621,381	$	21,573,705
Prepayments, deposits and other receivables		2,106,960		4,363,260
Inventories (Note 5)		7,318,983		6,596,943
Total current assets		26,047,324		32,533,908
Property, plant and equipment (Note 6 and Note 8)		32,601,715		24,427,506
Intangible assets (Note 7)		30,610,567		31,630,465
Total assets	$	89,259,606	$	88,591,879
LIABILITIES				
Current				
Accounts payable	$	1,058,468	$	708,192
Other payables and accrued liabilities		11,267,156		11,779,210
Tax payable		3,009,615		3,548,111
Interest-bearing bank loans (Note 8)		1,869,159		2,710,280
Total current liabilities		17,204,398		18,745,793
Due to shareholders		26,290,540		26,290,540
Total liabilities		43,494,938		45,036,333
Non-controlling interests		771,693		683,710
Commitments (Note 11)				
SHAREHOLDERS' EQUITY				
Share capital (Note 9)		77,500		77,500
Reserves (Note 10)		44,915,475		42,794,336
Total shareholders' equity		44,992,975		42,871,836
Total liabilities and shareholders' equity	$	89,259,606	$	88,591,879

Approved by the Director:

ALEXIS RESOURCES LIMITED

Interim Consolidated Statement of Changes in Equity
(Unaudited - Prepared by Management)
(Prepared in accordance with Canadian Generally Accepted Accounting Principles)
(Expressed in Hong Kong Dollars)

	Issued Capital	Share Premium Account	General Reserve	Currency Translation Reserve	Retained Earnings	Total Reserves	Total
At December 31, 2004	$ 77,500	$ 21,608,016	$ 7,599,039	$ 69,925	$ 13,517,356	$ 42,794,336	$ 42,871,836
Net earnings for the period	-	-	-	-	2,121,139	2,121,139	2,121,139
At March 31, 2005	$ 77,500	$ 21,608,016	$ 7,599,039	$ 69,925	$ 15,638,495	$ 44,915,475	$ 44,992,975

SCHEDULE C-2

ALEXIS RESOURCES LIMITED

Interim Consolidated Statement of Earnings
(Unaudited - Prepared by Management)
(Prepared in accordance with Canadian Generally Accepted Accounting Principles)
(Expressed in Hong Kong Dollars)

		Three Months Ended March 31, 2005 (Unaudited)
Sales	$	11,530,094
Cost of sales		(1,962,492)
Amortization and depletion		(1,688,204)
Gross profit		7,879,398
Other revenue		24,462
Selling and distribution costs		(23,730)
Administrative expenses		(2,716,930)
Other operating expenses		(785,617)
Write-down of mine construction costs (Note 12)		(1,165,680)
Operating earnings		3,211,903
Interest expense		(36,035)
Earnings before income tax		3,175,868
Income tax		(966,746)
Earnings before non-controlling interests		2,209,122
Non-controlling interests		(87,983)
Net earnings for the period	$	2,121,139

ALEXIS RESOURCES LIMITED

Interim Consolidated Statement of Cash Flows
(Unaudited - Prepared by Management)
(Prepared in accordance with Canadian Generally Accepted Accounting Principles)
(Expressed in Hong Kong Dollars)

		Three Months Ended March 31, 2005 (Unaudited)
Cash flows from (used in) operating activities		
Net earnings for the period	$	2,121,139
Adjustments for items not involving cash:		
- amortization and depletion		1,688,204
- depreciation		117,700
- write-off of mine construction costs		1,165,680
- non-controlling interests		87,983
		5,180,706
Change in non-cash working capital items:		
- prepayments, deposits and other receivables		2,256,300
- inventories		(722,040)
- accounts payable		350,276
- other payables and accrued liabilities		(512,054)
- tax payable		(538,496)
Net cash from operating activities		6,014,692
Cash flows used in financing activities		
Repayment of bank loans		(841,121)
Cash flows used in investing activities		
Acquisition of property, plant and equipment		(10,125,895)
Decrease in cash and cash equivalents		(4,952,324)
Cash and cash equivalents at beginning of period		21,573,705
Cash and cash equivalents at end of period	$	16,621,381
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	$	16,621,381
Supplementary cash flow information:		
Interest received	$	21,932
Interest paid		36,035
Income tax paid		1,505,242

ALEXIS RESOURCES LIMITED
Notes to Interim Consolidated Financial Statements
(Unaudited – Prepared by Management)
(Prepared in accordance with Canadian Generally Accepted Accounting Principles)
(Expressed in Hong Kong Dollars)
March 31, 2005

1. CORPORATE INFORMATION

The principal activity of Alexis Resources Limited is investment holding. The principal activity of its subsidiaries is mining operations in Mainland China. Collectively, they are referred to herein as ("the Company"). There were no changes in the nature of the Company's principal activities during the period. The Company operates in a single segment, being the acquisition, exploration and mining of mineral resource properties and in one geographic location, being Hami, Xinjinag in Mainland China.

Pursuant to a resolution passed in a board of directors meeting held on March 18, 2005, the financial year end date of the Company was changed from April 30 to December 31 with effect from December 31, 2004.

2. BASIS OF PRESENTATION

These interim consolidated financial statements are unaudited and prepared by the management. They have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. These interim consolidated financial statements do not include all disclosures normally provided in the annual consolidated financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the eight months ended December 31, 2004. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these interim consolidated financial statements. Interim results are not necessarily indicative of the results expected for the year ended December 31, 2005.

These interim consolidated financial statements have been prepared in accordance with the accounting policies described in the Company's annual consolidated financial statements for the eight months ended December 31, 2004. For further information, refer to the December 31, 2004 consolidated financial statements and footnotes thereto.

Comparative figures for the corresponding interim period are not presented for the statements of changes in equity, earnings and cash flows as they are not readily available.

3. SEASONALITY OF OPERATIONS

The winter conditions in which the Company's subsidiaries operate suspend the mineral ore concentration process. The quantities of finished goods produced for sale in winter are significantly lower than the capacity of the Company's facilities. Winter is generally from late November to early March of the following calendar year.

ALEXIS RESOURCES LIMITED
Notes to Interim Consolidated Financial Statements
(Unaudited – Prepared by Management)
(Prepared in accordance with Canadian Generally Accepted Accounting Principles)
(Expressed in Hong Kong Dollars)
March 31, 2005

4. CASH AND BANK BALANCES

Cash and bank balances include cash and highly liquid Hong Kong Dollar and Chinese Renminbi ("RMB") denominated deposits with terms to maturity of 90 days or less when acquired. The counter-parties are financial institutions in Hong Kong and China.

At March 31, 2005 and December 31, 2004, the Company's cash and bank balances that were denominated in RMB amounted to approximately $14,255,000 and $19,550,000, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Company is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

The fair market values of cash and bank deposits approximate their carrying values at March 31, 2005.

5. INVENTORIES

		March 31, 2005		December 31, 2004
Raw materials	$	3,808,532	$	2,946,247
Finished goods		3,510,451		3,650,696
	$	7,318,983	$	6,596,943

ALEXIS RESOURCES LIMITED
Notes to Interim Consolidated Financial Statements
(Unaudited – Prepared by Management)
(Prepared in accordance with Canadian Generally Accepted Accounting Principles)
(Expressed in Hong Kong Dollars)
March 31, 2005

6. PROPERTY, PLANT AND EQUIPMENT

		Cost		Accumulated amortization/write down		Net book value
March 31, 2005						
Leasehold land and buildings	$	13,941,394	$	2,838,042	$	11,103,352
Plant and machinery		14,213,099		5,278,387		8,934,712
Furniture, equipment and motor vehicles		587,742		168,440		419,302
Construction in progress		13,310,029		1,165,680		12,144,349
	$	42,052,264	$	9,450,549	$	32,601,715
December 31, 2004						
Leasehold land and buildings	$	6,549,810	$	2,427,396	$	4,122,414
Plant and machinery		12,969,983		4,927,703		8,042,280
Furniture, equipment and motor vehicles		298,939		143,764		155,175
Construction in progress		12,107,637		-		12,107,637
	$	31,926,369	$	7,498,863	$	24,427,506

The buildings are erected on land situated in Mainland China under medium term leases.

7. INTANGIBLE ASSETS

		Cost		Accumulated amortization		Net book value
March 31, 2005						
Mining rights	$	46,746,290	$	16,135,723	$	30,610,567
December 31, 2004						
Mining rights	$	46,746,290	$	15,115,825	$	31,630,465

ALEXIS RESOURCES LIMITED
Notes to Interim Consolidated Financial Statements
(Unaudited – Prepared by Management)
(Prepared in accordance with Canadian Generally Accepted Accounting Principles)
(Expressed in Hong Kong Dollars)
March 31, 2005

8. INTEREST BEARING BANK LOANS

Bank loans are interest-bearing at 0.558% per month, denominated in RMB and repayable in RMB within one year and collateralized by certain plant and machinery of the Company.

9. SHARE CAPITAL

	Number		Amount
Authorized:			
50,000 common shares of US$1 each			
Issued and outstanding:			
At March 31, 2005 and December 31, 2004	10,000	$	77,500

10. RESERVES

The amounts of the Company's reserves and the movements therein are presented in the consolidated statement of changes in equity.

Pursuant to the relevant laws in Mainland China, a portion of the earnings of the Company's subsidiaries in Mainland China, subject to the discretion of its board of directors, was transferred to general reserve. Subject to certain restrictions set out in the relevant regulations in Mainland China and the articles of associations of the relevant companies, the general reserve may be used to set off losses or for capitalization as paid-up capital.

11. COMMITMENTS

As at March 31, 2005, capital commitments that the Company contracted for, but not provided for, amounted to $2,407,956 (December 31, 2004: $2,888,308).

12. WRITE-DOWN OF MINE CONSTRUCTION COSTS

During the period, the development of a shaft was suspended as the management considered the economic benefit expected from the shaft was not promising. The development cost incurred for the shaft was therefore written off.

ALEXIS RESOURCES LIMITED
Notes to Interim Consolidated Financial Statements
(Unaudited – Prepared by Management)
(Prepared in accordance with Canadian Generally Accepted Accounting Principles)
(Expressed in Hong Kong Dollars)
March 31, 2005

13. RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2005, the Company paid $159,093 to directors for their services provided to the Company.

14. ECONOMIC DEPENDENCE

The Company has only one customer over the period covered by these interim consolidated financial statements. Should the customer terminate the purchase agreement it signed with the Company, the sale of the Company's finished products depends on the Company's ability to locate and secure alternative sales outlets.

15. SIGNIFICANT EVENT

On February 11, 2005, Goldsat Mining Inc. ("Goldsat"), a company listed on the TSX Venture Exchange ("the Exchange"), announced that it had signed an Acquisition Agreement with all the shareholders of the Company pursuant to which Goldsat will acquire all the issued and outstanding shares of the Company in a transaction that will constitute a reverse take-over under the rules of the Exchange. This transaction resulted in the shareholders of the Company holding the majority shares of Goldsat.

Auditors' Report

To the Directors of
4209931 Canada Inc.

We have audited the balance sheet of **4209931 Canada Inc.** as at March 31, 2005 and the statements of loss and deficit and cash flows for the period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2005 and the results of its operations and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Calgary, Alberta
August 24, 2005

Chartered Accountants

4209931 Canada Inc.
Statement of Loss and Deficit
Period from incorporation of March 22, 2004 to March 31, 2005

Interest income	$ 19,346
Expenses	
Bank charges	53
Professional fees	107,655
	107,708
Net loss, being deficit, end of period	$ (88,362)

See accompanying notes to the financial statements.

4209931 Canada Inc.
Balance Sheet
March 31, 2005

Assets

Cash and cash equivalents	$ 1,389,126
Interest receivable	12,058
	$ 1,401,184

Shareholders' Equity

Capital stock (Note 2)	$ 1,489,546
Deficit	(88,362)
	$ 1,401,184

Subsequent event (Note 4)

On behalf of the Board

(Signed) "Hubert Marleau" Director **(Signed) "Pierre Geoffrion"** Director

See accompanying notes to the financial statements.

4209931 Canada Inc.
Statement of Cash Flows
Period from incorporation of March 22, 2004 to March 31, 2005

Operating	
Net loss	$ (88,362)
Change in non-cash operating working capital	(12,058)
	(100,420)
Financing	
Issue of common shares	1,489,546
Increase in cash, being cash and cash equivalents, end of period	$ 1,389,126

See accompanying notes to the financial statements.

4209931 Canada Inc.
Notes to the Financial Statements
March 31, 2005

1. Summary of significant accounting policies

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and deposits with short-term maturities, net of bank overdrafts. Bank borrowings are considered to be financing activities.

Financial instruments

The company has estimated the fair value of its financial instruments, which include cash and cash equivalents and receivables. The Company has used valuation methodologies and market information available as at year end and has determined that the carrying amounts of such financial instruments approximate fair value in all cases. Unless otherwise indicated, it is management's opinion that the Company is not exposed to significant interest, currency or credit risk arising from these financial instruments.

Use of estimates

The preparation of the financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from and affect the results reported in these financial statements.

Income taxes

Income taxes are recorded using the liability method of accounting. Future income taxes are calculated based on the difference between the accounting and income tax basis of an asset of liability, using the substantively enacted income tax rates. Changes in current income tax rates are reflected in the liability for future income taxes in the period the change occurs.

2. Capital stock

Authorized:
Unlimited number of common shares

Issued:

5,000,000 Common shares	$ 1,489,546

During the period, the Company issued 5,000,000 units for cash consideration of $1,500,000 and incurred $10,454 in share issue costs. Each unit consists of one common share and one common share warrant. Each warrant entitles the holder to receive one common share upon exercise of each warrant at a price of $0.40 up to eighteen months following the closing of the above offering. At the period end 5,000,000 one common share warrants were outstanding.

4209931 Canada Inc.
Notes to the Financial Statements
March 31, 2005

3. Income taxes

As at March 31, 2005 the Company has estimated losses for tax purposes of $90,453 and deductible share issuance costs of $8,370. These losses will expire in 2014.

The potential benefits of the loss carry forwards and share issuance expenditures have not been recognized in the financial statements as their realization is uncertain.

4. Subsequent event

On June 28, 2005, the Company entered into an amalgamation agreement with Goldsat Mining Inc., that provides for each of the Company's shareholders to receive .75 common shares of the amalgamated company for each common share held and one warrant to acquire .75 common shares of the amalgamated company at a price of $0.50 for a period of twelve months from closing.

The amalgamation will be completed under Section 181 of the Canada Business Corporations Act and the Company will continue under the name GobiMin Inc.

The above agreement is subject to shareholder and regulatory approval.

Auditors' Report

To the Directors of
Goldsat Mining Inc.

We have audited the balance sheets of **Goldsat Mining Inc.** at December 31, 2004 and 2003 and the statements of loss and deficit and cash flows for each of the years in the three year period ended December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and 2003 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2004 in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Calgary, Alberta
April 29, 2005 (except for Notes 4 b) and 15 c)
which are as of August 29, 2005)

Chartered Accountants

Goldsat Mining Inc.
Statements of Loss and Deficit

	Three Months Ended March 31,		Years Ended December 31,		
	2005 (Unaudited)	2004 (Unaudited)	2004	2003	2002
Revenue	$ 10,334	$ -	$ -	$ -	$ -
Expenses					
Automotive	2,446	2,775	8,517	14,930	16,109
Amortization	-	500	8,173	2,300	3,300
Bad debt	18,072	-	1,189	-	-
Interest – notes	63	1,042	1,042	15,879	15,298
Management fees	6,000	12,000	31,000	48,000	58,050
Office	250	468	4,708	2,639	5,383
Professional fees	-	-	74,684	38,491	58,716
Travel and business development	-	2,104	2,354	4,435	9,377
Telephone	1,006	744	2,969	3,088	3,224
Transfer agent and filing fees	12,586	1,301	17,561	16,058	11,827
	40,423	20,934	152,197	145,820	181,284
Loss before the undernoted	(30,089)	(20,934)	(152,197)	(145,820)	(181,284)
Gain on settlement of debt (Note 13)	41,125	107,067	107,067	-	-
Write down of mineral properties	-	-	(568,426)	-	-
Write down of investment (Note 13)	-	(219,000)	(219,000)	-	(50,170)
Net earnings (loss)	$ 11,036	$ (132,867)	$ (832,556)	$ (145,820)	$ (231,454)
Net earnings (loss) per share Basic and diluted (Note 4 b)	$ 0.01	$ (0.10)	$ (0.64)	$ (0.12)	$ (0.23)
Weighted average number of shares (Note 9)	1,571,749	1,309,485	1,309,485	1,181,119	996,866
Deficit, beginning of period					
As previously stated	$(3,375,168)	$ (2,370,194)	$(2,370,194)	$(2,224,374)	$ (1,992,920)
Adjustment for stock-based compensation (Note 4 a)	-	(172,418)	(172,418)	-	-
As restated	(3,375,168)	(2,542,612)	(2,542,612)	(2,224,374)	(1,992,920)
Net earnings (loss)	11,036	(132,867)	(832,556)	(145,820)	(231,454)
Deficit, end of period	$(3,364,132)	$ (2,675,479)	$(3,375,168)	$(2,370,194)	$ (2,224,374)

See accompanying notes to the financial statements.

Goldsat Mining Inc.
Balance Sheets

	March 31, 2005 (Unaudited)	December 31, 2004	December 31, 2003
Assets			
Current			
Cash	$ 5,379	$ 105	$ 30,361
Receivables	12,769	29,392	53,031
	18,148	29,497	83,392
Investment (Note 5)	-	-	219,000
Furniture and equipment (Note 6)	-	-	8,173
Mineral properties (Note 7)	-	-	549,370
	$ 18,148	$ 29,497	$ 859,935
Liabilities			
Current			
Payables and accruals	$ 175,057	$ 198,672	$ 139,536
Due to shareholders	44,443	44,443	44,443
Loan payable	16,612	16,612	16,612
Notes payable (Note 8)	19,600	189,350	246,368
	255,712	449,077	446,959
Shareholders' Equity			
Capital stock (Note 9)	2,944,150	2,773,170	2,773,170
Contributed surplus (Note 9)	182,418	182,418	10,000
Deficit	(3,364,132)	(3,375,168)	(2,370,194)
	(237,564)	(419,580)	412,976
	$ 18,148	$ 29,497	$ 859,935

Commitments (Note 11)
Going concern (Note 1)
Subsequent events (Note 15)

On behalf of the Board

(Signed) "A.L. Moran" Director **(Signed) "Vincent J. Thomson"** Director

See accompanying notes to the financial statements.

Goldsat Mining Inc.
Statements of Cash Flow

	March 31,		Years Ended December 31,		
	2005	2004	2004	2003	2002
	(Unaudited)	(Unaudited)			
Increase (decrease) in cash and cash equivalents					
Operating					
Net earnings (loss)	$ 11,036	$ (132,867)	$ (832,556)	$ (145,820)	$ (231,454)
Write down of mineral properties	-	-	568,426	-	-
Gain on forgiveness of debt	(41,125)	(107,067)	(107,067)	-	-
Write down of investment	-	219,000	219,000	-	50,170
Amortization	-	500	8,173	2,300	3,300
	(30,089)	(20,434)	(144,024)	(143,520)	(177,984)
Change in non-cash operating working capital (Note 14)	(6,992)	(42,241)	101,418	7,905	30,511
	(37,081)	(62,675)	(42,606)	(135,615)	(147,473)
Financing					
Deposits on share subscription	-	-	-	-	(40,500)
Issue of shares, net of issue costs	170,980	-	-	140,000	288,200
Advances on notes payable, net	(128,625)	37,699	12,350	30,000	-
	42,355	37,699	12,350	170,000	247,700
Investing					
Additions to mineral properties	-	-	-	(51,011)	(92,356)
Government mineral credits received	-	-	-	36,942	-
	-	-	-	(14,069)	(92,356)
Net (decrease) increase in cash and cash equivalents	5,274	(24,976)	(30,256)	20,316	7,871
Cash and cash equivalents,					
Beginning of period	105	30,361	30,361	10,045	2,174
End of period	$ 5,379	$ 5,385	$ 105	$ 30,361	$ 10,045

See accompanying notes to the financial statements.

Goldsat Mining Inc.
Notes to the Financial Statements

(Information as at March 31, 2005 and in the three-month period ended March 31, 2005 and 2004 is unaudited)

1. Going concern

These financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company has had a number of years of operating losses and at the end of the current fiscal period has a significant working capital deficiency and during the year the Company lost its interest in its Jolin mineral claims. The Company's officials believe they can obtain outside financing in order to continue operations. The Company's continued existence is dependent upon its ability to attain and maintain profitable operations.

These financial statements do not reflect adjustments that would be necessary if the "going concern" assumption were not appropriate because management believes that the actions already planned (see Note 15), will mitigate the adverse conditions and events, which raise doubts about the validity of the "going concern" assumption used in preparing these financial statements.

If the "going concern" assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying values of assets and liabilities and the reported revenues and expenses.

2. Nature of operations

Goldsat Mining Inc. is engaged in the business of mineral exploration and development in Canada. Since inception, the efforts of the Company have been devoted to the acquisition, exploration and development of mineral properties. To date, the Company has not received revenue from mining operations and is considered to be in the development stage.

Mineral properties are recognized in these financial statements in accordance with the accounting policies outlined in Note 3. Accordingly, their carrying values represent costs incurred to date and do not necessarily reflect present or future values. The recoverability of these amounts are dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete their development and upon future profitable operations.

Goldsat Mining Inc.
Notes to the Financial Statements

(Information as at March 31, 2005 and in the three-month period ended March 31, 2005 and 2004 is unaudited)

3. Summary of significant accounting policies

a) Mineral properties

Costs relating to the acquisition, exploration and development of mineral properties are capitalized on an area of interest basis. These expenditures will be charged against income, through unit-of-production depletion, when properties are developed to the stage of commercial production. Where the Company's exploration commitments for an area of interest are performed under option agreements with a third party, the proceeds of any option payments under such agreements are applied to the area of interest to the extent of costs incurred. The excess, if any, is credited to operations. If an area of interest is abandoned, the related costs are charged to operations.

b) Asset retirement obligations

The Company recognizes the fair value of estimated asset retirement obligations on the balance sheet when a reasonable estimate of fair value can be made. Asset retirement obligations include those legal obligations where the Company will be required to retire tangible long-lived assets such as sites and facilities. The asset retirement cost, equal to the initially estimated fair value of the asset retirement obligation, is capitalized as part of the cost of the related long-lived asset. Changes in the estimated obligation resulting from revisions to estimated timing or amount of undiscounted cash flows are recognized as a change in the asset retirement obligation and the related asset retirement cost.

Asset retirement costs will be amortized using the unit-of-production method and are included in depletion and depreciation in the statement of loss and deficit. Increases in the asset retirement obligations resulting from the passage of time will be recorded as accretion of asset retirement obligations in the statement of loss and deficit.

c) Per share amounts

Basic loss per common share is computed by dividing net earnings (loss) from operations by the weighted average number of common shares outstanding for the period. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments.

Goldsat Mining Inc.
Notes to the Financial Statements

(Information as at March 31, 2005 and in the three-month period ended March 31, 2005 and 2004 is unaudited)

3. **Summary of significant accounting policies** (Continued)

d) Financial instruments

The Company has estimated the fair value of its financial instruments, which include cash and cash equivalents, receivables, due to shareholders and payables. The Company has used valuation methodologies and market information available as at year end and has determined that the carrying amounts of such financial instruments approximate fair value in all cases. Unless otherwise indicated, it is management's opinion that the Company is not exposed to significant interest, currency or credit risk arising from these financial instruments.

e) Use of estimates

The preparation of the financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from and affect the results reported in these financial statements.

f) Amortization

Amortization is provided on a declining-balance basis at rates described in Note 6 which is designed to write-off the furniture and equipment over their estimated useful lives.

g) Income taxes

Income taxes are recorded using the liability method of tax allocation. Future income taxes are calculated based on temporary differences arising from the difference between the tax basis of an asset and liability and its carrying value using tax rates anticipated to apply in the periods when the temporary differences are expected to reverse.

h) Stock-based compensation plan

The Company has a stock-based compensation plan as described in Note 9(c).

The Company uses the fair value method of accounting for stock options and warrants granted after January 1, 2002. Under this method, the fair value of stock-based compensation is considered a compensation cost and is recognized as an expense in the financial statements over the vesting period with the offset to contributed surplus. Fair values are determined using the Black-Scholes option pricing model at the date of grant.

Goldsat Mining Inc.
Notes to the Financial Statements
(Information as at March 31, 2005 and in the three-month period ended March 31, 2005 and 2004 is unaudited)

4. Change in accounting policy and restatement

a) Effective January 1, 2004, the Company adopted the new recommendations for stock-based compensation whereby grants of stock, stock options and other equity instruments are accounted for using the fair value method and any benefit derived by the recipient is recognized as compensation expense upon vesting. This policy has been adopted retroactively without restatement of prior periods resulting in an increase in the deficit of $172,418 and a corresponding increase in contributed surplus.

b) During the period, it was determined that the Company had not recorded the effect of contingently issuable shares held in escrow in the determination of its earnings per share in prior periods. The effect of the restatement is as follows:

Periods ended	Earnings (loss) per share increase (decrease)	Decrease in weighted average shares
December 31, 2004	$ (0.11)	277,380
December 31, 2003	$ (0.02)	304,500
December 31, 2002	$ (0.06)	336,655

5. Investment

	2004	2003
Investment in Enersource Inc.		
Loans and advances	**$ 97,347**	$ 97,347
Write down of loans	**(97,347)**	(50,170)
	-	47,177
Investment in shares	**200,016**	200,016
Equity loss	**(28,193)**	(28,193)
Write down of investment in shares	**(171,823)**	-
	-	171,823
	$ -	$ 219,000

Goldsat Mining Inc.
Notes to the Financial Statements

(Information as at March 31, 2005 and in the three-month period ended March 31, 2005 and 2004 is unaudited)

6. Furniture and equipment

	Rate	Cost	Accumulated Amortization	**2004** Net Book Value	2003 Net Book Value
Furniture and fixtures	20%	$ -	$ -	$ -	$ 6,642
Computer equipment	30%	-	-	-	1,531
		$ -	$ -	$ -	$ 8,173

Included in amortization is the write-off of the remaining value of the furniture and equipment.

7. Mineral properties

	Mineral Claims and Permits	Exploration and Development Expenditures	Total
Balance, December 31, 2002	$ 202,478	$ 332,823	$ 535,301
Costs incurred – 2003	15,571	35,440	51,011
Government mineral credit received	(36,942)	-	(36,942)
Balance, December 31, 2003	181,107	368,263	549,370
Write down due to loss of claims	(181,107)	(368,263)	(549,370)
	$ -	$ -	$ -

8. Notes payable

	March 31, 2005	2004	2003
6% and 10% unsecured notes payable	**$ -**	$ 122,500	$ 216,368
10% unsecured notes payable	**19,600**	66,850	30,000
	$ 19,600	$ 189,350	$ 246,368

Subsequent to year end, the Company negotiated a settlement of 6% and 10% notes with a value of $122,500 for $105,000.

Goldsat Mining Inc.
Notes to the Financial Statements

(Information as at March 31, 2005 and in the three-month period ended March 31, 2005 and 2004 is unaudited)

9. Capital stock

a) Authorized:

Unlimited number of common shares
Unlimited number of preferred shares

b) Issued:

	March 31, 2005		December 31, 2004		December 31, 2003	
	Number of Shares	**Stated Value**	Number of Shares	Stated Value	Number of Shares	Stated Value
Common shares:						
Balance, beginning of year	**1,586,960**	**$ 2,773,170**	1,586,960	$ 2,773,170	1,443,596	$ 2,617,120
Issued for cash	**341,960**	**170,980**	-	-	133,333	150,000
Issued for settlement of payables	-	-	-	-	10,031	16,050
Issue costs	-	-	-	-	-	(10,000)
Balance, end of year	**1,928,920**	**$ 2,944,150**	1,586,960	$ 2,773,170	1,586,960	$ 2,773,170

Effective February 11, 2005, the shareholders approved the consolidation of common shares on a 1 per 10 basis. The above amounts reflect this consolidation.

At March 31, 2005, 349,095 (December 31, 2005 – 349,095) common shares were subject to escrow provisions of which 277,380 were subsequently cancelled. The Company is seeking regulatory approval for cancellation of the remaining shares subject to escrow provisions.

Goldsat Mining Inc.
Notes to the Financial Statements
(Information as at March 31, 2005 and in the three-month period ended March 31, 2005 and 2004 is unaudited)

9. Capital stock (Continued)

c) Stock options:

The Company has a stock option plan with 2,900,000 authorized common shares reserved for eligible participants.

A summary of the share option plan and the changes during the period are presented below.

	March 31, 2005			December 31, 2004			December 31, 2003		
	Options		**Weighted average exercise price**	Options		Weighted average exercise price	Options		Weighted average exercise price
Outstanding, beginning of period	**71,311**	**$**	**1.10**	131,311	$	1.90	110,000	$	1.90
Granted	**-**	**$**	**-**	-	$	-	21,311	$	2.10
Exercised	**-**	**$**	**-**	-	$	-	-	$	-
Expired	**(42,500)**	**$**	**(1.00)**	(60,000)	$	(1.12)	-	$	-
Outstanding, end of period	**28,811**	**$**	**1.34**	71,311	$	1.10	131,311	$	1.90
Exercisable, end of period	**28,811**	**$**	**1.34**	71,311	$	1.10	131,311	$	1.90

The range of exercise prices of stock options outstanding and exercisable at March 31, 2005 is as follows:

	Outstanding Options			Exercisable Options	
Range of exercise prices	Number of options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options outstanding	Weighted average exercise price
$1.00	20,000	1.76	$1.00	20,000	$1.00
$2.10	8,811	2.84	$2.10	8,811	$2.10
	28,811	2.30	$1.34	28,811	$1.34

Goldsat Mining Inc.
Notes to the Financial Statements
(Information as at March 31, 2005 and in the three-month period ended March 31, 2005 and 2004 is unaudited)

9. Capital stock (Continued)

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions for grants as follows:

	December 31,		
	2004	2003	2002
Weighted average fair value of options granted	$ -	$ 1.90	$ 1.90
Risk-free interest rate	-	4.18%	4.61%
Expected lives (years)	-	5	5
Expected volatility	-	151.58%	145.13%

10. Income taxes

a) Income tax expense differs from the amount which would be obtained by applying the basic income tax rate to the respective years' earnings before income taxes. These differences result from the following terms:

	December 31,		
	2004	2003	2002
Loss before income taxes	**$ (832,556)**	$ (145,820)	$ (231,454)
Expected income tax recovery at 36% (2003 – 37%; 2002 – 40%)	**$ (299,000)**	$ (54,000)	$ (93,000)
Reduction in enacted tax rates	**8,000**	8,000	-
Expiration of non-capital losses	**33,000**	47,000	-
Other	**110,000**	(45,000)	17,000
Change in valuation allowance	**148,000**	44,000	76,000
	$ -	$ -	$ -

Goldsat Mining Inc.
Notes to the Financial Statements
(Information as at March 31, 2005 and in the three-month period ended March 31, 2005 and 2004 is unaudited)

10. Income taxes (Continued)

Future income taxes consist of the following temporary differences:

	December 31,		
	2004	2003	2002
Property and equipment	**$ -**	$ 9,000	$ 8,000
Mineral properties	**353,000**	160,000	196,000
Share issue costs	**9,000**	12,000	40,000
Non-capital loss carry-forward	**617,000**	650,000	543,000
Valuation allowance	**(979,000)**	(831,000)	(787,000)
	$ -	$ -	$ -

c) The Company has incurred losses for income tax purposes of approximately $1,755,000 (2003 - $1,824,000; 2002 - $1,566,000), the related benefit of which has been recognized in the financial statements prior to the valuation allowance. These losses expire at various dates between 2005 and 2011.

11. Commitments

The Company leases equipment under operating leases with payments of $413 per month expiring in August 2007. Future payments to the expiry of the leases are:

2005	-	$5,850
2006	-	$4,956
2007	-	$3,308

12. Related party transactions

The Company paid a management fee to the current president of the Company of $6,000 (2004 - $24,000; 2003 - $24,000; 2002 - $58,000). Included in accounts payable as at December 31, 2004 is $38,967 relating to the above amounts and other advances.

In addition, included in accounts payable and notes payable are amounts of $9,607 and $14,600 respectively, due to a relative of the president. The amounts are in respect of advances to the Company and liabilities paid on the Company's behalf.

Goldsat Mining Inc.
Notes to the Financial Statements

(Information as at March 31, 2005 and in the three-month period ended March 31, 2005 and 2004 is unaudited)

13. Write down of investment and settlement of debt

During the year, the Company negotiated a settlement of a 6% and 10% note payable plus accrued interest totalling $169,750 (2004 - $254,067; 2003 - $Nil; 2002 - $Nil). The Company will repay $128,625 (2004 - $147,000; 2003 - $Nil; 2002 – $Nil) with the balance being forgiven. As a result of the settlement, the Company has determined that the related investment in Enersource Inc. no longer has value and has been written off to $Nil in the year.

14. Supplemental cash flow information

Changes in non-cash operating working capital:

	March 31,		December 31,		
	2005	**2004**	2004	2003	2002
Receivables	**$ 16,623**	**$ 10,458**	$ 4,582	$ 433	$ (25,306)
Payables and accruals	**(23,615)**	**(52,699)**	96,836	7,472	55,817
	$ (6,992)	**$ (42,241)**	$ 101,418	$ 7,905	$ 30,511

As outlined in Note 13, the Company negotiated a settlement of certain debt causing a reduction of accounts payable of $Nil (2004 - $37,699; 2003 - $Nil; 2002 – $Nil) and notes payable of $41,125 (2004 - $69,368; 2003 – $Nil; 2002 – $Nil).

During 2004, $19,055 was transferred from accounts receivable to mineral properties.

15. Subsequent events

Subsequent to year end, the Company has entered into the following transactions:

a) On January 21, 2005, the Company completed of private placement of 3,419,600 units for proceeds of $170,980. Each unit consists of one common share and one warrant. Each warrant entitles the holder to acquire one additional common share at a price of $0.06 (pre-consolidation) for a period of eighteen months after the closing. The exercise price of the warrants is subject to the implementation within six months of the closing of the private placement and a share consolidation of Goldsat's issued and outstanding shares. The proceeds from the private placement will be used by Goldsat primarily to provide working capital for the purposes of settlement of debts.

b) On February 11, 2005, the shareholders approved a consolidation of the issued and outstanding common shares on a 10 for 1 basis.

Goldsat Mining Inc.
Notes to the Financial Statements

(Information as at March 31, 2005 and in the three-month period ended March 31, 2005 and 2004 is unaudited)

15. Subsequent events (Continued)

c) On February 7, 2005, the Company entered into a share purchase agreements to acquire all of the issued and outstanding shares of Alexis Resources Limited, a British Virgin Island company engaged in the business of mining base metals in China through operating subsidiaries, for $20,000,000.

Consideration will consist of the issuance of 27,007,500 shares at an ascribed value of $0.40 per share, 4,500,000 warrants, assumption of a loan to a shareholder of $2,066,614, a 2% convertible note of $3,810,000 due on its second anniversary date, a non-interest bearing promissory note of $2,667,000 due on its first anniversary date and cash of $653,386.

Each warrant will entitle the holder to purchase one common share in the Company at a price of $0.50 for a period of eighteen months.

On June 28, 2005, the Company entered into an amalgamation agreement pursuant to which the Company proposes to amalgamate with a privately owned company by issuing .75 common shares of the amalgamated company for each common share held and one warrant to acquire .75 common shares of the amalgamated company at a price of $0.50 for a period of twelve months from closing. Approximately 3,750,000 shares and warrants will be issued.

Should the above proposed business acquisitions close, the Company has agreed to issue 2,550,000 consolidated common shares as a finders' fee payment.

The above transactions are subject to shareholder and regulatory approval as outlined in the proxy circular filed by the Company on August 29, 2005.

16. Comparative figures

Certain comparative figures have been restated to conform to current presentation.

Compilation Report

To the Directors of
Goldsat Mining Inc.

We have read the accompanying unaudited pro-forma consolidated balance sheet of Goldsat Mining Inc. ("the Company") as at March 31, 2005 and have performed the following procedures:

1. Compared the figures in the column captioned "Goldsat" to the unaudited financial statements of the Company as at March 31, 2005 and found them to be in agreement.

2. Compared the figures in the column captioned "Alexis" to the unaudited financial statements of Alexis Resources Limited as at March 31, 2005 and found them to be in agreement.

3. Compared the figures in the column captioned "4209931" to the audited financial statements of 4209931 Canada Inc. as at March 31, 2005 and found them to be in agreement.

4. Made enquiries of certain officials of the Company who have responsibility for financial and accounting matters about:

   (a) the basis for determination of the pro-forma adjustments; and
   (b) whether the pro-forma balance sheet complies as to form in all material respects with the applicable regulatory filing requirements.

   The officials:

   (a) described to us the basis for determination of the pro-forma adjustments, and
   (b) stated that the pro-forma balance sheet complies as to form in all material respects with the applicable regulatory filing requirements.

5. Read the notes to the pro-forma balance sheet and found them to be consistent with the basis described to us for determination of the pro-forma adjustments.

6. Recalculated the application of the pro-forma adjustments to the aggregate of the amounts in the columns captioned "Goldsat", "Alexis" and "4209931" as at March 31, 2005 and found the amounts in the column captioned "Pro-forma Consolidated" to be arithmetically correct.

The pro-forma balance sheet is based on management assumptions and adjustments which are inherently subjective. The foregoing procedures are substantially less than either an audit or a review, the objective of which is the expression of assurance with respect to management's assumptions, the pro-forma adjustments, and the application of the adjustments to the historical financial information. Accordingly, we express no such assurance. The foregoing procedures would not necessarily reveal matters of significance to the pro-forma balance sheet, and we therefore take no representation about the sufficiency of the procedures for the purposes of a reader of such statement.

Grant Thornton LLP

Calgary, Canada
August 29, 2005

Chartered Accountants

Goldsat Mining Inc.
Pro-forma Consolidated Balance Sheet

Unaudited – See Compilation Report
March 31, 2005

	Goldsat Mining Inc.	Alexis Resources Limited	4209931 Canada Inc.	Pro-forma Adjustments	Notes	Pro-forma Consolidated
Cash and equivalents	$ 5,379	$ 2,577,843	$ 1,389,126	$ 1,600,000	(2c)	$ 2,792,348
				(653,386)	(2a)	
				(2,066,614)	(2a)	
				(60,000)	(2e)	
Prepayments, deposits	12,769	326,773	12,058			351,600
Inventories	-	1,135,116	-			1,135,116
	18,148	4,039,732	1,401,184			4,279,064
Property, plant and equipment	-	5,056,265	-			5,056,265
Intangible assets	-	4,747,454	-			4,747,454
	$ 18,148	$ 13,843,451	$ 1,401,184			$ 14,082,783
Accounts payable	$ 175,057	$ 164,160	$ -	(37,131)	(2f)	$ 302,086
Other payables		1,747,447	-			1,747,447
Tax payable	-	466,767	-			466,767
Interest-bearing loans payable	36,212	289,892	-	(19,600)	(2f)	306,504
	211,269	2,668,266	-			2,822,804
Due to shareholders	44,443	4,077,452	-	(44,443)	(2f)	-
				(2,066,614)	(2a)	
				(2,113,123)	(2a)	
				102,285	(2g)	
Promissory note	-	-	-	2,667,000	(2a)	2,667,000
Convertible note	-	-	-	3,531,000	(2a)	3,531,000
Minority interests	-	119,683	-			119,683
	255,712	6,865,401	-			9,140,487
Capital stock	2,944,150	12,020	1,489,546	2,113,123	(2a)	5,155,442
				(100,420)	(2a)	
				1,600,000	(2c)	
				(1,020,000)	(2d)	
				1,020,000	(2d)	
				(2,944,150)	(2a)	
				(60,000)	(2e)	
				101,174	(2f)	
Reserves	182,418	4,540,625	-	(182,418)	(2a,h)	4,540,625
Equity component of convertible note	-	-	-	279,000	(2a)	279,000
(Deficit) retained earnings	(3,364,132)	2,425,405	(88,362)	3,364,132	(2a)	(5,032,771)
				(237,564)	(2a)	
				100,420	(2a)	
				(6,477,000)	(2a)	
				(653,386)	(2a)	
				(102,285)	(2g)	
	(237,564)	6,978,050	1,401,184			4,942,296
	$ 18,148	$ 13,843,451	$ 1,401,184			$ 14,082,783

See accompanying notes to the pro-forma consolidated financial statement.

Goldsat Mining Inc.
Notes to the Pro-forma Consolidated Financial Statement

Unaudited – See Compilation Report
March 31, 2005

1. Basis of presentation

The accompanying unaudited pro-forma balance sheet of Goldsat Mining Inc. ("Goldsat" or the "Company") as March 31, 2005 has been prepared to reflect the proposed acquisition of all of the issued and outstanding shares of Alexis Resources Limited ("Alexis") by the Company. In addition, the Company has entered into an amalgamation agreement with 4209931 Canada Inc. Upon approval of the proposed transactions, the Company will complete a private placement for aggregate proceeds of $1,600,000.

The pro-forma consolidated balance sheet gives effect to the acquisition of Alexis and 4209931 and related events, as described in Note 2, as if they occurred on March 31, 2005.

In the opinion of management of the Company, this pro-forma consolidated balance sheet includes all adjustments necessary for fair presentation in accordance with generally accepted accounting principles in Canada and is expressed in Canadian dollars. The preparation of the pro-forma balance sheet requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the related disclosures as at the date of the pro-forma balance sheet. Actual results could differ from those estimates.

The pro-forma consolidated balance sheet may not be indicative either of the results that actually would have occurred if the events reflected herein had taken place on the dates indicated or of the results which may be obtained in the future, including operational and administrative efficiencies that may occur from the combination of the above companies.

Accounting policies used in preparation of the pro-forma consolidated balance sheet are in accordance with those used in the preparation of the audited financial statements Goldsat as at December 31, 2005.

The pro-forma consolidated balance sheet has been prepared from information derived from and should be read in conjunction with the Company's and Alexis' unaudited financial statements and 4209931's audited March 31, 2005 financial statements and notes thereto included in the Information Circular. For the purposes of the pro-forma balance sheet, the Alexis balance sheet has been restated in accordance with Canadian generally accepted accounting principles and the Hong Kong dollar denominated balances converted into Canadian dollars at the exchange rate in effect at March 31, 2005.

Goldsat Mining Inc.
Notes to the Pro-forma Consolidated Financial Statement

Unaudited – See Compilation Report
March 31, 2005

2. Pro-forma transactions, adjustments and assumptions

The pro-forma consolidated balance sheet gives effect to the following transactions, assumptions and adjustments. As a result of these transactions, the shareholders of Alexis will become the owners of a significant amount of the issued and outstanding common shares of the Company and the directors of Alexis and 4209931 will become directors of the Company.

This acquisition will be accounted for as a reverse takeover transaction that does not constitute a business combination. Alexis will be considered the acquiring company for accounting purposes and the transactions are accounted for as an issuance of shares by Alexis and a recapitalization of the consolidated entity after giving effect to the following transactions and adjustments:

a) The Company entered into share purchase agreements to acquire Alexis for $20,000,000 with consideration consisting of the issuance of 21,885,268 post-consolidation shares at a value of $0.40 per share, 5,122,232 post-consolidation shares as settlement of an Alexis' shareholder loan of $2,113,123, 4,500,000 warrants, a 2% convertible note of $3,810,000, a non-interest bearing promissory note of $2,667,000 and cash of $653,386. An amount of $2,066,614 of shareholder loan will be repaid upon closing.

   Each warrant will entitle the holder to purchase one post-consolidation common share in the Company at a price of $0.50 for a period of eighteen months subject to certain extensions depending on the applicable escrow provisions and/or hold period in relation to such warrants. No value has been ascribed to these warrants in this pro-forma financial statement.

b) The Company will amalgamate with 4209931 by issuing 0.75 post-consolidation common shares of the amalgamated company for each common share held and 0.75 warrant. Each warrant entitles the holder to purchase one post-consolidation common share of the amalgamated company at a price of $0.50 for a period of twelve months from closing. Approximately 3,750,000 shares and warrants will be issued.

c) The Company will complete a placement of a minimum of 4,000,000 post-consolidation common shares at a price of $0.40 upon closing.

d) The Company will issue 2,550,000 post-consolidation common shares as a finders' fee at a value of $0.40 per share.

e) The Company will pay $60,000 and issue 100,000 warrants to the sponsor of the reverse takeover.

f) The Company will issue 202,348 post-consolidation common shares upon the settlement of debts totalling $101,174.

g) Represents foreign currency exchange on shareholders' loans.

h) Reserves of Alexis are comprised of amounts restricted under statutory requirements.

SCHEDULE D

GOLDSAT MINING INC.
(THE "CORPORATION")

AUDIT COMMITTEE CHARTER

The committee will provide independent review and oversight of the Corporation's financial reporting process, the system of internal control and management of financial risks, and the audit process, including the selection, oversight and compensation of the Corporation's external auditors.

The committee will also assist the Board in fulfilling its responsibilities in reviewing the Corporation's process for monitoring compliance with laws and regulations and its own code of business conduct. In performing its duties, the committee will maintain effective working relationships with the Board of directors, management, and the external auditors and monitor the independence of those auditors. The committee will review the Corporation's financial strategies, its financing plans and its use of the equity and debt markets.

To perform his or her role effectively, each committee member will obtain an understanding of the responsibilities of committee membership as well as the Corporation's business, operations and risks.

1. AUTHORITY

The Board authorizes the committee, within the scope of its responsibilities, to seek any information it requires from any employee and from external parties, to retain outside legal or professional counsel and other experts and to ensure the attendance of Corporation's officers at meetings as appropriate.

2. ORGANIZATION

2.1 Membership

a. The committee will be comprised of at least three directors, a majority of which are independent of management.

b. The chairman of the audit committee will be nominated by the committee from time to time. The secretary of the committee will be such person as nominated by the Chairman.

c. A quorum for any meeting will be two members.

2.2 Attendance at meetings

a. The committee may invite such other persons to its meetings, as it deems appropriate.

b. external auditors may be present at each audit committee meeting and be expected to comment on the financial statements in accordance with best practices.

c. committee shall meet as frequently as required, and in compliance with multilateral instrument 52-110 and related applicable laws. special meetings shall be convened as necessary. external auditors may convene a meeting if they consider that it is necessary.

d. proceedings of all meetings will be minutted.

3. ROLES AND RESPONSIBILITIES

The committee:

3.1 shall recommend to the Board of directors the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation.

3.2 shall recommend the compensation of the external auditor.

3.3 shall be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting.

3.4 shall pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the Corporation's external auditor unless the aggregate amount of all non-audit services is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the Corporation and its subsidiary entities to the Corporation's external auditor during fiscal year in which the services are provided.

3.5 shall review the Corporation's financial statements, MD&A and annual and interim earnings press releases before the Corporation publicly discloses this information.

3.6 shall be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure referred to in subsection 3.5, and must periodically assess the adequacy of those procedures.

3.7 shall establish procedures for: (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

3.8 shall review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation.

SCHEDULE E

THIS AMALGAMATION AGREEMENT MADE AS OF JUNE 28, 2005.

AMONG: **Goldsat Mining Inc**. a body corporate incorporated under the laws of Canada with its head office in the City of Calgary, in the Province of Alberta

(“**Goldsat**“)

AND: **4209931 Canada inc.**, a body corporate incorporated under the laws of Canada with its registered office in the City of Toronto, in the Province of Ontario

("**Canco**")

RECITALS:

Goldsat and Canco wish to merge their businesses so as to continue as one public corporation in accordance with the terms and subject to the conditions herein set forth;

Goldsat and Canco wish to effect the foregoing merger through their amalgamation, in accordance with the terms and conditions herein set forth;

NOW THEREFORE IN CONSIDERATION of the covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties hereto covenant and agree as follows:

1. DEFINITIONS

1.1 In this Agreement, unless the context otherwise requires:

"affiliate" shall have the meaning given thereto in the CBCA;

"Agreement" means this agreement, including the recitals and all Schedules to this agreement as amended or supplemented from time to time, and "hereby", “hereof", "herein", "hereunder", "herewith" and similar terms refer to this Agreement and not to any particular provision of this Agreement;

"Amalgamation" means the amalgamation of Canco and Goldsat under the CBCA, as provided for herein;

"Amalgamated Corporation" means the continuing corporation constituted upon the Amalgamation;

"Articles of Amalgamation" means the articles of amalgamation in respect of the Amalgamation in the form set forth in Schedule "A";

"business day" means a day, other than a Saturday, Sunday or statutory holiday, when banks in the City of Montreal are generally open for the transaction of banking business;

"Canco Assets" means all of the assets and properties of Canco currently comprised of at least $1,400,000 in cash and short term investments;

"Canco Counsel" means Lapointe Rosenstein , or such other legal counsel as may be designated by Canco;

"Canco Financial Statements" means the audited financial statements of Canco for the year ended March 31, 2005;

"Canco Material Adverse Effect" means any action, occurrence or omission which has or will have a material adverse effect on the business, assets, properties, condition (financial or otherwise), results of operations or prospects of Canco;

"Canco Meeting" means the special meeting of the holders of Canco Shares called for the Meeting Date to consider and, if thought fit, approve and adopt the Amalgamation, and any adjournments thereof;

"Canco Options" means the outstanding stock options and warrants of Canco as identified in Schedule "C-1";

"Canco Shareholders" means the holders of Canco Shares;

"Canco Shares" means the common shares without nominal or par value in the capital of Canco as constituted on the date hereof;

"CBCA" means the Canada Business Corporations Act as amended from time to time;

"Closing" means the delivery of the documents contemplated by this Agreement to be delivered by or on behalf of one party hereunder to another party hereunder in order to effect the completion of the Amalgamation and the other transactions contemplated herein, which delivery of documents shall take place at the Closing Time at the offices of Canco Counsel, unless otherwise agreed by Goldsat and Canco;

"Closing Time" shall be the time on the Effective Date at which the Closing shall occur, which time shall be 2:00 p.m. (Calgary time) unless otherwise agreed by Goldsat and Canco;

"control" means, with respect to control of a body corporate by a person, the holding (other than by way of lien) by or for the benefit of that person of securities of that body corporate to which are attached more than 50% of the votes that may be cast to elect directors of the body corporate (whether or not securities of any other class or classes shall or might be entitled to vote upon the happening of any event or contingency) provided that such votes, if exercised, are sufficient to elect a majority of the board of directors of the body corporate;

"Depositary" means Computershare Trust Company of Canada, at its principal stock transfer offices in Calgary, Alberta;

"Effective Date" means the date the Amalgamation becomes effective under the CBCA, i.e. the date of the Certificate of Amalgamation to be issued by the Director under the CBCA;

"Effective Time" means 12:01 a.m. (Montreal time) on the Effective Date;

"Goldsat Assets" means all of the assets and properties of Goldsat;

"Goldsat Counsel" means Lavery De Billy or such other legal counsel as may be designated by Goldsat;

"Goldsat Financial Statements" means the audited financial statements of Goldsat for the 12 months ended December 31, 2005;

"Goldsat Material Adverse Effect" means any action, occurrence or omission which has or will have a material adverse effect on the business, assets, properties, condition (financial or otherwise), results of operations or prospects of Goldsat;

"Goldsat Meeting" means the special meeting of the holders of Goldsat Shares called for the Meeting Date to consider and, if thought fit, approve and adopt, inter alia; the Amalgamation, and any adjournments thereof;

"Goldsat Options" means the outstanding stock options and warrants of Goldsat, as identified in Schedule C-2;

"Goldsat Shareholders" means the holders of Goldsat Shares;

"Goldsat Shares" means the common shares without nominal or par value in the capital of Goldsat as constituted on the date hereof;

"Governmental Authority" includes any federal, provincial, municipal or other political subdivision, government, department, commission, board, bureau, agency or instrumentality, domestic or foreign;

"Income Tax Act" means the *Income Tax Act* (Canada);

"Information Circular" means the information circular to be used in connection with the holding of the Canco Meeting or the Goldsat Meeting, as the context may require;

"Meeting Date" means the date of the Canco Meeting and the Goldsat Meeting, which date shall be agreed in writing by Canco and Goldsat;

"misrepresentation" includes any untrue statement of a material fact, any omission to state a material fact that is required to be stated and any omission to state a material fact that is necessary to be stated in order for a statement not to be misleading;

"**Permitted Transactions**" shall mean the payment or incurrence of the obligation to pay not more than $10,000 in aggregate, plus disbursements and QST and GST and all reasonable fees to the advisors of and service providers to Canco or Goldsat, as the case may be, for their services in respect of the Amalgamation, including legal advisors, auditors, printers and registrar and transfer agent services;

"person" includes any individual, partnership, firm, trust, body corporate, government, governmental body, agency or instrumentality, unincorporated body of persons or association;

"Subsidiary" means a subsidiary as defined in the CBCA;

1.2 The following Schedules form part of this Agreement:

Schedule "A" - Articles of Amalgamation
Schedule "B" – By-Laws of the Amalgamated Corporation
Schedule "C-1" - Canco Options
Schedule "C-2" - Goldsat Options
Schedule "D" - Contracts

2. INTERPRETATION

2.1 The division of this Agreement into articles, sections, subsections and paragraphs and the insertion of headings are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

2.2 Unless the contrary intention appears, references in this Agreement to an article, section, subsection, paragraph, clause, subclause or schedule by number or letter or both refer to the article, section, subsection, paragraph, clause, subclause or schedule, respectively, bearing that designation in this Agreement.

2.3 In this Agreement, unless the contrary intention appears, words importing the singular include the plural and vice versa and words importing gender shall include all genders.

2.4 In the event that the date on which any action is required to be taken hereunder by any of the parties is not a business day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a business day in such place.

2.5 References in this Agreement to any statute or sections thereof shall include such statute as amended or substituted and any regulations promulgated thereunder from time to time in effect.

2.6 Unless otherwise stated, all references in this Agreement to sums of money are expressed in lawful money of Canada.

2.7 All representations, warranties, covenants and opinions in or contemplated by this Agreement as to the enforceability of any covenant, agreement or document are subject to enforceability being limited by applicable bankruptcy, insolvency, reorganization and other laws affecting creditors' rights generally and by the discretionary nature of certain remedies (including specific performance and injunctive relief).

3. AMALGAMATION

3.1 **Amalgamation.** Canco and Goldsat agree to amalgamate pursuant to the provisions of Sections 181 and 182 of the CBCA and to continue as one corporation effective on the Effective Date, on the terms and subject to the conditions set out herein.

3.2 **Name.** The name of the Amalgamated Corporation shall be GobiMin Inc.

3.3 **Registered Office.** The registered office of the Amalgamated Corporation shall be situate in Vancouver, British Columbia.

3.4 **Authorized Capital and Restrictions on Share Transfers.** The Amalgamated Corporation shall be authorized to issue an unlimited number of common shares, which shall have the rights, privileges, restrictions and conditions set forth in the Articles of Amalgamation and the CBCA.

3.5 **Number of Directors.** The minimum number of directors of the Amalgamated Corporation shall be one and the maximum number of directors of the Amalgamated Corporation shall be seven.

3.6 **First Directors.** The number of first directors of the Amalgamated Corporation shall be four. The first directors of the Amalgamated Corporation shall be the persons whose names and addresses of residence are set forth below:

Felipe Tan
26/F Top Glory Tower
262 Gloucester Road
Causeway Bay
Hong Kong

Dominic Cheng
8015 Mirabel Court
Richmond, BC
V7C 4V8

Jean-Charles Potvin
97 Truman Road
Toronto, Ontario
M2L 2L7

Hubert Marleau
1 Place Ville-Marie,
Suite 1812
Montreal, Quebec
H3B 4E9

The first directors shall hold office until the first annual or general meeting of the shareholders of the Amalgamated Corporation or until their successors are duly appointed or elected. The subsequent directors shall be elected each year thereafter as provided for in the CBCA and the by-laws of the Amalgamated Corporation. The management and operation of the business and affairs of the Amalgamated Corporation shall be under the control of the Board of Directors thereof as it is constituted from time to time.

3.7 **Effect of Certificate of Amalgamation.** On the Effective Date, the Amalgamation of Canco and Goldsat and their continuance as one corporation shall become effective; the property of each of Canco and Goldsat shall continue to be the property of the Amalgamated Corporation; the Amalgamated Corporation shall continue to be liable for the obligations of each of Canco and Goldsat; any existing cause of action, claim or liability to prosecution of either of Canco or Goldsat shall be unaffected; any civil, criminal or administrative action or proceeding pending by or against

either Canco or Goldsat may be continued to be prosecuted by or against the Amalgamated Corporation; any conviction against, or ruling, order or judgment in favour of or against, either Canco or Goldsat may be enforced by or against the Amalgamated Corporation..

3.8 **First Auditors.** The first auditors of the Amalgamated Corporation shall be Ernst & Young, Chartered Accountants, of Vancouver, British Columbia. The first auditors of the Amalgamated Corporation shall hold office until the first annual meeting of the Amalgamated Corporation following the Amalgamation or until their successors are duly elected or appointed.

3.9 **Restrictions on Business.** There shall be no restrictions on the business that the Amalgamated Corporation may carry on.

3.10 **Articles of Amalgamation and By-laws.** The Articles of Amalgamation of the Amalgamated Corporation shall be in the form set forth in Schedule "A". The by-laws of the Amalgamated Corporation shall be in the form set forth in Schedule "B".

3.11 **Effect of the Amalgamation on Shares.** On the Effective Date:

(a) subject to paragraph 3.11(e) below, each holder of Canco Shares shall receive, for each Canco Share held, 0.75 common share of the Amalgamated Corporation following which all Canco Shares shall be cancelled;

(b) each holder of Goldsat Shares shall receive, for each Goldsat Share held, one common share of the Amalgamated Corporation following which all Goldsat Shares shall be cancelled;

(c) each holder of Canco Options shall receive for each Canco Option held, 0.75 warrant, each full warrant entitling the holder to acquire one common share of the Amalgamated Corporation at a price of $0.50 for a period of twelve months from the Closing Date;

(d) each holder of Goldsat Options shall receive for each Goldsat Option held, an option to acquire one common share of the Amalgamated Corporation on the same terms and conditions;

(e) if a holder of Canco Shares is entitled to receive a fraction of a Common Share of the Amalgamated Corporation, then in respect of such fraction the holder shall be entitled to receive one whole Common Share of the Amalgamated Corporation, as the case may be, rounded up. In calculating such fraction, all Canco Shares held by a beneficial holder shall in each case be aggregated; and

(f) the stated capital account of the Amalgamated Corporation for the common shares of the Amalgamated Corporation issued pursuant to the Amalgamation shall be equal to the aggregate of the stated capital of the issued and outstanding Canco Shares and the Goldsat Shares.

3.12 **Share Certificates, etc.** On the Effective Date:

(a) the registers and transfers of Canco Shares and Goldsat Shares shall be closed;

(b) the holders of Goldsat Shares shall cease to be the holders of Goldsat Shares and shall be deemed to be registered holders of the number of Common Shares of the Amalgamated Corporation to which they are entitled calculated in accordance with the provisions hereof;

(c) the holders of Canco Shares shall cease to be the holders of Canco Shares and shall be deemed to be registered holders of the number of Common Shares of the Amalgamated Corporation to which they are entitled calculated in accordance with the provisions hereof; and

(d) certificates representing the number of Common Shares of the Amalgamated Corporation issuable to holders of Canco Shares and Goldsat Shares shall be made available at the Depositary for pick-up by or delivery to the holder upon deposit with the Depositary of certificates formerly representing Canco Shares and Goldsat Shares.

4. CANCO'S CLOSING CONDITIONS

4.1 The obligation of Canco to complete the transactions contemplated herein is subject to the fulfillment of the following conditions precedent on or before the Closing Time or such other time as is specified below:

(a) the representations and warranties made by Goldsat in this Agreement shall be true as of the Effective Date as if made on and as of such date and Goldsat shall have provided to Canco at the Closing Time a certificate of the Chief Financial Officer of Goldsat to that effect and Canco shall have no knowledge to the contrary;

(b) Goldsat shall have provided Canco with an opinion of Goldsat Counsel satisfactory in form and substance in all material respects to Canco dated the Closing Date (or such other date as Goldsat and Canco may agree) and addressed to Canco and Canco Counsel, to the effect that:

(i) Goldsat is duly incorporated, organized and validly existing under the federal laws of Canada, and is duly qualified to carry on business in the Province of Quebec and such other jurisdictions in which the nature of its business or the property or assets owned or leased by it makes such qualification necessary and Goldsat has full power and authority to enter into this Agreement and all documents delivered pursuant hereto and to perform its obligations hereunder and thereunder;

(ii) all necessary corporate actions and proceedings of Goldsat have been taken to fully, validly and effectively authorize this Agreement and the transactions contemplated herein including the Amalgamation, the performance by Goldsat of its obligations

hereunder, and the execution and delivery by Goldsat of this Agreement and all documents delivered pursuant hereto, including that the holders of the Goldsat Shares have approved the Amalgamation at a meeting duly called;

(iii) the execution and delivery by Goldsat of this Agreement and all documents delivered pursuant hereto, the performance by Goldsat of its obligations hereunder and thereunder and the consummation of the transactions contemplated herein and therein will not result in the breach of or violate any term or provision of the articles, by-laws or governing documents of Goldsat;

(iv) this Agreement and all documents delivered pursuant hereto have been duly executed and delivered by Goldsat and this Agreement and all documents delivered pursuant to the terms hereof are valid and binding on Goldsat;

(v) Goldsat is a reporting issuer in the Provinces of British Columbia and Alberta and is not in default under applicable securities laws in such jurisdictions;

(vi) except as set forth in the opinion, there are to the knowledge of such counsel, without enquiry beyond that specified in the opinion, no actions, suits or proceedings commenced or contemplated affecting Goldsat, the Goldsat Shares or the Goldsat Assets;

In giving such opinion, Goldsat Counsel may assume the completeness and compliance with the CBCA requirements of the Goldsat Information Circular and of this Agreement rely, in respect of matters governed by the laws of any jurisdiction other than the province of Quebec or the laws of Canada applicable therein, upon the opinion of local counsel in such jurisdiction provided that Goldsat Counsel is of the opinion that the opinion of such local counsel is one upon which Goldsat Counsel may properly rely; and, in respect of matters of fact, upon certificates of senior officers of Goldsat or any other appropriate persons;

(c) Goldsat shall have complied with its covenants herein and shall have provided to Canco at the Closing Time a certificate of the Chief Financial Officer of Goldsat certifying that Goldsat have complied with its covenants herein and Canco shall have no knowledge to the contrary;

(d) holders of not more than 10% of the Goldsat Shares shall have validly exercised rights of dissent in relation to the Amalgamation and Goldsat shall have provided to Canco at the Closing Time a certificate of the Chief Financial Officer of Goldsat certifying the number of Goldsat Shares in respect of which the holders have validly exercised rights of dissent;

(e) Canco being satisfied that, at the Effective Time, no person, firm or corporation has any agreement, option, right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement, option or privilege to acquire any unissued securities of Goldsat or any interest therein otherwise than pursuant to the Goldsat Options;

(f) all directors and officers of Goldsat shall have resigned and Canco shall be satisfied that Goldsat has no further obligations or liabilities to such persons other than typical directors' indemnities;

(g) Goldsat shall have no employees, and all Goldsat consultants shall have been terminated by Goldsat and there shall be no amount of termination fees, bonuses or other similar amounts payable to any such persons;

(h) no act, action, suit or proceeding shall have been threatened, taken or be outstanding before or by any domestic or foreign court or tribunal or governmental agency or other regulatory authority or administrative agency or commission by any elected or appointed public official or private person (including, without limitation, any individual, corporation, firm, group or other entity) in Canada or elsewhere, whether or not having the force of law; and no law, regulation or policy shall have been proposed, enacted, promulgated or applied:

    (i) which has the effect or may have effect, to cease trade, enjoin, prohibit or impose material limitations or conditions on the Amalgamation;

    (ii) which, if the Amalgamation was consummated would, in the judgment of Canco, acting reasonably, materially and adversely affect Canco and Goldsat considered on a consolidated basis;

(i) there shall not be in force or enacted any law, policy, order or other regulation which would adversely impact the issuance of "free-trading" (subject to control block restrictions) Common Shares of the Amalgamated Corporation under the laws of the Provinces of Alberta and British Columbia pursuant to the Amalgamation, or the right of such holders to own or exercise full rights of ownership in Alberta of the Common Shares of the Amalgamated Corporation issued in exchange for the Canco Shares (exclusive of "control person" restrictions and any currently outstanding hold periods or escrow agreements);

(j) at the Effective Date there shall not be more than 1,651,541 Goldsat Shares outstanding, together with any Goldsat Shares which may be issued prior of after to the Closing Time upon the due exercise of outstanding Goldsat Options;

(k) there shall not have occurred any Goldsat Material Adverse Effect or any material adverse effect on the value of the Common Shares of the Amalgamated Corporation to be received by the holders of Canco Shares;

(l) there shall not have occurred any actual or threatened change (including a proposal by the Minister of Finance of Canada to amend the Income Tax Act or any announcement, governmental or regulatory initiative, condition, event or development involving a change or a prospective change) that, in the judgment of Canco, acting reasonably, directly or indirectly, has or may have a Goldsat Material Adverse Effect or an Canco Material Adverse Effect; and

(m) all information in respect of Goldsat in the Information Circular, at the date of such Information Circular, does not contain any untrue statement of a material fact and does not and will not omit to state any material fact that is required to be stated or that is necessary to make a statement not misleading in the circumstances in which it was made and Goldsat shall have provided to Canco on or before the Effective Date a certificate of the Chief Financial Officer of Goldsat to that effect.

The foregoing conditions precedent are for the benefit of Canco and may be waived, in whole or in part, by Canco in writing at any time. If any of the said conditions precedent shall not be complied with or waived by Canco on or before the date required for the performance thereof, Canco may, in addition to the other remedies it may have at law or equity, rescind and terminate this Agreement by written notice to Goldsat.

5. GOLDSAT'S CLOSING CONDITIONS

5.1 The obligation of Goldsat to complete the transactions contemplated herein is subject to fulfillment of the following conditions precedent on or before the Closing Time or such other time as is specified below:

(a) the representations and warranties made by Canco in this Agreement shall be true as of the Effective Date as if made on and as of such date and Canco shall have provided to Goldsat at the Closing Time a certificate of the Chief Executive Officer of Canco, to that effect and Goldsat shall have no knowledge to the contrary;

(b) Canco shall have provided Goldsat with an opinion of Canco Counsel satisfactory in form and substance in all material respects to Goldsat dated the Closing Date (or such other date as Goldsat and Canco may agree) and addressed to Goldsat and Goldsat Counsel, to the effect that:

(i) Canco is duly incorporated, organized and validly existing under the laws of Canada, and is duly qualified to carry on business in such jurisdictions in which the nature of its business or the property or assets owned or leased by it makes such qualification necessary and Canco has full power and authority to enter into this Agreement and all documents delivered pursuant hereto and to perform its obligations hereunder and thereunder;

(ii) all necessary corporate actions and proceedings of Canco have been taken to fully, validly and effectively authorize this Agreement and the transactions contemplated herein including the Amalgamation, the performance by Canco of its obligations hereunder, and the execution and delivery by Canco of this Agreement and all documents delivered pursuant hereto, including that the holders of the Canco Shares have approved the Amalgamation at a meeting duly called and constituted;

(iii) the execution and delivery by Canco of this Agreement and all documents delivered pursuant hereto, the performance by Canco of its obligations hereunder and thereunder and the consummation of the transactions contemplated herein and therein will not result in the breach of or violate any term or provision of the articles, by-laws or governing documents of Canco;

(iv) this Agreement and all documents delivered pursuant hereto have been duly executed and delivered by Canco, and this Agreement and all documents delivered pursuant to the terms hereof are valid and binding on Canco;

(v) the aggregate number of Canco Shares issued and outstanding does not exceed 5,000,000 Canco Shares plus any Canco Shares issued prior to Closing pursuant to outstanding Canco Options;

(vi) except as set forth in the opinion, there are, to the knowledge of such counsel, without enquiry beyond that specified in the opinion, no actions, suits or proceedings commenced or contemplated affecting any of Canco, the Canco Shares or the Canco Assets.

In giving such opinion, Canco Counsel may rely, in respect of matters governed by the laws of any jurisdiction other than the Province of Quebec or the laws of Canada applicable therein, upon the opinion of local counsel in such jurisdiction provided that Canco Counsel is of the opinion that the opinion of such local counsel is one upon which Canco Counsel may properly rely; and, in respect of matters of fact, upon certificates of senior officers of Canco or any other appropriate persons;

(c) Canco shall have complied with its covenants herein and shall have provided to Goldsat at the Closing Time a certificate of the Chief Executive Officer of Canco certifying that Canco has complied with its covenants herein and Goldsat shall have no knowledge to the contrary;

(d) holders of not more than 10% of the Canco Shares shall have validly exercised rights of dissent in relation to the Amalgamation and Canco shall have provided to Goldsat at the Closing Time a certificate of the Chief Executive Officer of Canco certifying the number of Canco Shares in respect of which the holders have validly exercised rights of dissent;

(e) Goldsat being satisfied that, at the Effective Time, no person, firm or corporation has any agreement, option, right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement, option or privilege to acquire any unissued securities of Canco or any interest therein otherwise than pursuant to the Canco Options;

(f) all directors and officers of Canco shall have resigned and Goldsat shall be satisfied that Canco has no further obligations or liabilities to such persons other than typical directors' indemnities;

(g) Canco shall have no employees, and all Canco consultants shall have been terminated by Canco and there shall be no amount of termination fees, bonuses or other similar amounts payable to any such persons;

(h) no act, action, suit or proceeding shall have been threatened, taken or be outstanding before or by any domestic or foreign court or tribunal or governmental agency or other regulatory authority or administrative agency or commission by any elected or appointed public official or private person (including, without limitation, any individual, corporation, firm, group or other entity) in Canada or elsewhere, whether or not having the force of law; and no law, regulation or policy shall have been proposed, enacted, promulgated or applied:

    (i) which has the effect or may have effect, to cease trade, enjoin, prohibit or impose material limitations or conditions on the Amalgamation; or

    (ii) which, if the Amalgamation was consummated would, in the judgement of Goldsat, acting reasonably, materially and adversely affect Goldsat and Canco considered on a consolidated basis;

(i) at the Effective Time there shall not be more than 5,000,000 Canco Shares outstanding, together with any Canco Shares which may be issued prior to the Closing Time upon the due exercise of outstanding Canco Options;

(j) there shall not have occurred any Canco Material Adverse Effect or any material adverse effect on the value of the Canco Shares to Goldsat;

(k) there shall not have occurred any actual or threatened change (including a proposal by the Minister of Finance of Canada to amend the Income Tax Act or any announcement, governmental or regulatory initiative, condition, event or development involving a change or a prospective change) that, in the judgment of Goldsat, acting reasonably, directly or indirectly, has or may have a Goldsat Material Adverse Effect or an Canco Material Adverse Effect;

(l) all information in respect of Canco in the Information Circular, at all times including as at the Effective Date, does not and will not contain any untrue statement of a material fact and does not and will not omit to

state any material fact that is required to be stated or that is necessary to make a statement not misleading in the circumstances in which it was made and Canco shall have provided to Goldsat on or before the Effective Date a certificate of the Chief Executive Officer of Canco to that effect.

The foregoing conditions precedent are for the benefit of Goldsat and may be waived, in whole or in part, by Goldsat in writing at any time. If any of the said conditions precedent shall not be complied with or waived by Goldsat on or before the date required for the performance thereof, Goldsat may, in addition to the other remedies it may have at law or equity, rescind and terminate this Agreement by written notice to Canco.

6. MUTUAL CLOSING CONDITIONS

6.1 The obligations of Goldsat and Canco to complete the transactions contemplated herein are subject to fulfilment of the following conditions precedent on or before the Effective Date or such other time as is specified below:

(a) special resolutions shall have been passed at the Canco Meeting by the holders of Canco Shares and at the Goldsat Meeting by the holders of the Goldsat Shares duly approving the Amalgamation in accordance with the applicable corporate legislation; and the Canco Meeting and the Goldsat Meeting shall have been held in accordance with the applicable corporate legislation and rules of the regulatory authorities having jurisdiction, except such of those provisions where waivers, exemptions or other relief have been obtained;

(b) all requisite regulatory approvals (including, without limitation, of any stock exchanges or other regulatory authorities) shall have been obtained on terms satisfactory to Canco and Goldsat, acting reasonably;

(c) there shall not exist any prohibition at law against Goldsat or Canco consummating the proposed transaction;

(d) the Articles of Amalgamation shall have been executed, as required, by Goldsat and Canco and filed with the Director under the CBCA in a diligent manner as soon as possible following the Meeting Date;

(e) all requisite consents shall have been obtained; and

(f) other than as a result of the actions of a party to this Agreement, the Effective Date shall be no later than December 31, 2005.

The foregoing conditions are for the mutual benefit of Goldsat and Canco and may be waived, in whole or in part, by Goldsat and Canco at any time. If any of the said conditions precedent shall not be complied with or waived as aforesaid on or before the date required for the performance thereof, Goldsat or Canco may, in addition to the other remedies it may have at law

or in equity, rescind and terminate this Agreement by written notice to the other party.

7. CANCO'S REPRESENTATIONS AND WARRANTIES

7.1 Canco represents and warrants to and in favour of Goldsat the following, and acknowledges that Goldsat is relying upon such representations and warranties:

(a) as of the date hereof there are not more than (i) 5,000,000 Canco Shares and no other shares issued and outstanding; and (ii) 3,750,000 Canco Shares issuable upon the exercise of Canco Options, and other than pursuant to this Agreement or as has been disclosed in writing by Canco to Goldsat, no person, firm or corporation has any agreement, option, right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement, option or privilege to acquire any unissued securities of Canco or any interest therein;

(b) Canco has been duly incorporated and organized, and is validly existing as a corporation, under the CBCA and has full corporate power and authority to own its assets and conduct its businesses as now owned and conducted. Canco is duly qualified to carry on business, and is in good standing, in each jurisdiction in which the character of its properties, owned or leased, or the nature of its activities makes such qualification necessary, except where the failure to be so qualified will not have an Canco Material Adverse Effect;

(c) Canco has complied with and is in compliance with all laws and regulations applicable to the operation of its business except where failure to so comply will not have an Canco Material Adverse Effect and has all licences, permits, orders or approvals of, and has made all required registrations with, any governmental or regulatory body that is material to the conduct of its business;

(d) Canco has the requisite corporate power and authority to enter into this Agreement and to perform its obligations hereunder. The execution and delivery of this Agreement by Canco and the consummation by Canco of the transactions contemplated by this Agreement have been duly authorized by the board of directors of Canco and, except as contemplated hereby, no other corporate proceedings on the part of Canco are necessary to authorize this Agreement and the completion of the Amalgamation. This Agreement has been duly executed and delivered by Canco and constitutes a valid and binding obligation of Canco, enforceable by Goldsat against Canco in accordance with its terms, subject to bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium and other laws relating to or affecting creditors' rights generally and to general principles of equity. The execution and delivery by Canco of this Agreement and performance by it of its obligations hereunder will not;

(i) result in a violation or breach of any term or provision of its articles or by-laws or any law, regulation, order, judgement or decree;

(ii) give rise to any right of termination, or acceleration of indebtedness, or cause any indebtedness to come due before its stated maturity, in any case, or give rise to any rights of first refusal or any restriction or limitation under any agreement, contract, licence, franchise or permit of Canco which in any case would have an Canco Material Adverse Effect and Canco is not currently in breach of any such contract where such breach would have an Canco Material Adverse Effect; or

(iii) result in the imposition of any encumbrance, charge or lien upon any of its assets;

(e) other than as disclosed in writing to Goldsat, Canco has not incurred any obligation or liability, contingent or otherwise, for brokerage fees, finder's fees, agent's commission or other similar forms of compensation with respect to the transactions contemplated herein;

(f) Canco has no employees, Canco is not a party to any contracts of employment, consultation, management or compensation, written or oral, and there are no currently existing employment benefit plans, arrangements or agreements to which Canco is a party or by which it is bound;

(g) Canco:

(i) has duly and in a timely manner filed all returns, elections, filings and reports required pursuant to the Income Tax Act, the income tax legislation of any province of Canada or any foreign jurisdictions having jurisdiction over the affairs of Canco, the *Excise Tax Act* (Canada) as it relates to the goods and services tax ("GST"), and any similar legislation of provinces or foreign jurisdictions having jurisdiction over the affairs of Canco for all prior periods in respect of which such filings have heretofore been required, and such filings are substantially true, complete and correct; the tax liability of Canco is nil;

(ii) has made adequate provision for taxes or other amounts payable pursuant to any legislation referred to in (i) above for the current period for which returns, reports, elections or other filings are not yet required to be filed, and Canco has paid all required installments of income, capital, property and business taxes payable on account of the current period;

(iii) is not aware, without having made special investigation, of any contingent tax liabilities or any grounds that could prompt an assessment or reassessment and has not received any indication from any taxation authorities that an assessment or

reassessment, regardless of its merits, is proposed or is under consideration;

(iv) is not a party to any agreements or waivers extending the statutory period of limitations applicable to any federal, provincial or other tax return for any period; and

(v) has withheld, and will continue to withhold until the Effective Date, from each payment made to any of its officers, directors, former directors and employees and to all non-residents of Canada and other persons with respect to whom it is required by law to withhold any amounts, the amount of all taxes (including, without limitation, income tax) and other deductions required to be withheld therefrom and has paid the same to the proper tax or other authority within the time required under any applicable legislation;

(h) except as contemplated by the Permitted Transactions, as disclosed in Canco Public Documents or as disclosed in writing to Goldsat:

(i) Canco has conducted its business only in the usual, ordinary and regular course and consistent with past practice;

(ii) no liability or obligation of any nature (whether absolute, accrued, contingent or otherwise) that has had or is reasonably likely to have an Canco Material Adverse Effect has been incurred; and

(iii) there has not been any event prior to the date hereof that has had or is reasonably likely to have an Canco Material Adverse Effect;

(i) the Canco Financial Statements were prepared in accordance with generally accepted accounting principles in Canada consistently applied and fairly represent the financial condition of Canco for the period indicated and the results of operations of Canco for such applicable period;

(j) there is no claim, action, proceeding or investigation pending or, to the knowledge of Canco, threatened against or relating to Canco or any of its properties or assets before any court or governmental or regulatory authority or body that, if adversely determined, is likely to have an Canco Material Adverse Effect or prevent or materially delay consummation of the Amalgamation, nor is Canco aware of any basis for any such claim, action, proceeding or investigation. Canco is not subject to any outstanding order, writ, injunction or decree that has had or is reasonably likely to have an Canco Material Adverse Effect or prevent or materially delay consummation of the Amalgamation;

(k) Canco has no Subsidiaries or securities investments in any other persons and has no obligations of any nature to acquire any Subsidiary

or securities investments in any other person or to acquire or lease any other business operations out of the ordinary course;

(l) the minute books of Canco are complete and correct in all material respects and contain the minutes of all meetings and all resolutions of the directors and shareholders thereof;

(m) all filings made by Canco under which Canco has received or is entitled to government incentives, have been made in accordance, in all material respects, with all applicable legislation and contain no misrepresentations of material fact or omit to state any material fact which could cause any amount previously paid to Canco or previously accrued on the accounts thereof to be recovered or disallowed;

(n) Canco is not a reporting issuer as defined in the *Securities Act* (Alberta) in any jurisdiction;

(o) Canco is not a party to, and the Canco Assets are not subject to the provisions of, any contracts or agreements which cannot be terminated on thirty (30) days' notice;

(p) Canco has not received any notices of material violation or alleged violation of the provisions of any agreement in respect of the Canco Assets;

(q) Canco holds a good and marketable title to all of the Canco Assets free and clear of any lien, charge or other encumbrances whatsoever; the Canco assets consist of cash and prudent short term investments totalling a minimum of $1,400,000;

(r) to the best of Canco's knowledge, Canco has been and is in compliance, in all material respects with all federal, provincial, municipal or local laws, regulations, orders, governmental decrees or ordinances with respect to environment, health and safety matters (collectively "Environmental Laws") and Canco has received no written notice of non-compliance and does not know, and does not have reasonable grounds to know, of any facts which would give rise to a notice of non-compliance and for greater certainty and without limiting the foregoing, to the best of Canco's knowledge:

    (i) there have been no material unrectified spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes on any of the real property owned or leased by Canco or under its control, nor has any such real property been used at any time by any person as a landfill or waste disposal site;

    (ii) there have been no material releases, deposits or discharges, in violation of Environmental Laws, of any hazardous or toxic substances, contaminants or wastes into the earth, air or into any body of water or any municipal or other sewer or drain water systems by Canco;

(iii) no orders, directions or notices have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of Canco;

(iv) Canco holds all licences, permits and approvals required under any Environmental Laws in connection with the operation of its business and the ownership and use of its assets. All such licences, permits and approvals are in full force and effect, and Canco has not received any notification pursuant to any Environmental Laws that any work, repairs, construction or capital expenditures are required to be made by it as a condition of continued compliance with any Environmental Laws, or any licence, permit or approval issues pursuant thereto, or that any licence, permit or approval referred to above is about to be reviewed, made subject to limitations or conditions, revoked, withdrawn or terminated; and

(v) all laws, regulations and orders of all Governmental Authorities having jurisdiction over the Canco Assets have been complied with in all material respects.

(s) all information in respect of Canco in the Information Circular does not and will not contain an untrue statement of a material fact and does not and will not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the circumstances in which it was made;

(t) there has not been any material adverse change in the assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of Canco from the position set forth in the Canco Financial Statements and there has not been any material adverse change in the business, operations or condition (financial or otherwise) or results of operations of Canco since March 31, 2005 and since that date there have been no material facts, transactions, events or occurrences which could have a Canco Material Adverse Effect which have not been disclosed in writing to Goldsat;

(u) no securities commission or similar regulatory authority has issued any order preventing or suspending trading in any securities of Canco;

(v) Canco: (i) has not mortgaged, pledged, assigned, sold, transferred or otherwise disposed of or encumbered any material interest in the Canco Assets and (ii) is not a party to any lease of office premises, vehicles, equipment or other tangible assets;

(w) all laws, regulations and orders of Governmental Authorities having jurisdiction over the Canco Assets have been complied with in all material respects;

(x) Canco has performed, observed and satisfied all of its material duties, liabilities, obligations and covenants required to be satisfied, performed

and observed by it under, and is not in material default under or in material breach of, the terms of any material agreement pertaining to Canco or the Canco Assets;

(y) there are reasonable grounds for believing that Canco is, and immediately prior to the Effective Date will be, able to pay its liabilities as they become due;

(z) there are reasonable grounds for believing that no creditor of Canco will be prejudiced by the Amalgamation. and

(aa) Canco has done no act or thing, nor has Canco suffered or permitted any act or omission, whereby its title to any of the Canco Assets may be cancelled or terminated;

8. GOLDSAT'S REPRESENTATIONS AND WARRANTIES

8.1 Goldsat represents and warrants to and in favour of Canco the following, and acknowledges that Canco is relying upon such representations and warranties:

(a) as of the date hereof there are not more than (i) 1,651,541 Goldsat Shares and no other shares issued and outstanding, and (ii) 28,811 Goldsat Shares issuable upon the exercise of Goldsat Options, and other than pursuant to this Agreement or as has been disclosed by Goldsat to Canco, no person, firm or corporation has any agreement, option, right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement, option or privilege to acquire any unissued securities of Goldsat or any interest therein;

(b) Goldsat has been duly incorporated and organized, and is validly existing as a corporation, under the CBCA and has full corporate power and authority to own its assets and conduct its business as now owned and conducted. Goldsat is duly qualified to carry on business, and is in good standing, in each jurisdiction in which the character of its properties, owned or leased, or the nature of its activities makes such qualification necessary, except where the failure to be so qualified will not have a Goldsat Material Adverse Effect;

(c) Goldsat has complied with and is in compliance with all laws and regulations applicable to the operation of its business except where failure to so comply will not have a Goldsat Material Adverse Effect and it has all licences, permits, orders or approvals of, and has made all required registrations with, any governmental or regulatory body that is material to the conduct of its business;

(d) Goldsat has the requisite corporate power and authority to enter into this Agreement and to perform its obligations hereunder. The execution and delivery of this Agreement by Goldsat and the consummation by Goldsat of the transactions contemplated by this Agreement have been duly authorized by the board of directors of Goldsat and, except as contemplated hereby, no other corporate proceedings on the part of

Goldsat are necessary to authorize this Agreement and the completion of the Amalgamation. This Agreement has been duly executed and delivered by Goldsat and constitutes a valid and binding obligation of Goldsat, enforceable by Canco against Goldsat in accordance with its terms, subject to bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium and other laws relating to or affecting creditors' rights generally and to general principles of equity. The execution and delivery by Goldsat of this Agreement and performance by it of its obligations hereunder will not;

(i) result in a violation or breach of any term or provision of its articles or by-laws or any law, regulation, order, judgment or decree;

(ii) give rise to any right of termination, or acceleration of indebtedness, or cause any indebtedness to come due before its stated maturity, in any case, or give rise to any rights of first refusal or any restriction or limitation under any agreement, contract, licence, franchise or permit of Goldsat which in any case would have a Goldsat Material Adverse Effect and Goldsat is not currently in breach of any such contract where such breach would have a Goldsat Material Adverse Effect; or

(iii) result in the imposition of any encumbrance, charge or lien upon any of its assets;

(e) other than as disclosed in writing to Canco, Goldsat has not incurred any obligation or liability, contingent or otherwise, for brokerage fees, finder's fees, agent's commission or other similar forms of compensation with respect to the transactions contemplated herein;

(f) other than as disclosed in writing to Canco, Goldsat has no employees, Goldsat is not a party to any contracts of employment, consultation, management or compensation, written or oral, and there are no currently existing employment benefit plans, arrangements or agreements to which Goldsat is a party or by which it is bound;

(g) Goldsat:

(i) has duly and in a timely manner filed all returns, elections, filings and reports required pursuant to the Income Tax Act, the income tax legislation of any province of Canada or any foreign jurisdictions having jurisdiction over the affairs of Goldsat, the *Excise Tax Act* (Canada) as it relates to the goods and services tax ("GST"), and any similar legislation of provinces or foreign jurisdictions having jurisdiction over the affairs of Goldsat for all prior periods in respect of which such filings have heretofore been required, and such filings are substantially true, complete and correct; the tax liability of Goldsat is as indicated by the above returns and filings, and Goldsat has made timely payment of, or has duly and properly accrued on the books thereof, the

taxes (including interest and penalties thereon) shown in these returns and filings, with respect to periods ending on or prior to the date hereof, and any subsequent assessments, reassessments or determinations thereof;

(ii) has made adequate provision for taxes or other amounts payable pursuant to any legislation referred to in (i) above for the current period for which returns, reports, elections or other filings are not yet required to be filed, and Goldsat has paid all required installments of income, capital, property and business taxes payable on account of the current period;

(iii) is not aware, without having made special investigation, of any contingent tax liabilities or any grounds that could prompt an assessment or reassessment and has not received any indication from any taxation authorities that an assessment or reassessment, regardless of its merits, is proposed or is under consideration;

(iv) is not a party to any agreements or waivers extending the statutory period of limitations applicable to any federal, provincial or other tax return for any period; and

(v) has withheld, and will continue to withhold until the Effective Date, from each payment made to any of its officers, directors, former directors and employees and to all non-residents of Canada and other persons with respect to whom it is required by law to withhold any amounts, the amount of all taxes (including, without limitation, income tax) and other deductions required to be withheld therefrom and has paid the same to the proper tax or other authority within the time required under any applicable legislation;

(h) except as disclosed in the Goldsat Public Documents or as disclosed to Canco;

(i) Goldsat has conducted its business only in the usual, ordinary and regular course and consistent with past practice;

(ii) no liability or obligation of any nature (whether absolute, accrued, contingent or otherwise) that has had or is reasonably likely to have a Goldsat Material Adverse Effect has been incurred; and

(iii) there has not been any event prior to the date hereof that has had or is reasonably likely to have a Goldsat Material Adverse Effect;

(i) the Goldsat Financial Statements were prepared in accordance with generally accepted accounting principles in Canada consistently applied and fairly present the financial condition of Goldsat for the

period indicated and the results of operations of Goldsat for such applicable period;

(j) there is no claim, action, proceeding or investigation pending or, to the knowledge of Goldsat, threatened against or relating to Goldsat or any of its properties or assets before any court or governmental or regulatory authority or body that, if adversely determined, is likely to have a Goldsat Material Adverse Effect or prevent or materially delay consummation of the Amalgamation, nor is Goldsat aware of any basis for any such claim, action, proceeding or investigation. Goldsat is not subject to any outstanding order, writ, injunction or decree that has had or is reasonably likely to have a Goldsat Material Adverse Effect or prevent or materially delay consummation of the Amalgamation;

(k) Goldsat has no Subsidiaries or securities investments in any other persons and has no obligations of any nature to acquire any Subsidiary or securities investments in any other person or to acquire or lease any other business operations out of the ordinary course;

(l) the minute books of Goldsat are complete and correct in all material respects and contain the minutes of all meetings and all resolutions of the directors and shareholders thereof;

(m) all filings made by Goldsat under which Goldsat has received or is entitled to government incentives, have been made in accordance, in all material respects, with all applicable legislation and contain no misrepresentations of material fact or omit to state any material fact which could cause any amount previously paid to Goldsat or previously accrued on the accounts thereof to be recovered or disallowed;

(n) Goldsat is not a reporting issuer as defined in the *Securities Act* (Alberta) in any jurisdiction except the Provinces of Alberta and British Columbia; except as disclosed in writing to Canco, Goldsat has not received notice of any defaults under any of the provisions of the *Securities Act* (Alberta), the *Securities Act* (British Columbia) or the CBCA or any other security or regulatory authority and to the best of Goldsat's knowledge, all required filings (the "Goldsat Public Documents") have been made and Goldsat is not in default of any material requirements of applicable securities legislation;

(o) Goldsat is not a party to, and the Goldsat Assets are not subject to the provisions of, any contracts or agreements which cannot be terminated on thirty (30) days' notice except for those identified in Schedule "D";

(p) except as disclosed in writing to Canco, Goldsat has not received any notices of material violation or alleged violation of the provisions of any agreement in respect of the Goldsat Assets;

(q) there is no material circumstance, matter or thing known to Goldsat which would cause it to believe that it may not hold good and marketable title to any material portion of the Goldsat Assets;

(r) all material documents and agreements of whatsoever nature and kind affecting the title to the Goldsat Assets which are in the possession of Goldsat or of which Goldsat is otherwise aware have been made available for review by Canco;

(s) to the best of Goldsat's knowledge (without having made special inquiry), Goldsat has been and is in reasonable compliance with all Environmental Laws and Goldsat has received no written notice of non-compliance and does not know, and does not have reasonable grounds to know (without special inquiry), of any facts which would give rise to a notice of non-compliance and for greater certainty and without limiting the foregoing, to the best of Goldsat's knowledge:

(i) there have been no material unrectified spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes on any of the real property owned or leased by Goldsat or under its control, nor has any such real property been used at any time by any person as a landfill or waste disposal site;

(ii) there have been no material releases, deposits or discharges, in violation of Environmental Laws, of any hazardous or toxic substances, contaminants or wastes into the earth, air or into any body of water or any municipal or other sewer or drain water systems by Goldsat;

(iii) no orders, directions or notices have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of Goldsat;

(iv) Goldsat holds all licences, permits and approvals required under any Environmental Laws in connection with the operation of its business and the ownership and use of its assets. All such licences, permits and approvals are in full force and effect, and Goldsat has not received any notification pursuant to any Environmental Laws that any work, repairs, construction or capital expenditures are required to be made by it as a condition of continued compliance with any Environmental Laws, or any licence, permit or approval issues pursuant thereto, or that any licence, permit or approval referred to above is about to be reviewed, made subject to limitations or conditions, revoked, withdrawn or terminated; and

(v) all laws, regulations and orders of all Governmental Authorities having jurisdiction over the Goldsat Assets have been complied with in all material respects.

(t) all information in respect of Goldsat in the Information Circular does not and will not contain an untrue statement of a material fact and does not and will not omit to state a material fact that is required to be stated or

that is necessary to make a statement not misleading in the circumstance in which it was made;

(u) there has not been any material adverse change in the assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of Goldsat from the position set forth in the Goldsat Financial Statements and there has not been any material adverse change in the business, operations or condition (financial or otherwise) or results of operations of Goldsat since March 31, 2005 and since that date there have been no material facts, transactions, events or occurrences which could have a Goldsat Material Adverse Effect which have not been disclosed in writing to Canco;

(v) the issued and outstanding Goldsat Common Shares are listed on the TSX Venture Exchange;

(w) except as disclosed in writing to Canco, Goldsat: (i) has not mortgaged, pledged, assigned, sold, transferred or otherwise disposed of or encumbered any material interest in the Goldsat Assets and (ii) is not a party to any lease of office premises, vehicles, equipment or other tangible assets;

(x) all laws, regulations and orders of Governmental Authorities having jurisdiction over the Goldsat Assets have been complied with in all material respects;

(y) except as disclosed in writing to Canco, Goldsat has performed, observed and satisfied all of its material duties, liabilities, obligations and covenants required to be satisfied, performed and observed by it under, and is not in material default under or in material breach of, the terms of any material leases or agreements pertaining to Goldsat or the Goldsat Assets;

(z) there are reasonable grounds for believing that the Amalgamated Corporation will be, able to pay its liabilities as they become due;

(aa) there are reasonable grounds for believing that no creditor of Goldsat will be prejudiced by the Amalgamation; and

(bb) Goldsat has done no act or thing, nor has Goldsat suffered or permitted any act or omission, whereby its title to any of the Goldsat Assets may be cancelled or terminated;

9. CANCO'S COVENANTS

9.1 Until the earlier of: (i) the Effective Date and (ii) termination of this Agreement in accordance with its terms, except with the prior written consent of Goldsat, which shall not be unreasonably withheld, and except for the Permitted Transactions, Canco:

(a) will use all reasonable efforts to fulfil the conditions set forth in Sections 5.1 and 6.1 to the extent the fulfilment of the same is within the control of Canco:

(b) shall not take any action except in, the ordinary course of business and consistent with past practice;

(c) shall not directly or indirectly do or permit to occur any of the following:

(i) issue, sell, pledge, lease, dispose of, encumber or agree to issue, sell, pledge, lease, dispose of or encumber:

1. any additional shares of, or any options, warrants, calls, conversion privileges or rights of any kind to acquire any Canco Shares except pursuant to outstanding Canco Options; or

2. except in the ordinary course of business for a consideration not in excess of $5,000, any assets of Canco;

(ii) amend or propose to amend its articles or by-laws;

(iii) split, combine or reclassify any outstanding shares, or declare, set aside or pay any dividend or other distribution payable in cash, stock, property or otherwise with respect to any outstanding shares;

(iv) redeem, purchase or offer to purchase any shares or other securities of Canco except as contemplated in this Agreement;

(v) reorganize, amalgamate or merge Canco with any other person, corporation, partnership or other business organization whatsoever;

(vi) acquire or agree to acquire (by merger, amalgamation, acquisition of securities or assets or otherwise) any person, corporation, partnership or other business organization or division or, except in the ordinary course of business, any assets or properties;

(vii) incur or commit to incur any indebtedness for borrowed money or issue any debt securities except for borrowing in the ordinary course of business and consistent with past practice;

(viii) expend any amounts, incur any liabilities, enter into any agreements, arrangements or make any commitments (whether absolute, contingent or otherwise), or make any offers that could result in any agreements or commitments, whether or not in the ordinary course of business, in an amount in excess of $5,000 (without prior written consent of Goldsat, which consent shall not be unreasonably withheld) in respect of each such event; or

(ix) declare or pay any dividends or make any other distribution to its shareholders or repay, other than in the ordinary course of business, any outstanding indebtedness;

(d) shall not adopt or amend any bonus, profit sharing, incentive, compensation, stock option, pension, retirement, deferred compensation, employment or other employee benefit plan, agreement, trust, fund or arrangement for the benefit or welfare of any employee;

(e) shall:

(i) not take any action that would render, any representation or warranty made by it in this agreement untrue at any time prior to the proposed transaction being consummated if then made; and

(ii) promptly notify Goldsat orally and in writing of any governmental or third party complaints, investigations or hearings (or communications indicating that the same may be contemplated);

(f) shall not enter into or modify any contract, agreement, commitment or arrangement with respect to any of the matters set forth in this Section;

(g) will:

(i) convene the Canco Meeting and distribute copies of the Information Circular in accordance with applicable law;

(ii) solicit proxies to be voted in favour of the Amalgamation at the Canco Meeting;

(iii) provide notice to Goldsat of the Canco Meeting and allow Goldsat's representatives to attend the Canco Meetings; and

(iv) conduct the Canco Meeting in accordance with the by-laws of Canco and as otherwise required by law;

(h) will immediately advise Goldsat of the occurrence of any material fact or material change with respect to Canco which does or may effect the disclosure with respect to Canco in the Information Circular;

(i) will prepare (in consultation with Goldsat), provided that Goldsat supplies all information as reasonably requested, file and distribute to the holders of Canco Shares in a timely and expeditious manner, any amendments or supplements to the Information Circular as required by applicable law, in all jurisdictions where the same is required;

(j) will, subject to the approval of the Canco Shareholders being obtained and subject to the satisfaction or waiver of the conditions set forth for the benefit of Canco, jointly with Goldsat file Articles of Amalgamation and any other required documents with the Director under the CBCA, in order for the Amalgamation to become effective;

(k) except for proxies and other non-substantive communications with security holders, Canco will furnish promptly to Goldsat a copy of each notice, report, schedule or other document delivered, filed or received by Canco in connection with (i) the Amalgamation, (ii) the Canco Meeting, (iii) any filings under applicable laws and (iv) any dealings with regulatory agencies in connection with the transactions contemplated herein;

(l) will make other necessary filings and applications under applicable federal and provincial laws and regulations required on the part of Canco in connection with the transactions contemplated herein and take all reasonable action necessary to be in compliance with such laws and regulations;

(m) will use all reasonable efforts to conduct its affairs so that all of Canco's representations and warranties contained herein shall be true and correct on and as of the Effective Date as if made thereon;

(n) shall not, directly or indirectly, solicit or cause or facilitate anyone else to solicit any offer (confidential or otherwise) or expression of interest to acquire any of its assets outside the ordinary course of business or any of its securities, whether directly or indirectly, provide information (except for Canco Public Documents) concerning its securities, assets or business to anyone for or in furtherance of anything mentioned in this subsection, pursue any other material corporate acquisition or disposition, amalgamation, merger, arrangement or purchase or sale of assets; provided that the foregoing shall not prevent the board of directors of Canco from responding to any unsolicited bona fide submission or proposal regarding any acquisition or disposition of assets or any unsolicited bona fide proposal to amalgamate, merge or effect an arrangement or any unsolicited bona fide acquisition proposal generally or to a bona fide offer to acquire Canco Shares (a "Competing Offer") or make any disclosure to its shareholders with respect thereto which in the opinion of counsel is required for the directors of Canco to discharge its fiduciary duties to Canco and its shareholders. If Canco receives or becomes aware of an unsolicited offer, or that an unsolicited offer is pending, it will promptly provide all particulars known to Canco to Goldsat;

(o) will not carry on any business or take any actions except as is necessary to give effect to the Amalgamation and all other transactions contemplated by this Agreement; and

(p) will make available and cause to be made available to Goldsat and its agents and advisors, as soon as possible, all documents and agreements (including, without limitation, minute books) as may be necessary to enable Goldsat to effect a thorough investigation of Canco, its business, properties and financial status and to enable Goldsat to provide all disclosure necessary or advisable to the holders of Goldsat Shares in connection with the Goldsat Meeting, except where Canco is contractually precluded from making such document or

agreement available, and shall cooperate with Goldsat in securing access for Goldsat to any such documentation not in the possession or under the control of Canco.

10. GOLDSAT'S COVENANTS

10.1 Except as disclosed in the Goldsat Information Circular, until the earlier of: (i) the Effective Date; and (ii) termination of this Agreement in accordance with its terms, except with the prior written consent of Canco, which shall not be unreasonably withheld, Goldsat:

(a) will use all reasonable efforts to fulfil the conditions set forth in Sections 4.1 and 6.1 to the extent the fulfillment of the same is within the control of Canco;

(b) shall not take any action except in, the ordinary course of business and consistent with past practice;

(c) shall not directly or indirectly do or permit to occur any of the following:

(i) issue, sell, pledge, lease, dispose of, encumber or agree to issue, sell, pledge, lease, dispose of or encumber:

1. any additional shares of, or any options, warrants, calls, conversion privileges or rights of any kind to acquire any Goldsat Shares except pursuant to outstanding Goldsat Options; or

2. except in the ordinary course of business for a consideration not in excess of $5,000, any assets of Goldst;

(ii) amend or propose to amend its articles or by-laws;

(iii) split, combine or reclassify any outstanding shares, or declare, set aside or pay any dividend or other distribution payable in cash, stock, property or otherwise with respect to any outstanding shares;

(iv) redeem, purchase or offer to purchase any shares or other securities of Goldsat except as contemplated in this Agreement;

(v) reorganize, amalgamate or merge with any other person, corporation, partnership or other business organization whatsoever;

(vi) acquire or agree to acquire (by merger, amalgamation, acquisition of securities or assets or otherwise) any person, corporation, partnership or other business organization or division or, except in the ordinary course of business, any assets or properties;

(vii) incur or commit to incur any indebtedness for borrowed money or issue any debt securities except for borrowing in the ordinary course of business and consistent with past practice;

(viii) except for the Permitted Transactions, expend any amounts, incur any liabilities, enter into any agreements, arrangements or make any commitments (whether absolute, contingent or otherwise), or make any offers that could result in any agreements or commitments, whether or not in the ordinary course of business (without prior written consent of Canco, which consent shall not be unreasonably withheld) in respect of each such event; or

(ix) declare or pay any dividends or make any other distribution to its shareholders or repay, other than in the ordinary course of business, any outstanding indebtedness;

(d) except for Lewis Moran shall not adopt or amend any bonus, profit sharing, incentive, compensation, stock option, pension, retirement, deferred compensation, employment or other employee benefit plan, agreement, trust, fund or arrangement for the benefit or welfare of any employee;

(e) shall:

(i) not take any action that would render, any representation or warranty made by it in this agreement untrue at any time prior to the proposed transaction being consummated if then made; and

(ii) promptly notify Canco in writing of any governmental or third party complaints, investigations or hearings (or communications indicating that the same may be contemplated);

(f) shall not enter into or modify any contract, agreement, commitment or arrangement with respect to any of the matters set forth in this Section;

(g) will:

(i) convene the Goldsat Meeting and distribute copies of the Information Circular in accordance with applicable law;

(ii) solicit proxies to be voted in favour of the Amalgamation at the Goldsat Meeting;

(iii) provide notice to Canco of the Meeting and allow Canco 's representatives to attend the Goldsat Meeting; and

(iv) conduct the Goldsat Meeting in accordance with the by-laws of Goldsat and as otherwise required by law;

(h) will immediately advise Canco of the occurrence of any material fact or material change with respect to Goldsat which does or may effect the disclosure with respect to Goldsat in the Information Circular;

(i) will prepare (in consultation with Canco), provided that Canco supplies all information as reasonably requested, file and distribute to the holders of Goldsat Shares in a timely and expeditious manner, any amendments or supplements to the Information Circular as required by applicable law, in all jurisdictions where the same is required;

(j) will, subject to the approval of the Goldsat Shareholders being obtained and subject to the satisfaction or waiver of the conditions set forth for the benefit of Goldsat, jointly with Canco file Articles of Amalgamation and any other required documents with the Director under the CBCA, in order for the Amalgamation to become effective;

(k) except for proxies and other non-substantive communications with security holders, Goldsat will furnish promptly to Canco a copy of each notice, report, schedule or other document delivered, filed or received by Goldsat in connection with (i) the Amalgamation, (ii) the Goldsat Meeting, (iii) any filings under applicable laws and (iv) any dealings with regulatory agencies in connection with the transactions contemplated herein;

(l) will make other necessary filings and applications under applicable federal and provincial laws and regulations required on the part of Goldsat in connection with the transactions contemplated herein and take all reasonable action necessary to be in compliance with such laws and regulations;

(m) will use all reasonable efforts to conduct its affairs so that all of Goldsat's representations and warranties contained herein shall be true and correct on and as of the Effective Date as if made thereon;

(n) shall not, directly or indirectly, solicit or cause or facilitate anyone else to solicit any offer (confidential or otherwise) or expression of interest to acquire any of its assets outside the ordinary course of business or any of its securities, whether directly or indirectly, provide information (except for Goldsat Public Documents) concerning its securities, assets or business to anyone for or in furtherance of anything mentioned in this subsection, pursue any other material corporate acquisition or disposition, amalgamation, merger, arrangement or purchase or sale of assets; provided that the foregoing shall not prevent the board of directors of Goldsat from responding to any unsolicited bona fide submission or proposal regarding any acquisition or disposition of assets or any unsolicited bona fide proposal to amalgamate, merge or effect an arrangement or any unsolicited bona fide acquisition proposal generally or to a bona fide offer to acquire Goldsat Shares (a "Competing Offer") or make any disclosure to its shareholders with respect thereto which in the opinion of counsel is required for the directors of Goldsat to discharge its fiduciary duties to Goldsat and its

shareholders. If Goldsat receives or becomes aware of an unsolicited offer, or that an unsolicited offer is pending, it will promptly provide all particulars known to Goldsat to Canco;

(o) will not carry on any business or take any actions except as is necessary to give effect to the Amalgamation and all other transactions contemplated by this Agreement; and

(p) will make available and cause to be made available to Canco and its agents and advisors, as soon as possible, all documents and agreements (including, without limitation, minute books) as may be necessary to enable Canco to effect a thorough investigation of Goldsat, its business, properties and financial status and to enable Canco to provide all disclosure necessary or advisable to the holders of Canco Shares in connection with the Canco Meeting, except where Goldsat is contractually precluded from making such document or agreement available, and shall cooperate with Canco in securing access for Canco to any such documentation not in the possession or under the control of Goldsat.

11. TERMINATION

11.1 This Agreement may, prior to the issuance of a Certificate of Amalgamation, be terminated by the mutual agreement of the respective boards of directors of the parties hereto, without further action on the part of the shareholders of Canco or Goldsat.

11.2 Notwithstanding any other rights contained herein, Goldsat may terminate this Agreement upon notice to Canco in the event the Amalgamation has not become effective on or before September 30, 2005

11.3 Notwithstanding any other rights contained herein, Canco may terminate this Agreement upon notice to Goldsat in the event the Amalgamation has not become effective on or before September 30, 2005.

12. AMENDMENT

12.1 This Agreement may, at any time and from time to time be amended by written agreement of the parties hereto without further notice to or authorization on the part of its shareholders, and any such amendment may, without limitation:

(a) change the time for performance of any of the obligations or acts of the parties hereto;

(b) waive any inaccuracies or modify any representation contained herein or in any document delivered pursuant hereto; and

(c) waive compliance with or modify any of the covenants herein contained and waive or modify performance of any of the obligations of the parties hereto.

12.2 This Agreement may only be amended by a written instruction signed by the parties hereto.

13. FEES AND EXPENSES

13.1 Each party hereto covenants and agrees to bear its own costs and expenses in connection with the transactions contemplated hereby.

14. NOTICES

14.1 All notices, requests, demands and other communications hereunder shall be deemed to have been duly given and made, if in writing and if served by personal delivery upon the party for whom it is intended or delivered, or if sent by telecopier, upon receipt of confirmation that such transmission has been received, to the person at the address set forth below, or such other address as may be designated in writing hereafter, in the same manner, by such person:

if to Goldsat:

(a) 2927, 2nd Street, apt. # 201
Laval, Quebec, H7R 2X2

Telecopier: (450) 627-2997
Attention: Lewis Moran, Chief Financial Officer and Director

with a copy to:

(b) Lavery De Billy
1, Place Ville-Marie, Suite 4000
Montreal, Quebec, H3B 4M4

Telecopier: (514) 871-8977
Attention: Michel Servant

if to Canco

(c) 2000, Peel Street #625
Montreal, Qc
H3A 2W5

Attention: Pierre Geoffrion

with a copy to:

(d) Lapointe Rosenstein
1250 René-Lévesque Blvd., suite 1400
Montreal, Quebec, H3B 5E9

Telecopier: (514) 925-5076
Attention: Pierre Barnard

15. TIME

15.1 Time shall be of the essence in this Agreement.

16. ENTIRE AGREEMENT

16.1 This Agreement constitutes the entire agreement between the parties hereto and cancels and supersedes all prior agreements and understandings between the parties with respect to the subject matter hereof.

17. FURTHER ASSURANCES

17.1 Each party hereto shall, from time to time, and at all times hereafter, at the request of the other party hereto, but without further consideration, take all such further acts and execute and deliver all such further documents and instruments as shall be reasonably required in order to fully perform and carry out the terms and intent hereof.

18. GOVERNING LAW

18.1 This Agreement shall be governed by, and be construed in accordance with, the laws of the Province of Quebec and applicable laws of Canada but the reference to such laws shall not, by conflict of laws rules or otherwise, require the application of the law of any jurisdiction other than the Province of Quebec.

18.2 Each party hereto irrevocably attorns to the exclusive jurisdiction of the Courts of the Province of Quebec in respect of all matters arising under or in relation to this Agreement.

19. EXECUTION IN COUNTERPARTS AND BY FACSIMILE

19.1 This Agreement may be executed in identical counterparts and by facsimile, and each such counterpart be and is hereby conclusively deemed to be an original and counterparts collectively are to be conclusively deemed one instrument.

20. WAIVER

20.1 No waiver by any party hereto shall be effective unless in writing and any waiver shall affect only the matter, and the occurrence thereof, specifically identified and shall not extend to any other matter or occurrence.

21. ENUREMENT AND ASSIGNMENT

21.1 This Agreement shall enure to the benefit of and be binding upon the parties hereto and its successors and assigns. This Agreement may not be assigned by any party hereto without the prior written consent of the other parties hereto.

IN WITNESS WHEREOF the parties hereto have executed this Agreement.

GOLDSAT MINING INC..

Per : *(signed) A. Lewis Moran*

4209931 CANADA INC.

Per : *(signed) Pierre Geoffrion*

CONSENT OF GRANT THORNTON

We have read the proxy circular of Goldsat Mining Inc. (the "Corporation") dated August 29, 2005, in connection with the solicitation of proxies by management of the Corporation for use at the annual general meeting and special general meeting of the shareholders of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned proxy circular of our report to the Directors of the Corporation on the balance sheets as at December 31, 2004 and 2003 and statements of loss and deficit and cash flows for each of the years in the three-year period ended December 31, 2004. Our report is dated April 29, 2005, except as to note 4b) and 15c), which are as of August 29, 2005.

We further consent to the use in the above-mentioned proxy circular of our report to the Directors of 4209931 Canada Inc. on the balance sheet as at March 31, 2005 and statement of loss and deficit and cash flow of 4209931 Canada Inc. for the period then ended. Our report is dated August 24, 2005.

(signed) **Grant Thornton LLP**

CERTIFICATE OF GOLDSAT MINING INC.

Dated: August 29, 2005

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities of Goldsat Mining Inc. assuming completion of the acquisition of all the shares of Alexis Resources Inc.

(signed): Vincent J. Thomson
Chief Executive Officer

(signed): A. Lewis Moran
Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

(signed): Darryl Vinet
Director

(signed): Gabor I. Zinner
Director

CERTIFICATE OF ALEXIS RESOURCES LIMITED.

Dated: August 29, 2005

The foregoing as it relates to Alexis Resources Limited constitutes full, true and plain disclosure of all material facts relating to the securities of Alexis Resources Limited.

(signed): Felipe Tan
Chief Executive Officer,Chief Financial Officer
and Sole Director

CERTIFICATE OF SPONSOR

Dated: August 29, 2005

To the best of our knowledge and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities of Goldsat Mining Inc. assuming completion of the acquisition of all the shares of Alexis Resources Inc.

DESJARDINS SECURITIES INC.

(signed) Mark Billings