

**GobiMin Inc.**

(Incorporated in Canada under the Canada Business Corporations Act)

Interim Consolidated Financial Statements (Unaudited)

March 31, 2010

(Expressed in United States Dollars except where otherwise noted)

Notice to readers:

The financial statements for the quarter ended March 31, 2010 and the accompanying notes thereto contained in this report have been prepared by the management and have not been reviewed or audited by the Company's external auditor.

**GobiMin Inc.**  
**Consolidated Balance Sheets (Unaudited)**  
(Expressed in United States Dollars)

	<b>March 31, 2010</b>	December 31, 2009
<b>ASSETS</b>	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Cash and cash equivalents (Note 5)	<b>48,437,711</b>	73,350,405
Time deposit (Note 5)	<b>5,000,000</b>	5,000,000
Prepayments and other receivables	<b>6,566,492</b>	6,638,779
Dividend receivable from an investee company (Note 6)	<b>-</b>	39,200
Total current assets	<b>60,004,203</b>	85,028,384
<b>Non-current</b>		
Mineral properties and equipment (Note 7)	<b>1,773,090</b>	1,127,567
Equity investments (Note 8)	<b>9,578,270</b>	2,675,844
Loan to an investee company (Note 10)	<b>1,914,294</b>	-
Amount due from related parties (Note 11)	<b>16,232,481</b>	1,572,148
Total non-current assets	<b>29,498,135</b>	5,375,559
Total assets	<b>89,502,338</b>	90,403,943
<b>LIABILITIES</b>		
<b>Current</b>		
Other payables and accrued liabilities	<b>709,429</b>	968,798
Amount due to an investee company (Note 12)	<b>29,586</b>	-
Total current liabilities	<b>739,015</b>	968,798
Total liabilities	<b>739,015</b>	968,798
Non-controlling interests (Note 13)	<b>1,262,175</b>	1,262,175
Commitments (Note 14)		
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 15 (a))	<b>29,297,167</b>	29,267,506
Contributed surplus (Note 15 (c))	<b>5,669,768</b>	5,604,073
Reserves (Note 16)	<b>7,666</b>	7,666
Retained earnings	<b>49,409,591</b>	50,638,277
Accumulated other comprehensive income (Note 19)	<b>3,116,956</b>	2,655,448
Total shareholders' equity	<b>87,501,148</b>	88,172,970
Total liabilities and shareholders' equity	<b>89,502,338</b>	90,403,943

See accompanying notes to the Consolidated Financial Statements

APPROVED BY THE BOARD

(Signed)  
**Felipe Tan**  
Director

(Signed)  
**Hubert Marleau**  
Director

**GobiMin Inc.**  
**Consolidated Statements of Income (Unaudited)**  
(Expressed in United States Dollars)

	<b>Three Months Ended March 31, 2010</b>	Three Months Ended March 31, 2009
	\$	\$
Revenue	-	939,923
Cost of sales	-	(609,195)
Depreciation	-	(290,229)
Selling and distribution cost	-	(122,426)
Gross profit/(loss)	-	(81,927)
Other revenue and gains (Note 18)	<b>63,879</b>	189,928
General and administrative expenses	<b>(726,311)</b>	(733,199)
Stock based compensation (Note 15 (c))	<b>(74,153)</b>	(287,766)
Equity gain/(loss) in investment (Note 8)	<b>22,107</b>	(7,428)
Other operating expenses	-	(36,913)
Operating loss	<b>(714,478)</b>	(957,305)
Interest expense	-	(84)
Loss on financial instruments	-	(58,865)
Exchange gain/(loss)	<b>(514,208)</b>	5,560,456
Gain on disposal of subsidiaries (Note 4)	-	33,603,540
(Losses)/Earnings before tax and non-controlling interests	<b>(514,208)</b>	38,147,742
Income tax	-	-
(Losses)/Earnings before non-controlling interests	<b>(1,228,686)</b>	38,147,742
Non-controlling interests (Note 13)	-	20,462
Net (losses)/earnings for the period	<b>(1,228,686)</b>	38,168,204
(Losses)/Earnings per share (Note 15 (f))		
Basic	<b>(0.018)</b>	0.543
Diluted	<b>(0.018)</b>	0.541
Weighted average number of shares outstanding (Note 15 (f))	<b>Share</b>	Share
Basic	<b>68,274,524</b>	70,247,300
Diluted	<b>68,668,244</b>	70,495,969

*See accompanying notes to the Consolidated Financial Statements*

**GobiMin Inc.****Consolidated Statements of Comprehensive Income (Unaudited)**

(Expressed in United States Dollars)

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
	\$	\$
<b>Net (loss)/income</b>	<b>(1,228,686)</b>	38,168,204
Unrealized exchange gain/(loss) on translation of self-sustaining foreign operations	<b>461,508</b>	(7,443,235)
<b>Comprehensive (loss)/income</b>	<b>(767,178)</b>	30,724,969

**Consolidated Statements of Changes in Shareholders' Equity (Unaudited)**

(Expressed in United States Dollars)

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
	\$	\$
<b>Share Capital</b>		
Balance at beginning of period	<b>29,267,506</b>	29,918,738
Issued for option exercise (Note 15 (a))	<b>29,661</b>	-
Share buy back (Note 15 (a))	-	(218,964)
Balance at end of period	<b>29,297,167</b>	29,699,774
<b>Contributed Surplus</b>		
Balance at beginning of period	<b>5,604,073</b>	5,398,535
Options exercised (Note 15 (c))	<b>(8,458)</b>	-
Stock based compensation (Note 15 (c))	<b>74,153</b>	287,766
Balance at end of period	<b>5,669,768</b>	5,686,301
<b>Reserves</b>		
Balance at beginning of period	<b>7,666</b>	-
Current period reserves (Note 16)	-	7,653
Balance at end of period	<b>7,666</b>	7,653
<b>Retained Earnings</b>		
Balance at beginning of period	<b>50,638,277</b>	26,631,480
Net (loss)/income	<b>(1,228,686)</b>	38,168,204
Transfer to general reserve	-	(7,653)
Change in fair value of discontinued operation	-	(1,761,017)
Balance at end of period	<b>49,409,591</b>	63,031,014
<b>Accumulated other comprehensive income (loss)</b>		
Balance at beginning of period	<b>2,655,448</b>	5,419,894
Other comprehensive income/(loss) (Note 19)	<b>461,508</b>	(7,443,235)
Balance at end of period	<b>3,116,956</b>	(2,023,341)

See accompanying notes to the Consolidated Financial Statements

**GobiMin Inc.**  
**Consolidated Statements of Cash Flows (Unaudited)**  
(Expressed in United States Dollars)

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
<b>Cash flows from (used in) operating activities</b>	<b>\$</b>	<b>\$</b>
Net (losses)/earnings for the period	(1,228,686)	38,168,204
Adjustments for items not involving cash:		
- Depreciation	-	257,096
- Amortization in general and administrative expenses	56,309	33,133
- Stock based compensation	74,153	287,766
- Exchange loss/(gain)	514,208	(5,560,456)
- Equity (gain)/loss in investment (Note 8)	(22,107)	7,428
- Gain on disposal of subsidiaries (Note 4)	-	(33,603,540)
- Non-controlling interests	-	(20,462)
	<b>(606,123)</b>	<b>(430,831)</b>
Change in non-cash working capital items:		
- Prepayments, deposits and other receivables	83,722	79,416
- Amount due to an investee company (note 12)	29,586	-
- Other payables and accrued liabilities	(288,597)	(262,831)
- Derivative financial instrument liabilities	-	(94,015)
<b>Net cash used in operating activities</b>	<b>(781,412)</b>	<b>(708,261)</b>
<b>Cash flows from (used in) financing activities</b>		
Shares issued for cash from option exercise	21,204	-
Shares buy back	-	(218,964)
Loan to an investee company (Note 10)	(1,914,294)	-
Loan to a related party (Note 11 (d))	(14,657,686)	-
Repayment of shareholder's loan	-	2,300,119
<b>Net cash (used in) from financing activities</b>	<b>(16,550,776)</b>	<b>2,081,155</b>
<b>Cash flows from (used in) investing activities</b>		
Mineral properties and equipment	(701,832)	(373,994)
Disposition of equity interest in subsidiaries (Note 4)	-	36,942,051
Dividend received from an investee company (Note 6)	39,200	-
Equity investments in joint ventures/investee company	(6,880,318)	7,432
Release of restricted cash	-	489,960
<b>Net cash (used in) from investing activities</b>	<b>(7,542,950)</b>	<b>37,065,449</b>
<b>(Decrease) Increase in cash and cash equivalents</b>	<b>(24,875,138)</b>	<b>38,438,343</b>
<b>Effect on foreign exchange rate changes on cash</b>	<b>(37,556)</b>	<b>(28,515)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>73,350,405</b>	<b>53,617,073</b>
<b>Cash and cash equivalents at end of period</b>	<b>48,437,711</b>	<b>92,026,901</b>
<b>Supplementary cash flow information:</b>		
Interest received	53,962	189,928
Realized forward contract loss	-	58,865

See accompanying notes to the Consolidated Financial Statements

## **1. NATURE OF OPERATIONS**

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

In Hami of Xinjiang, GobiMin operated nickel-copper mining and development business through two Chinese subsidiaries, Xinjiang Yakesi Resources Co. Ltd. (“Yakesi”) and Hami Jubao Resources Co. Ltd. (“Jubao”). The ore mined was processed through the processing plants owned by the subsidiaries to produce nickel and copper concentrates. The concentrates were sold in China. GobiMin also owned, through one of the subsidiaries, 30% equity interest in Dazi PuXiong Copper Company Limited (“PuXiong”) which is engaged in exploration, mining and milling of copper and zinc resources in Tibet, China. GobiMin disposed Yakesi and Jubao in February 2009 and also ceased to own any equity interest in PuXiong.

Through Xinjiang Weifu Mining Limited (a wholly owned Chinese subsidiary) (“Weifu”), GobiMin holds 40% interest in Xinjiang Tongxing Minerals Ltd. (“Tongxing”) while two local partners each holding 30% interest. Tongxing’s only business is the exploration and development of the Yanxi Copper Property. On April 13, 2010, GobiMin entered into a framework agreement to dispose of a 32% equity interest in the Yanxi Copper Property (“Proposed Transaction”). GobiMin shall own a remaining 8% indirect equity interest in the Yanxi Copper Property after completion of the Proposed Transaction, which is subject to the related regulatory approvals and upon fulfillment of the various conditions set out in the framework agreement.

GobiMin owns a 50% equity interest in a joint venture, Xinjiang Xinya Minerals Ltd. (“Xinya”) which is engaged in exploration of zinc and copper projects in Xinjiang, China. GobiMin also owns a 40% equity interest in each of three joint ventures, Xinjiang Tongde Minerals Ltd., Xinjiang Tongan Minerals Ltd. and Xinjiang Tianhong Minerals Ltd., to engage in exploration of nickel, lead and zinc projects in Xinjiang, China. GobiMin also engages in exploration projects in Indonesia.

In 2009, GobiMin acquired an equity interest of 49% in China Precision Material Limited (“China Precision”) which is principally engaged in metal trading, predominantly silver and an equity interest of 70% in Xinjiang Tongyuan Minerals Ltd. (“Tongyuan”) for development of the Sawayaerdun Gold Project in Xinjiang, China.

On February 9, 2010, through the acquisition of 49% equity interest in Fortune Aspect Limited (“Fortune Aspect”), GobiMin acquired an indirect equity interest of 24.49% in Balikun Yinxin Minerals Investments Limited (“Balikun Yinxin”) for the development of the Balikun Coal Project in Xinjiang, China. GobiMin and its partner jointly have a controlling interest in the Balikun Coal Project through Xinjiang Ruide Mining Limited (“Ruide”).

## **2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

The unaudited interim consolidated financial statements of GobiMin have been prepared in accordance with Canadian generally accepted accounting principles using the same accounting policies and methods of application as those disclosed in note 2 of GobiMin’s audited consolidated financial statements for the year ended December 31, 2009, except for the change referred to in note 3 below. Generally accepted accounting principles for interim consolidated financial statements do not conform in all respects to the disclosures required for annual consolidated financial statements and, accordingly, these unaudited interim consolidated financial statements should be read in conjunction with GobiMin’s annual consolidated financial statements and accompanying notes for the year ended December 31,

2009. In the opinion of management, all adjustments considered necessary for the fair presentation of results for the periods presented have been reflected in these unaudited interim consolidated financial statements. These adjustments consist only of normal recurring adjustments. Operating results for these interim periods are not necessarily indicative of the results that may be expected for the full financial year ending December 31, 2010.

### **3. CHANGE IN ACCOUNTING POLICIES**

#### **Future Accounting Changes**

(i) Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582 "Business Combinations", Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling interests". These new standards will be effective for financial years beginning on or after January 1, 2011.

Section 1582 "Business Combinations" replaces section 1581 "Business Combinations", and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 "Consolidated Financial Statements", and Section 1602 "Non-Controlling interests", together replace section 1600 "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements and applies to interim and annual consolidated financial statements relating to financial years beginning on or after January 1, 2011.

(ii) Transition to International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board (AcSB) requires all Canadian Publicly Accountable Enterprises (PAEs) to adopt IFRS for years beginning on or after January 1, 2011. Following this timeline, the Company will issue its first set of interim financial statements prepared under IFRS in the first quarter of 2011 including comparative IFRS financial results and an opening balance sheet as at January 1, 2010. The first annual IFRS consolidated financial statements will be prepared for the year ended December 31, 2011 with restated comparatives for the year ended December 31, 2010.

### **4. GAIN AND PROCEEDS FROM DISPOSITION OF EQUITY INTEREST IN SUBSIDIARIES**

In November 2008, the Board of Directors of the Company approved the agreements on disposal of the Company's equity interests in Yakesi and Jubao, which represented substantial continuing operation of the Company. Since there is no other material operation after the disposal, the operating results do not show the segregation of the operation results of Yakesi and Jubao.

By February 11, 2009, the agreements on the disposal of the equity interest in Yakesi and Jubao were approved by the Chinese government. The total sales proceeds received by the Company are RMB492 million (approximately \$72.1 million). The Company also received dividends of RMB43.89 million (approximately \$6.4 million) paid out by Yakesi and Jubao.

**GobiMin Inc.**  
**Notes to Consolidated Financial Statements (Unaudited)**  
For the quarter ended March 31, 2010  
(Expressed in United States Dollars)

	Three months ended March 31, 2010	Three months ended March 31, 2009
	\$	\$
Net assets disposed of as at 11 February, 2009	-	38,521,707
Gain on disposal of subsidiaries	-	33,603,540
<b>Consideration from disposition</b>	<b>-</b>	<b>72,125,247</b>
<b>Proceeds from disposition of equity interest in subsidiaries:</b>		
Consideration from disposition	-	72,125,247
Deposits received in 2008	-	(36,062,624)
Final instalments received	-	36,062,623
Dividends received from discontinued operations	-	6,429,449
Withholding tax paid to local tax bureau	-	(5,550,021)
	-	36,942,051

Pursuant to the sale and purchase agreements dated November 23, 2008, the Company agreed to dispose of its 93.55% and 95.16% equity interests in Yakesi and Jubao respectively. According to the aforesaid agreements, the deposits with aggregate sum of RMB246 million (approximately \$36.0 million) were received by the Company during the year ended December 31, 2008.

The final installments and dividends, net of tax payment, of RMB254 million (approximately \$36.9 million) were received by the Company during the quarter ended March 31, 2009.

**5. CASH AND CASH EQUIVALENTS AND TIME DEPOSIT**

Cash and cash equivalents and time deposit at March 31, 2010 include cash in different locations as follows:

Bank location	Reporting Currency	Amount	US\$ Equivalent
<b><u>Cash and cash equivalents:</u></b>			
Canada	CAD	370,545	<b>365,283</b>
Hong Kong	HKD	314,258,159	<b>40,548,394</b>
China	RMB	51,330,566	<b>7,523,873</b>
Indonesia	IDR	1,513,150	<b>161</b>
			<b>48,437,711</b>
<b><u>Time deposit:</u></b>			
Hong Kong	HKD	38,751,003	<b>5,000,000</b>
Total			<b>53,437,711</b>

Cash and cash equivalents and time deposit at December 31, 2009 include cash in different locations as follows:



**GobiMin Inc.**  
**Notes to Consolidated Financial Statements (Unaudited)**  
For the quarter ended March 31, 2010  
(Expressed in United States Dollars)

Bank location	Reporting Currency	Amount	US\$ Equivalent
<b><u>Cash and cash equivalents:</u></b>			
Canada	CAD	232,549	222,200
Hong Kong	HKD	524,701,382	67,701,657
China	RMB	37,020,451	5,426,342
Indonesia	IDR	1,937,389	206
			73,350,405
<b><u>Time deposit:</u></b>			
Hong Kong	HKD	38,751,003	5,000,000
<b>Total</b>			<b>78,350,405</b>

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

The fair market values of cash and cash equivalents approximate their carrying values at March 31, 2010.

Time deposit of \$5,000,000 placed with a bank in Hong Kong carrying interest at 1.41438% per annum will mature in May 2010.

**6. DIVIDEND RECEIVABLE FROM AN INVESTEE COMPANY**

The balance in 2009 represents a dividend receivable of \$39,200 from the Company's 49% owned investee company, China Precision. The balance was received during the quarter ended 31 March, 2010.

**7. MINERAL PROPERTIES AND EQUIPMENT**

	Cost	Accumulated Amortization/ Written off	Net Book Value
<b><u>March 31, 2010</u></b>			
	\$	\$	\$
Buildings	121,445	(74,216)	47,229
Furniture, equipment and motor vehicles	927,114	(367,299)	559,815
Mineral exploration rights	1,166,046	-	1,166,046
			2,214,605
			(441,515)
			1,773,090
<b><u>December 31, 2009</u></b>			
Buildings	121,445	(64,096)	57,349
Furniture, equipment and motor vehicles	895,242	(321,111)	574,131
Mineral exploration rights	496,087	-	496,087
			1,512,774
			(385,207)
			1,127,567

**GobiMin Inc.**  
**Notes to Consolidated Financial Statements (Unaudited)**  
For the quarter ended March 31, 2010  
(Expressed in United States Dollars)

---

**8. EQUITY INVESTMENTS**

Equity investments represent the Company's equity interests of (1) 40% in each of the four joint ventures established in 2007 to explore nickel, copper, lead and zinc projects in Xinjiang, China; (2) 49% in China Precision established in 2009 to engage in metal trading, predominately silver; and (3) 49% in Fortune Aspect to engage in the Balikpapan Coal Project. Please see also note 11(d) for the second installment of consideration of \$14,657,686 (RMB100,000,000) payable for the Balikpapan Coal Project.

The Company accounts for its investments on the equity basis, which is carried at cost, adjusted for the Company's proportionate share of the undistributed earnings and losses of all the above joint ventures. During the three months ended March 31, 2010, the Company recorded \$22,107 as equity gain (2009: \$7,428 equity loss) in investments.

**9. INTEREST IN JOINT VENTURE**

During 2006, GobiMin formed a joint venture, Xinya, with Xinjiang Huaxin Minerals Ltd ("Huaxin"). GobiMin and Huaxin each acquired a 50% interest in Xinya by injecting RMB 1 million (\$136,910) cash into the new joint venture as share capital. The joint venture is formed for mining exploration and development in northwest China.

During 2008, the Company and Huaxin increased the paid-in capital in Xinya each by injecting RMB 4 million (\$598,694) respectively.

The Company adopts the proportionate consolidation method to account for its interest in Xinya. The Company's proportionate share of its interest in and results from the joint venture as at and for the 3 months ended March 31, 2010 and 2009 are as follows:

	<b>March 31, 2010</b>	December 31, 2009
Cash and cash equivalents	\$ 495,846	\$ 498,503
Intangible assets – exploration right	205,792	205,792
Fixed assets	613	654
Other receivables	-	192
Other payables	(200)	(4,648)
	<b>702,051</b>	<b>700,493</b>

	<b>Three months ended March 31, 2010</b>	Three months ended March 31, 2009
General and administration expenses	\$ 1,557	\$ (2,670)
Net cash used in operating activities	(4,214)	(5,022)
Net cash used in financing activities	-	-
Net cash used in investing activities	-	(2,000)
Effect on foreign exchange rate changes on cash	-	1,698

**10. LOAN TO AN INVESTEE COMPANY**

The Company made an unsecured, non-interest bearing shareholder loan totaling \$1,914,294 (RMB13,060,000) to Faithful Million Limited ("Faithful"), in which GobiMin owns an indirect equity interest of 49%. The loan was arranged to finance the development of the Balikpapan Coal Project in Xinjiang.

**11. RELATED PARTY TRANSACTIONS AND BALANCES**

- a) Amount due from related parties of \$86,131 (December 31, 2009: \$83,484) pertains to receivables from the Company's joint venture, Tongxing, for Canadian consulting services on its current exploration projects.
- b) Amount due from related parties of \$389,338 (December 31, 2009: \$389,338) pertains to receivables from the Company's joint venture, Tongxing, for Chinese exploration services on its current exploration projects.
- c) Amount due from related parties of \$1,099,326 (December 31, 2009: 1,099,326) pertains to receivables from minority shareholders of the Company's joint venture, Tongyuan, for Chinese exploration services on its current exploration projects.
- d) The Company advanced an interest bearing loan (the "Loan") totaling \$14,657,686 (RMB100,000,000) to a minority shareholder of the Company's investee companies, Ruide and Balikun Yinxin, pursuant to the agreement in respect of the acquisition of the indirect equity interest of 24.49% in the Balikun Coal Project in Xinjiang. The loan is secured against a pledge of the equity interests of a mining company which owns a nickel-copper project in Hami, Xinjiang. Pursuant to the said agreement, a second installment of the acquisition consideration of \$14,657,686 (RMB100,000,000) is payable to the vendor upon receipt of an approval from National Development & Reform Commission ("NDRC Approval") to be obtained by Balikun Yinxin on or before January 31, 2011. Upon receipt of the NDRC Approval, the payment of the second installment will be settled by offsetting with the Loan.

The transactions with related parties are measured at the exchange amount, which is the amount of consideration established and agreed by the parties. Except for (d), the balances with related parties are unsecured, non-interest bearing, and without fixed repayment term.

**12. AMOUNT DUE TO AN INVESTEE COMPANY**

Amount due to an investee company is denominated in HKD, unsecured, non-interest bearing and without fixed repayment term.

**13. NON-CONTROLLING INTERESTS**

Non-controlling interests represent the 30% (2009: 30%) equity interest in Tongyuan and 35% (2009: 35%) equity interest in PT Gobi held by minority shareholders.

**14. COMMITMENTS**

As at March 31, 2010, there are approximately \$3,264,266 (December 31, 2009: \$3,264,266) in capital commitments that the Company had contracted, but not provided for.

On September 10, 2009, the wholly owned subsidiary of GobiMin, Weifu, entered into an agreement with Xinjiang Baodi Mining Company and a subsidiary of Brigade No. 2 of Xinjiang Bureau of Geology and Mineral Resources to form a joint venture company, Tongyuan, in China for the development of the Sawayaerdun Gold Project in Xinjiang, China. GobiMin has committed to invest RMB50,000,000 (\$7,328,844) in cash to Tongyuan for its 70% equity interest. The consideration for acquiring the exploration and mining license of the Sawayaerdun Property is RMB45,500,000 (\$6,669,247) and Tongyuan has paid a deposit of RMB25,000,000 (\$3,664,422) as at March 31, 2010.

**GobiMin Inc.**  
**Notes to Consolidated Financial Statements (Unaudited)**  
For the quarter ended March 31, 2010  
(Expressed in United States Dollars)

The remaining commitment is RMB20,500,000 (\$3,004,825) to be payable subject to the progress on the transfer of the exploration and mining licenses to Tongyuan.

During 2009, Weifu has entered into an agreement for the renovation work of the head office building in Hami. The total contracted amount is RMB7,970,000 (\$1,168,218). A deposit of RMB6,200,000 (\$908,777) has been paid for the renovation work of the office building. The remaining commitment is RMB1,770,000 (\$259,441) as at March 31, 2010.

The Company has approximately \$23,766 (December 31, 2009: \$23,868) monthly office rental expense in its Hong Kong and Canada offices.

**15. SHARE CAPITAL, STOCK OPTIONS AND (LOSSES)/EARNINGS PER SHARE**

**a) Common Shares**

	Number	Amount
Authorized:		\$
Unlimited number of common shares		
Issued and outstanding:		
Balance, December 31, 2009	68,257,302	29,267,506
Shares issued for option exercise	25,000	29,661
Balance, March 31, 2010	68,282,302	29,297,167

**b) Preferred Shares**

GobiMin did not issue or authorized any preferred share.

**c) Contributed Surplus**

	Amount
	\$
Balance, December 31, 2009	5,604,073
Option exercised	(8,458)
Stock based compensation expense	74,153
Balance, March 31, 2010	5,669,768

**d) Normal Course Issuer Bid**

On January 26, 2010, GobiMin announced that it intended to renew its normal course issuer bid to repurchase some of its common shares on the TSX Venture Exchange. The Company intends to acquire up to an additional 3,412,865 common shares, representing approximately 5% of the then common shares outstanding. Purchases are expected to be made in accordance with applicable regulations over a maximum period of 12 months ending January 31, 2011. Up to March 31, 2010, no common shares were repurchased. All shares repurchase will be returned to treasury for cancellation.

**e) Stock Options**

On May 26, 2005, the Company adopted a resolution cancelling all of its then outstanding stock option plans and creating a new stock option plan to grant options to its employees, directors and officers to purchase common shares. A number of 6,700,000 (2009: 6,700,000) common shares were reserved for issuance pursuant to the exercise of options to be granted under the plan.

**GobiMin Inc.**  
**Notes to Consolidated Financial Statements (Unaudited)**  
For the quarter ended March 31, 2010  
(Expressed in United States Dollars)

A summary of the status of the Company's stock option plan as of March 31, 2010 and changes during the period is presented below:

	<b>Three months ended March 31, 2010</b>		<b>Three months ended March 31, 2009</b>	
	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
		<b>\$</b>		<b>\$</b>
Outstanding, beginning of period	3,256,400	1.76	4,398,000	1.72
Issued on February 12, 2009	-	-	50,000	0.71
Forfeited	(29,400)	0.92	(53,600)	2.84
Exercised	(25,000)	0.71	-	-
<b>Outstanding, end of period</b>	<b>3,202,000</b>	<b>1.68</b>	<b>4,394,400</b>	<b>1.68</b>

The following table summarizes the employee stock options outstanding and exercisable at March 31, 2010:

<b>Exercise Price</b>	<b>Exercise Price</b>	<b>Number of Options Outstanding</b>	<b>Weighted Average Remaining Contractual Life (Years)</b>	<b>Weighted Average Exercise Price</b>	<b>Number of Options Exercisable</b>	<b>Weighted Average Remaining Contractual Life (Years)</b>	<b>Weighted Average Exercise Price</b>
<b>CAD</b>	<b>\$</b>			<b>\$</b>			<b>\$</b>
0.64	0.55	1,021,400	0.53	0.55	1,021,400	0.53	0.55
1.10	0.95	10,000	0.68	0.95	10,000	0.68	0.95
1.85	1.66	150,000	1.24	1.66	150,000	1.24	1.66
2.10	1.79	4,000	1.87	1.79	4,000	1.87	1.79
3.60	3.61	875,000	0.34	3.61	875,000	0.34	3.61
3.60	3.61	198,400	2.34	3.61	120,000	2.34	3.61
1.10	1.06	840,000	1.42	1.06	504,000	1.42	1.06
1.10	1.06	103,200	3.42	1.06	42,000	3.42	1.06
		<b>3,202,000</b>	<b>0.95</b>	<b>1.78</b>	<b>2,726,400</b>	<b>0.80</b>	<b>1.83</b>

Stock Based Compensation

The Company determines fair value of the employee stock options using the Black-Scholes option pricing model. In determining the fair value of these employee stock options, the following assumptions were used:

Risk free interest rate:	0.58%
Expected life:	1 year
Expected volatility:	113%
Dividend yield:	0-1%

**GobiMin Inc.**  
**Notes to Consolidated Financial Statements (Unaudited)**  
For the quarter ended March 31, 2010  
(Expressed in United States Dollars)

---

**f) Basic and Diluted (Losses)/Earnings Per Share**

	<b>Three months ended March 31, 2010</b>	Three months ended March 31, 2009
<b>Net (losses)/earnings available to shareholders</b>		
Basic and diluted	<b>\$ (1,228,686)</b>	\$ 38,168,204
<b>Weighted average shares outstanding</b>		
Basic	<b>68,274,524</b>	70,247,300
Effect of dilutive stock options and warrants	<b>393,720</b>	248,669
Diluted	<b>68,668,244</b>	70,495,969
<b>(Losses)/Earnings per share</b>		
Basic	<b>(\$0.018)</b>	\$0.543
Diluted	<b>(\$0.018)</b>	\$0.541

**16. RESERVES**

There is no movement in reserves for the three month ended March 31, 2010. During 2009, net earnings of \$7,666 of the Company's subsidiaries in China were transferred to general reserve.

**17. SEGMENTED INFORMATION**

The Company conducted its business as a single operating segment, being the development and exploitation of mineral properties. It has no material operation after the disposal of the 2 operating subsidiaries in February 2009 (see Note 4). All mineral property interests and capital assets were located in China, except for a very limited number of mining rights and office equipments acquired in Indonesia. Before the disposal, all of the Company's revenues were derived from China sources and the Company had only one customer during the period covered by the related consolidated financial statements.

**18. OTHER REVENUE AND GAINS**

The Company realized \$63,879 (2009: \$189,928) other revenue and gains this quarter, which mainly includes interest income of \$53,962 (2009: \$189,928).

**19. ACCUMULATED OTHER COMPREHENSIVE INCOME**

As at March 31, 2010, accumulated other comprehensive income represents net unrealized exchange gain on translation of self-sustaining foreign operations.

**20. FINANCIAL INSTRUMENTS**

Under Canadian generally accepted accounting principles, all financial instruments must be classified into a defined category, namely, held-to-maturity investments, held-for-trading financial assets or financial liabilities, loans and receivables, available-for-sale financial assets, and other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

**GobiMin Inc.**  
**Notes to Consolidated Financial Statements (Unaudited)**  
For the quarter ended March 31, 2010  
(Expressed in United States Dollars)

	<b>March 31, 2010</b>	December 31, 2009
	\$	\$
Held for trading (a)	<b>53,437,711</b>	78,350,405
Due from related parties and loan to an investee company (b)	<b>18,146,775</b>	1,572,148
Other financial liabilities (c)	<b>739,015</b>	968,798

- (a) Cash and cash equivalents and time deposit are measured at fair value.
- (b) Due from related parties and loan to an investee company are measured at amortized cost.
- (c) Other payables and accrued liabilities and amount due to an investee company are measured at amortized cost.

**Fair value of financial instruments**

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

**Risks arising from financial instruments and risk management**

The Company is exposed to various types of market risks, including changes in foreign exchange rates, interest rates, the prices of nickel and copper, in the normal course of business. The Company's overall risk management program focuses on mitigating these risks on a cost-effective basis. The Company uses derivative financial instruments to reduce its exposure to foreign currency risk associated with the RMB proceeds to be received in 2009. The Company's policy is to only use derivatives for managing existing financial exposures and not for trading or speculative purposes.

**Exchange Rate Risk**

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

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

**GobiMin Inc.**  
**Notes to Consolidated Financial Statements (Unaudited)**  
For the quarter ended March 31, 2010  
(Expressed in United States Dollars)

---

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

As at March 31, 2010 with other variable unchanged, a 1% strengthening (weakening) of the Chinese RMB against the Canadian dollar would have decreased (increased) net loss and other comprehensive loss by \$0.18 million and \$0.11 million, respectively.

### **Credit Risk**

The Company is exposed to credit risk with respect to cash equivalents and accounts receivable. The carrying amount of assets included on the balance sheet represents the maximum credit exposure. The cash equivalents are mainly short-term bank deposits. None of the cash equivalents were in asset backed commercial paper products. The Company has deposited the cash equivalent in banks that meet minimum requirements for quality and liquidity as stipulated by the Company's Board of Directors. Management believes the risk of loss to be remote.

### **Liquidity Risk**

Liquidity risk is the risk that the Company may encounter difficulties in meeting obligations associated with financial liabilities. As at March 31, 2010, the Company was holding cash and cash equivalents and time deposit of \$53,437,711. The Company has determined that the cash and cash equivalents and time deposit from previous financings will be more than sufficient to fund its requirements for investments in working capital and capital assets. The total \$739,015 financial liabilities are due within one year.

### **Interest Risk**

Interest risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's cash equivalents and short term investments primarily includes highly liquid investments that earn interests at market rates that are fixed to maturity. Because of the short-term nature of these financial instruments, fluctuations in market rates do not have significant impact on the fair values of the financial instruments as of March 31, 2010.

## **21. CAPITAL MANAGEMENT**

The Company's objectives of capital management are intended to safeguard the entity's ability to support the Company's normal operating requirement on an ongoing basis, continue the development and exploration of its mineral properties, and support any expansionary plans. The capital of the Company consists of the items included in shareholders' equity. The Board of Directors does not establish a quantitative return on capital criteria for management but promotes year-over-year sustainable earnings growth targets. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In response to the current economic and financial environment, the Company is adopting a more conservative capital management strategy in order to preserve cash and maintain a strong balance sheet.

The Company is not subject to externally imposed capital requirements.

## **22. SUBSEQUENT EVENTS**

- a. On April 13, 2010, GobiMin entered into a framework agreement with China Daye Non-Ferrous Metals Mining Limited ("China Daye") to dispose of a 32% equity interest in the Yanxi Copper Property ("Proposed Transaction"). GobiMin shall own a remaining 8% indirect equity interest in



**GobiMin Inc.**  
**Notes to Consolidated Financial Statements (Unaudited)**  
For the quarter ended March 31, 2010  
(Expressed in United States Dollars)

---

the Property. GobiMin should receive net proceeds of about HKD70.4 million (\$9.08 million) comprising about HKD4.4 million (\$0.57 million) in cash and HKD66 million (\$8.51 million) by convertible bonds of China Daye. The Company is expected to have an estimated gain on disposal of CAD6.86 million (\$6.84 million) arising from this Proposed Transaction. Completion of the Proposed Transaction is subject to the related regulatory approvals and upon fulfillment of the various conditions set out in the framework agreement. The application for mining license of Yanxi Copper Property is in the process. Should the mining license not be granted by December 31, 2010, the Company guarantees to refund to China Daye all the consideration received and in return, China Daye shall transfer the interest in Yanxi Copper Property back to the Company.

- b. On April 15, 2010, GobiMin declared an annual dividend of CAD0.0125 (\$0.0125) per share for 2009 according to its dividend policy and the 2009 annual performance. The dividend is payable on June 1, 2010 to shareholders of record on May 12, 2010.
- c. For the period from April 1, 2010 to May 27, 2010, a total of 267,500 common shares were repurchased at an aggregate cost of CAD220,681 (\$212,692). All shares purchased were returned to treasury for cancellation.

**GobiMin Inc.**

(Incorporated in Canada under the Canada Business Corporations Act)

Management's Discussion and Analysis of Financial Results

For the quarter ended March 31, 2010

(Expressed in United States Dollars except where otherwise noted)

**GobiMin Inc.**  
**Management's Discussion and Analysis of Financial Results**  
For the quarter ended March 31, 2010  
(Expressed in United States Dollars)  
May 27, 2010

---

The following discussion and analysis of the consolidated operating results and financial condition of GobiMin Inc. for the quarter ended March 31, 2010 should be read in conjunction with its consolidated financial statements for the quarter ended March 31, 2010 and its audited consolidated financial statements for the year ended December 31, 2009. The financial information was prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This Management's Discussion and Analysis was prepared on May 27, 2010.

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

## **1. Corporate Overview**

GobiMin Inc., together with its subsidiaries (collectively referred to herein as the "Company" or "GobiMin"), is engaged principally in the exploration and development of mineral properties in the People's Republic of China ("China").

The Company's major base metals projects were located in Hami of the Xinjiang Uygur Autonomous Region ("Xinjiang") of China, where GobiMin operated a nickel-copper mining and development business through its Chinese subsidiaries. The ore mined by the subsidiaries was processed through their processing plants to produce nickel and copper concentrates. GobiMin disposed the two subsidiaries in February 2009.

GobiMin currently owns a 40% interest in the Yanxi Copper Property in Hami of Xinjiang, China. The Company received for its Yanxi Copper Property an initial NI 43-101 compliant Mineral Resource Estimate from Scott Wilson RPA in October 2008. On April 13, 2010, GobiMin entered into a framework agreement with China Daye Non-Ferrous Metals Mining Limited ("China Daye") to dispose of a 32% interest in the Yanxi Copper Property. GobiMin shall own a remaining 8% indirect equity interest in the Yanxi Copper Property after the completion of the disposal.

GobiMin owns a 50% equity interest in a joint venture, Xinjiang Xinya Minerals Ltd. ("Xinya") which is engaged in exploration of zinc and copper projects in Xinjiang, China. GobiMin also owns a 40% equity interest in each of three joint ventures, Xinjiang Tongde Minerals Ltd., Xinjiang Tongan Minerals Ltd. and Xinjiang Tianhong Minerals Ltd., to engage in exploration of nickel, lead and zinc projects in Xinjiang, China. GobiMin also engages in exploration projects in Indonesia.

In 2009, the Company acquired an equity interest of 49% in China Precision Material Limited ("China Precision") which is principally engaged in metal trading, predominantly silver and an equity interest of 70% in Xinjiang Tongyuan Minerals Ltd. ("Tongyuan") for development of the Sawayaerdun Gold Project in Xinjiang, China.

**GobiMin Inc.**  
**Management's Discussion and Analysis of Financial Results**  
For the quarter ended March 31, 2010  
(Expressed in United States Dollars)  
May 27, 2010

---

In February 2010, GobiMin has acquired an indirect equity interest of 24.49% in the Balikun Coal Project in Xinjiang, China and will participate in its management and operations.

**2. Highlights**

(a) Corporate Highlights

- ✧ GobiMin has acquired 24.49% interest in Balikun Coal Project in Hami, Xinjiang, China.
- ✧ The Company has entered into a framework agreement for the disposal of a 32% equity interest in Yanxi Copper Deposit.
- ✧ The Company is continuing the exploration of other mining projects in Xinjiang, China.
- ✧ With a cash and time deposit balance of \$53 million, GobiMin is actively reviewing several high quality exploration and mining projects in China and overseas.

(b) Financial Highlights

	<b>3 months ended March 31, 2010</b>	3 months ended March 31, 2009	Changes on quarterly basis
Cash and cash equivalents and time deposit	<b>\$53 million</b>	\$92 million	-41.9%
Cash and cash equivalents and time deposit per share <sup>(1)</sup>	<b>\$0.78</b>	\$1.32	-40.5%
Revenue	<b>\$Nil</b>	\$0.9 million	-100%
Gain on disposal of subsidiaries	<b>\$Nil</b>	\$33.6 million	-100%
Net (losses)/earnings (LBITDA)/EBITDA <sup>(1)</sup>	<b>(\$1.2 million)</b> <b>(\$1.1 million)</b>	\$38.2 million \$38.5 million	-103.2% -103%
Basic (losses)/earnings per share	<b>(\$0.018)</b>	\$0.543	-103.3%
Diluted (losses)/earnings per share (LBITDA)/EBITDA per share <sup>(1)</sup>	<b>(\$0.018)</b> <b>(\$0.017)</b>	\$0.541 \$0.550	-103.3% -103.1%

(1) As non-GAAP measurements, (LBITDA)/EBITDA, (LBITDA)/EBITDA per share and Cash and cash equivalents and time deposit per share do not comply with GAAP and, therefore, the amounts presented in the above table may not be comparable to similar data presented by other companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

**3. Business Summary and Development**

(a) Gold Project in Xinjiang

The Company, through a wholly owned subsidiary, entered into an agreement with Xinjiang Baodi Mining Company ("Baodi") and a subsidiary of Brigade No. 2 of Xinjiang Bureau of Geology and Mineral Resources ("Brigade No. 2") to form a joint venture company, Tongyuan, in China to develop and operate the Sawayaerdun Gold Project in Xinjiang, China. GobiMin owns a 70% equity interest in Tongyuan while Baodi and Brigade No. 2 each own a 15% interest. Tongyuan has obtained the related mining license and started a drilling program so as to document a NI 43-101 compliant resource estimate. It is targeting for the mine construction and development during 2011. It has also applied for an exploration license for the surrounding area of 20.27 km<sup>2</sup> for further exploration and development.

## **GobiMin Inc.**

### **Management's Discussion and Analysis of Financial Results**

For the quarter ended March 31, 2010

(Expressed in United States Dollars)

May 27, 2010

---

#### (b) Coal Project in Xinjiang

On February 9, 2010, GobiMin acquired an indirect equity interest of 24.49% in the Balikun Coal Project in Xinjiang, China and participates in its management and operations. GobiMin and its partner jointly have a controlling interest in the project through Xinjiang Ruide Mining Limited. According to a NI 43-101 Mineral Resource estimate prepared by Scott Wilson Ltd. in February 2010, the Balikun Coal Project hosts 38 million tonnes of coal in Measured Resources and 50 million tonnes in Indicated Resources. The mine construction is actively in process while the infrastructure and electricity and water supply will be in place during 2010.

#### (c) Silver Operations

The Company intends to build a vertically integrated silver operation. In 2009, GobiMin acquired a 49% equity interest in China Precision which engages predominantly in silver trading. China Precision buys physical silver ingots from producers and sells them directly to end consumers. All its positions are hedged and it is not exposed to market price movements. GobiMin will continue to source and explore new business opportunities with potential partners in this sector.

#### (d) Base Metals Exploration Projects in Xinjiang

GobiMin currently owns 5 base metals exploration projects in Xinjiang, China including nickel, copper, lead and zinc projects. The most advanced project is the Yanxi Copper Property located about 115 km south of the city of Hami in Xinjiang, China, which is held by the 40% owned joint venture, Xinjiang Tongxing Minerals Ltd. ("Tongxing"). Tongxing is in the process of applying for the mining licence, which is expected to be obtained within 2010. On April 13, 2010, GobiMin entered into a framework agreement to dispose of a 32% interest in the Yanxi Copper Property, retaining an 8% indirect equity interest in the Property.

For the remaining exploration projects, the Company will continue to conduct pre-survey, reconnaissance or detailed survey and to identify potential mineralization of good scale among the licensed area.

#### (e) Investment Opportunities

The Company ceased to have its substantial mining operations in Hami, Xinjiang of China following the disposal of two operating subsidiaries in February 2009. With a cash and time deposit balance of \$53.4 million, the Company will keep on searching for potential investment opportunities. Several projects are currently under negotiation and assessment.

#### (f) Normal Course Issuer Bid

On January 26, 2010, GobiMin has renewed its normal course issuer bid to repurchase up to an additional 3,412,865 common shares for a further one year period. The normal course issuer bid will expire on January 31, 2011. No common shares were repurchased during the quarter. For the period from April 1, 2010 to May 27, 2010, a total of 267,500 common shares were repurchased at an aggregate cost of CAD220,681 (\$212,692). All shares repurchased were returned to treasury for cancellation.

#### **4. Key Economic Trends**

##### China Economy

Since GobiMin's operations are mostly conducted in China, Chinese economy condition is a key factor on the Company's business. The currency fluctuation will have an impact on the Company's cost structure as the Company reports in US dollars. For the 12 months ended March 31, 2010, the Chinese currency Renminbi ("RMB") depreciated slightly by 0.13% against the US dollar.

#### **5. Critical Accounting Policies and Estimates**

The Company's accounting policies are described in Note 2 to the audited consolidated financial statements for the year ended December 31, 2009. The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported results. Changes to these estimates could materially impact the consolidated financial statements. The policies and estimates made by the Company that are considered to be most critical are described below.

##### (a) Revenue Recognition

Revenue from the sale of goods was recognized when risk and title passed to the customer, the price is fixed and determinable and collection of the proceeds is reasonably assured. The passing of title and risk occurred based on the terms of the off-take contract. The price was based on the formula in the off-take contract that includes average listed price of the customer and the price factor decided by the grade level of concentrate.

##### (b) Depreciation of Property and Equipment

Property and equipment are recorded at cost. Depreciation and amortization is computed using the straight-line method with an estimated residual value of 0 - 5%. The annual depreciation or amortization rates are as follows:

Buildings: 4.75% - 33.3%

Leasehold improvement: 33.3%

Production equipment: 9.5% - 19%

Transportation equipment: 11.88% - 25%

Other equipment: 11.88% - 19%

Exploration costs are stated at cost less any impairment loss. It comprises the direct costs of exploration work on mineral properties prior to the development. Upon commencement of commercial production of mineral properties, exploration costs are amortized over the mine's estimated life using the straight-line method with nil residual value.

##### (c) Asset Retirement Obligations

The Company recognizes the fair value of liabilities for asset retirement obligations in the period in which they are incurred and in which a reasonable estimate of such costs can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related asset and depreciated over the life of the asset. Over time, the liability is increased to reflect an interest element (accretion expenses) considered in its initial measurement at fair value. All the mine sites are in desert area in Northern China and management believes that the liability after the mine site retirement is immaterial. The amount of the liability will be subject to re-measurement at each reporting period. It is possible that the Company's estimates of its

**GobiMin Inc.****Management's Discussion and Analysis of Financial Results**

For the quarter ended March 31, 2010

(Expressed in United States Dollars)

May 27, 2010

---

ultimate mine site retirement liabilities could be changed as a result of changes in regulations, the extent of environmental remediation required, the means of reclamation or the cost estimates. Changes in estimates are accounted for prospectively from the period the estimate is revised.

The Company has not recorded a liability for its asset retirement obligations. Currently, the Company pays an annual environmental fee to the local government for the cost of operating a processing plant. This fee is fixed as per the government policy and is expensed as incurred.

(d) Equity Investment

Investments in shares of incorporated companies, in which the Company's ownership is greater than 20% but no more than 50% and wherever significant influence is present, are accounted for by the equity method. The Company accounts for its investment on an equity basis, which is carried at cost, adjusted for the Company's proportionate share of the undistributed earnings and losses and reserves.

(e) Proportionate Consolidation

For a venture that the Company and other parties have joint control over and share both benefits and risks, the Company accounts for its interest by proportionate consolidation, whereby the Company's pro rata share of each of the assets, liabilities, revenues and expenses that are subject to joint control is combined on a line-by-line basis with similar items in the Company's financial statements.

(f) Derivative Financial Instruments

The Company recognizes derivative financial instruments on a fair value basis upon initial recognition and each subsequent reporting date. The Company has classified its non-delivery forward contract with the bank held for trading and therefore carries it at fair value, which is equal to market value, with the unrealized gain or loss recorded in other revenue or expenses in the Consolidated Statements of Income. Cash deposits held by the bank for the forward contract are separately disclosed as restricted cash in the Consolidated Balance Sheets.

## **6. New Accounting Standards**

### **Future Accounting Changes**

(i) **Business Combinations, Consolidated Financial Statements and Non-Controlling Interests**

The CICA issued three new accounting standards in January 2009: Section 1582 "Business Combinations", Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling interests". These new standards will be effective for financial years beginning on or after January 1, 2011.

Section 1582 "Business Combinations" replaces section 1581 "Business Combinations", and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling interests" together replace section 1600 "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements and applies to interim and annual consolidated financial statements relating to financial years beginning on or after January 1, 2011.

**GobiMin Inc.**  
**Management's Discussion and Analysis of Financial Results**  
For the quarter ended March 31, 2010  
(Expressed in United States Dollars)  
May 27, 2010

---

(ii) Transition to International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board (AcSB) requires all Canadian Publicly Accountable Enterprises (PAEs) to adopt IFRS for years beginning on or after January 1, 2011. Following this timeline, the Company will issue its first set of interim financial statements prepared under IFRS in the first quarter of 2011 including comparative IFRS financial results and an opening balance sheet as at January 1, 2010. The first annual IFRS consolidated financial statements will be prepared for the year ended December 31, 2011 with restated comparatives for the year ended December 31, 2010.

The Company has performed an assessment of comparison of the IFRS framework with Canadian GAAP. In general, IFRS uses a conceptual framework which is similar to Canadian GAAP, while there are significant differences in the areas of accounting policy choices and increased disclosure requirements, it is noted that the convergence of Canadian GAAP to IFRS would not induce material impact on the results of operations and financial position of the Company in 2009 and onwards as well as the Company's business.

The IFRS that have been identified as different to Canadian GAAP and significant to the Company are explained below. The list below is not a complete list of changes that will result from the transition to IFRS. It is intended to highlight those areas the Company believes to be most significant. The Company will also actively monitor if there is any modifications or recommendations made by the International Accounting Standards Board ("IASB") on the IFRS. As a result of possible changes to certain IFRS and the changing business environment, the Company cannot reasonably quantify the full impact that adopting IFRS will have on the Company's financial position and future results at this time.

**Property, Plant & Equipment**

International Accounting Standard ("IAS") 16 "Property, Plant & Equipment" and Canadian GAAP contain the same basic principles, however there are some differences. IFRS require that significant parts of an asset be depreciated separately and that depreciation commences when the asset is available for use. Based on our latest analysis, this requirement should not have a material impact. IFRS also permit property, plant and equipment to be measured using the fair value model or the historical cost model. The Company is not planning on adopting the fair value measurement model for its property, plant and equipment. The Company will continue to measure its property, plant and equipment at amortized cost.

**Impairment of Assets**

Impairments under IAS 36 "Impairment of Assets" are based on discounted cash flows. Under Canadian GAAP, if an asset's estimated undiscounted future cash flows are below its carrying amount, a write-down is required and is determined as the amount by which the carrying amount exceeds the discounted cash flows. There is no undiscounted test under IFRS. This may result in more frequent write-downs where carrying values of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis. In addition, under IAS 36 a favourable change in circumstance that resulted in impairment of an asset, other than goodwill, would trigger the need to recalculate the amount of impairment, with any reversal being recognized in income to the extent the asset had previously been impaired. Under Canadian GAAP, impairments are not reversed. The Company is currently assessing the impact of this difference on its financial results.

**Provisions**

IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" requires a provision to be recognized when: there is a present obligation as a result of a past transaction or event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the obligation. "Probable" in this context means more likely than not. Under Canadian GAAP, the criterion for recognition in the financial



**GobiMin Inc.**  
**Management's Discussion and Analysis of Financial Results**  
For the quarter ended March 31, 2010  
(Expressed in United States Dollars)  
May 27, 2010

---

statements is "likely" which is a higher threshold than "probable". However, the Company does not believe this will materially impact its financial results. Other differences exist in relation to the measurement of provisions. IFRS require that changes to timing, cash flow estimates and discount rates be applied prospectively. Under Canadian GAAP, changes to discount rates in the case of asset retirement obligations apply only to the additional increase to liability and not to the entire liability. The Company is currently assessing the impact of this difference to its asset retirement obligations.

**Share-Based Payments**

IFRS 2 "Share-based Payment" requires that stock options that may be sequentially acquired, be measured and recognized for each distinct installment of equity acquisition. The Company's policy consisted of determining a single value for all options granted, regardless of equity acquisitions, and of recognizing in a linear manner the entire grant, as permitted under GAAP. Moreover, IFRS 2 requires that expected forfeitures be accounted for in the recognition of compensation cost, whereas currently, forfeitures are recognized when they occur. The Company is currently assessing the impact of this difference on its financial results.

**Retrospective Application**

Most of the adjustments required upon conversion to IFRS will be made retrospectively, relative to the opening balance of retained earnings in the first comparative balance sheet. However, IFRS 1 "First-time adoption of International Financial Reporting Standards" provides a certain number of optional exemptions to general requirements for entities adopting IFRS for the first time.

**7. Selected Quarterly Information**

Selected quarterly information is provided as follows:

<b>For the quarter ended</b>	<b>March 31, 2010</b>	December 31, 2009	September 30, 2009	June 30, 2009
	\$	\$	\$	\$
Revenue	<b>0</b>	-	-	-
Net (losses)/earnings	<b>(1,228,686)</b>	(7,378,103)	(790,924)	(492,595)
Basic (losses)/earnings per share	<b>(0.018)</b>	(0.107)	(0.012)	(0.007)
Diluted (losses)/earnings per share	<b>(0.018)</b>	(0.107)	(0.011)	(0.007)
Cash and cash equivalents and time deposit	<b>53,437,711</b>	78,350,405	75,676,346	80,599,671
Total assets	<b>89,502,338</b>	90,403,943	89,599,209	90,489,060

<b>For the quarter ended</b>	March 31, 2009	December 31, 2008	September 30, 2008	June 30, 2008
	\$	\$	\$	\$
Revenue	939,923	3,066,275	7,481,856	6,762,013
Net (losses)/earnings	38,168,204	(2,955,975)	1,150,383	1,294,072
Basic (losses)/earnings per share	0.543	(0.041)	0.016	0.018
Diluted (losses)/earnings per share	0.541	(0.040)	0.016	0.018
Cash and cash equivalents and time deposit	92,026,901	53,617,073	34,868,732	39,168,373
Total assets	96,287,094	121,886,062	93,967,095	93,582,677

**GobiMin Inc.**  
**Management's Discussion and Analysis of Financial Results**  
For the quarter ended March 31, 2010  
(Expressed in United States Dollars)  
May 27, 2010

---

**8. Results of Operations**

(a) Revenue

No revenue (Q1 2009: \$939,923) from operations has been recorded in this quarter due to the disposal of the operating subsidiaries on February 11, 2009.

Other revenue in this quarter comes from interest income of \$53,962 (2009: \$189,928). The decrease was mainly due to lower bank deposit interest rate in this quarter and compared to last year's figures, there was no gain from investment in Chinese securities in the current quarter.

(b) Other expenses

There is no depreciation expense this quarter, compared to \$290,229 in Q1 2009, mainly due to the disposal of the operating subsidiaries in February 2009.

General and administrative expenses incurred in this quarter were \$726,311 compared to \$733,199 in Q1 2009. The expenses mainly include office rental, staff cost and consulting fees.

The amortized portion of total stock based compensation in Q1 2010 decreased to \$74,153 (Q1 2009: \$287,766) mainly due to the cancellation of stock options granted to staff under the discontinued operation.

(c) (Losses)/Earnings per share

The basic losses per share for this quarter were \$0.018 (Q1 2009 basic earnings per share: \$0.543) and diluted losses per share were \$0.018 (Q1 2009 diluted earnings per share: \$0.541).

(d) (LBITDA)/EBITDA

In this quarter, the losses before interest income and expense, income taxes, stock-based compensation, write-off expense, depreciation and amortization ("LBITDA"), a non-GAAP performance measure, were \$1.1 million as compared to \$38.5 million earnings before interest income and expense, income taxes, stock-based compensation, write-off expense, depreciation and amortization ("EBITDA") in Q1 2009.

The following table presents the calculation of (LBITDA)/EBITDA for the periods indicated:

	<b>3 months ended March 31, 2010</b>	3 months ended March 31, 2009
Net (losses)/earnings	<b>(\$1,228,686)</b>	\$ 38,168,204
Interest income	<b>(53,962)</b>	(189,928)
Income tax	-	-
Depreciation	-	257,096
Amortization in general and administration expenses	<b>56,309</b>	33,133
Stock based compensation	<b>74,153</b>	287,766
Non-controlling interest	-	(20,462)
(LBITDA)/EBITDA <sup>(1)</sup>	<b>(1,152,186)</b>	38,535,809
(LBITDA)/EBITDA per share <sup>(2)</sup>	<b>(0.017)</b>	0.55

**GobiMin Inc.**  
**Management's Discussion and Analysis of Financial Results**  
For the quarter ended March 31, 2010  
(Expressed in United States Dollars)  
May 27, 2010

---

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

(e) Annual dividend

On April 15, 2010, the Company declared an annual dividend of CAD0.0125 (\$0.0125) per share for 2009 in accordance with the Company's dividend policy and 2009 annual financial performance. The dividend is payable on June 1, 2010 to shareholders of record on May 12, 2010.

**9. Liquidity and Capital Resources**

The following table summarizes the Company's consolidated cash flows and cash on hand for the quarter ended March 31, 2010:

	<b>March 31, 2010</b>	December 31, 2009
Cash and cash equivalents and time deposit	<b>\$53,437,711</b>	\$73,350,405
Working capital <sup>(1)</sup>	<b>\$59,265,188</b>	\$84,059,586
	<b>3 months ended March 31, 2010</b>	3 months ended March 31, 2009
Net Cash used in operating activities	<b>(\$781,412)</b>	(\$708,261)
Net Cash (used in) from financing activities	<b>(\$16,550,776)</b>	\$2,081,155
Net Cash (used in) from investing activities	<b>(\$7,542,950)</b>	\$37,065,449

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

(a) Operating activities

In this quarter, net cash used in operating activities was \$781,412, compared to \$708,261 net cash used in the same period last year.

(b) Financing activities

Financing activities resulted in a net cash outflow of \$16,550,776 in this quarter compared to \$2,081,155 net cash inflow in the same period last year. The significant increase in the cash outflow from financing activities is attributed for the loan to an investee company, Faithful Million Limited of \$1,914,294 (RMB13,060,000) and loan to the minority shareholders of the Company's investee company, Fortune Aspect Limited, of \$14,657,686 (RMB100,000,000) pursuant to the agreement signed on February 9, 2010 for the investment in the Balikun Coal Project.

(c) Investing activities

Investing activities resulted in a net cash outflow of \$7,542,950 in this quarter compared to a net cash inflow of \$37,065,449 in 2009. The cash outflow from investing activities in this quarter was mainly attributed for the investments in the Balikun Coal Project of \$6,880,318 and acquisition of plants and equipment of \$701,832. The decrease in balance was also due to the disposal of two operating subsidiaries in February 2009.

**GobiMin Inc.**  
**Management's Discussion and Analysis of Financial Results**  
For the quarter ended March 31, 2010  
(Expressed in United States Dollars)  
May 27, 2010

---

**10. Balance Sheet**

(a) Cash

The Company had \$53,437,711 in cash and cash equivalents and time deposit as at March 31, 2010 compared to \$78,350,405 as at December 31, 2009.

(b) Share Capital

As at March 31, 2010, the Company had 68,282,302 common shares issued and outstanding. During this quarter, no common shares were bought back and cancelled.

**11. Contractual obligations and commitment**

As at March 31, 2010, capital commitments that the Company had contracted for, but not provided for amounted to \$3,264,266 (December 31, 2009: \$3,264,266).

On September 10, 2009, the wholly owned subsidiary of GobiMin, Xinjiang Weifu Mining Limited ("Weifu"), has entered into an agreement with Xinjiang Baodi Mining Company and a subsidiary of Brigade No. 2 of Xinjiang Bureau of Geology and Mineral Resources to form a joint venture company, Tongyuan, in China for the development of the Sawayaerdun Gold Project in Xinjiang, China. GobiMin has committed to invest RMB50,000,000 (\$7,328,844) in cash to Tongyuan for its 70% equity interest. The consideration for acquiring the exploration and mining license of the Sawayaerdun Property is RMB45,500,000 (\$6,669,247) and Tongyuan has paid a deposit of RMB25,000,000 (\$3,664,422) as at March 31, 2010. The remaining commitment is RMB20,500,000 (\$3,004,825) to be payable subject to the progress on the transfer of the exploration and mining licenses to Tongyuan.

During 2009, Weifu has entered into an agreement for the renovation work of the head office building in Hami. The total contracted amount is RMB7,970,000 (\$1,168,218). RMB6,200,000 (\$908,777) has been paid as deposit for the renovation work of the office building. The remaining capital commitment is RMB1,770,000 (\$259,441) as at March 31, 2010.

The Company has approximately \$23,766 (December 31, 2009: \$23,868) monthly office rental expense in its Hong Kong and Canada offices.

**12. Off-balance sheet arrangements**

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

**13. Proposed Transaction**

On April 13, 2010, the Company has entered into a framework agreement with China Daye to dispose of a 32% equity interests in the Yanxi Copper Property ("Proposed Transaction"). GobiMin shall retain an 8% indirect equity interest in the Property. GobiMin should receive net proceeds of about HKD70.4 million (\$9.08 million) comprising about HKD4.4 million (\$0.57 million) in cash and HKD66 million (\$8.51 million) by convertible bonds of China Daye. The Company is expected to have an estimated gain on disposal of CAD6.86 million (\$6.84 million) arising from this Proposed Transaction. Completion of the Proposed Transaction is subject to the related regulatory approvals and upon fulfillment of the various conditions set out in the framework agreement. The application for mining license of Yanxi Copper Property is in the process. Should the mining license not be granted by December 31, 2010, the Company guarantees to refund to China Daye all the

**GobiMin Inc.**  
**Management's Discussion and Analysis of Financial Results**  
For the quarter ended March 31, 2010  
(Expressed in United States Dollars)  
May 27, 2010

---

consideration received and in return. China Daye shall transfer the interest in Yanxi Copper Property back to the Company (See the Company's news release on April 13, 2010).

**14. Outstanding Share Data**

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

	<b>December 31, 2009</b>	<b>March 31, 2010</b>	<b>May 27, 2010</b>
Number of Common Shares Outstanding	68,257,302	68,282,302	68,014,802
Warrants	-	-	-
Options	3,256,400	3,202,000	3,202,000
Total Number of Common Shares Fully Diluted	71,513,702	71,484,302	71,216,802

**15. Risk factors**

The mining business conducted by the Company is subject to a number of risks, including but not limited to metal prices; currency risks; exploration, development and operating risks; uncertainty of ore reserve and resource estimates; capital requirements; risks relating to conducting business in China; dependence on key managerial employee; competition. The details of the Company's risk factors are discussed in the Management's Discussion and Analysis of Financial Results for the year ended December 31, 2009, which are available at [www.sedar.com](http://www.sedar.com) and at GobiMin's website ([www.gobimin.com](http://www.gobimin.com)). These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in the forward-looking statements relating to the Company.

**16. Outlook**

GobiMin is entering the year 2010 with a comfortable cash position of US\$53.4 million. Our primary focus remains on advancing our existing projects while looking for potential opportunities in base and precious metals.

The Sawayaerdun gold project will take another 10,000 metres drilling this year to be followed by metallurgical tests. For the Balikun coal project, we will push forward the infrastructure construction during 2010, aiming at production in 2013.

We are optimistic about the prospect of the Company in 2010 by taking full advantage of our sound financial fundamentals and growth impetus.