GobiMin Inc.

Consolidated Financial Statements
December 31, 2009 and 2008
(Expressed in United States Dollars except where otherwise noted)

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AUDITORS' REPORT

To the Shareholders of
GobiMin Inc.

We have audited the consolidated balance sheet of **GobiMin Inc.** as at December 31, 2009 and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at December 31, 2008 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated March 30, 2009 (except as to Note 28.3 which is as of April 16, 2009).

BDO Limited

BDO Limited
Certified Public Accountants
April 15, 2010

GobiMin Inc.
Consolidated Balance Sheets
As at December 31, 2009 and 2008
(Expressed in United States Dollars)

	2009	2008
	$	$
ASSETS		
Current		
Cash and cash equivalents (Note 5)	73,350,405	53,617,073
Time deposit (Note 5)	5,000,000	-
Restricted cash (Note 12)	-	489,960
Prepayments, deposits and other receivables (Note 6)	6,638,779	671,055
Dividend receivable from an investee company (Note 7)	39,200	-
Assets of discontinued operations (Note 4(a))	-	63,759,808
Total current assets	85,028,384	118,537,896
Non-current		
Mineral properties and equipment (Note 8)	1,127,567	278,258
Equity investments (Note 9)	2,675,844	2,609,494
Amount due from related parties (Note 11)	1,572,148	460,414
Total non-current assets	5,375,559	3,348,166
Total assets	90,403,943	121,886,062
LIABILITIES		
Current		
Other payables and accrued liabilities	968,798	452,052
Deposits received (Note 4)	-	36,082,093
Derivative financial instrument (Note 13)	-	94,015
Liabilities of discontinued operations (Note 4(a))	-	16,690,101
Total current liabilities	968,798	53,318,261
Total liabilities	968,798	53,318,261
Non-controlling interests (Note 14)	1,262,175	1,199,154
Commitments (Note 22)		
SHAREHOLDERS' EQUITY		
Share capital (Note 20(a))	29,267,506	29,918,738
Contributed surplus (Note 20(c))	5,604,073	5,398,535
Reserves (Note 21)	7,666	-
Retained earnings	50,638,277	26,631,480
Accumulated other comprehensive income (Note 24)	2,655,448	5,419,894
Total shareholders' equity	88,172,970	67,368,647
Total liabilities and shareholders' equity	90,403,943	121,886,062

See accompanying notes to the Consolidated Financial Statements

APPROVED BY THE BOARD

Felipe Tan
Director

Hubert Marleau
Director

GobiMin Inc.
Consolidated Statements of Income
Years Ended December 31, 2009 and 2008
(Expressed in United States Dollars)

	2009	2008
	$	$
Revenue	940,433	21,447,854
Cost of sales	(642,677)	(9,435,294)
Depreciation	(257,235)	(1,695,248)
Selling and distribution cost	(122,492)	(744,445)
Gross (loss)/profit (Note 4 (b))	(81,971)	9,572,867
Other revenue and gains (Note 15)	453,647	1,405,407
General and administrative expenses	(3,821,382)	(5,508,060)
Stock based compensation (Note 20(c))	(396,158)	(1,502,495)
Equity gain/(loss) in investment (Note 9)	104,918	(6,116)
Write-off of assets (Note 16)	(110,000)	(1,443,521)
Write-down of inventory (Note 17)	-	(575,861)
Other operating expenses	(17,630)	(148,116)
Operating (loss)/profit	(3,868,576)	1,794,105
Gain on disposal of subsidiaries (Note 4(c))	31,386,886	-
Interest expense	(32,785)	(585,780)
Loss on financial instrument (Note 13)	(58,897)	(94,015)
Exchange gain/(loss)	2,079,954	(299,575)
Earnings before tax and non-controlling interests	29,506,582	814,735
Income tax (Note 19)	-	(903,791)
Earnings/(losses) before non-controlling interests	29,506,582	(89,056)
Non-controlling interests (Note 14)	-	121,323
Net earnings for the year	29,506,582	32,267
Earnings per share (Note 20(f))		
Basic	0.43	0.00
Diluted	0.42	0.00
Weighted average number of shares outstanding (Note 20(f))	Share	Share
Basic	69,301,637	72,366,206
Diluted	69,687,972	73,342,831

See accompanying notes to the Consolidated Financial Statements

GobiMin Inc.
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2009 and 2008
(Expressed in United States Dollars)

	2009	2008
	$	$
Net income	29,506,582	32,267
Unrealized exchange gain on translation of self-sustaining foreign operations	1,833,527	1,006,443
Release of exchange reserve in relation to the disposal of subsidiaries	(4,597,973)	-
	(2,764,446)	1,006,443
Comprehensive income	26,742,136	1,038,710

GobiMin Inc.
Consolidated Statements of Changes in Shareholders' Equity
Years Ended December 31, 2009 and 2008
(Expressed in United States Dollars)

	2009	2008
	$	$
Share Capital		
Balance at beginning of year	29,918,738	31,195,252
Issued for option exercise (Note 20 (a))	437,022	98,466
Share buy back (Note 20 (a))	(1,088,254)	(1,374,980)
Balance at end of year	29,267,506	29,918,738
Contributed Surplus		
Balance at beginning of year	5,398,535	4,029,197
Options exercised (Note 20 (c))	(166,264)	(37,577)
Share buy back (Note 20 (c))	(24,356)	(95,580)
Stock based compensation (Note 20 (c))	396,158	1,502,495
Balance at end of year	5,604,073	5,398,535
Reserves		
Balance at beginning of year	-	6,144,537
Transfer to Retained Earnings	-	(6,144,537)
Current year reserves (Note 21)	7,666	-
Balance at end of year	7,666	-
Retained Earnings		
Balance at beginning of year	26,631,480	24,024,559
Net income	29,506,582	32,267
Tax refund relating to capital transactions	-	681,444
Charge from share buy back	(669,780)	(2,077,130)
Transfer (to)/from general reserve (Note 21)	(7,666)	6,144,537
Dividend paid (Note 18)	(4,822,339)	(2,174,197)
Balance at end of year	50,638,277	26,631,480
Accumulated other comprehensive income		
Balance at beginning of year	5,419,894	4,413,451
Other comprehensive income (Note 24)	(2,764,446)	1,006,443
Balance at end of year	2,655,448	5,419,894

See accompanying notes to the Consolidated Financial Statements

GobiMin Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2009 and 2008
(Expressed in United States Dollars)

	2009	2008
	$	$
Cash flows from (used in) operating activities		
Net earnings for the year	29,506,582	32,267
Adjustments for items not involving cash:		
- Depreciation	257,235	1,695,248
- Amortization in general and administrative expenses	626,240	415,478
- Stock based compensation	396,158	1,502,495
- Loss on change in fair value of financial instruments	-	94,015
- Exchange (gain)/loss	(2,079,954)	299,575
- Write-off of assets (Note 16)	110,000	1,443,521
- Write-down of inventory	-	575,861
- Equity (gain)/loss in investment (Note 9)	(104,918)	6,116
- Gain on disposal of subsidiaries (Note 4)	(31,386,886)	-
- Non-controlling interests	-	(121,323)
	(2,675,543)	5,943,253
Change in non-cash working capital items:		
- Accounts receivable	-	631,184
- Prepayments, deposits and other receivables	(5,935,828)	345,753
- Inventories	-	(1,090,641)
- Accounts payable	-	1,538,009
- Amount due from related parties	(1,138,526)	648,206
- Amount due to related parties	-	(126,423)
- Other payables and accrued liabilities	452,155	7,660,119
- Derivative financial instrument liabilities	(94,014)	-
- Tax payable	-	(186,843)
Net cash (used in) from operating activities	(9,391,756)	15,362,617
Cash flows from (used in) financing activities		
Shares issued for cash from option exercise	270,761	57,636
Capital contribution to subsidiary by non-controlling interests	1,099,326	-
Shares buy-back	(1,782,390)	(3,460,255)
Repayment from a former subsidiary-Yakesi	2,280,337	-
Bank loan	-	(11,517,222)
Dividend paid	(4,822,339)	(2,174,197)
Net cash used in financing activities	(2,954,305)	(17,094,038)

GobiMin Inc.
Consolidated Statements of Cash Flows - Continued
Years Ended December 31, 2009 and 2008
(Expressed in United States Dollars)

	2009	2008
	$	$
Cash flows from (used in) investing activities		
Deposit received on disposal of interests in subsidiaries	-	35,913,420
Mineral properties and equipment	(1,019,268)	(18,498,571)
Change on construction payables	-	(909,116)
Disposition of equity interest of subsidiaries (Note 4)	36,961,595	-
Tax refund on capital transaction	-	681,444
Equity investments in joint ventures/investee	(7,677)	(771,020)
Release of restricted cash	489,960	(487,670)
Time deposit (Note 5)	(5,000,000)	-
Long term prepaids	-	(2,532,583)
Net cash from investing activities	31,424,610	13,395,904
Increase in cash and cash equivalents	19,078,549	11,664,483
Effect on foreign exchange rate changes on cash	654,783	(1,355,121)
Cash in the discontinuing operations at end of year	-	(2,317,225)
Cash and cash equivalents at beginning of year	53,617,073	45,624,936
Cash and cash equivalents at end of year	73,350,405	53,617,073
Supplementary cash flow information		
Interest received	403,121	758,528
Interest paid	-	(655,563)
Income tax paid	-	(758,605)
Realized forward contract loss	58,897	-

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 ("Xinjaing") 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.

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, through Xinjiang Weifu Mining Limited (a Chinese subsidiary), 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.

GobiMin also owns 40% equity interest in each of the 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 the first half year of 2009, GobiMin acquired an equity interest of 49% in China Precision Material Limited ("China Precision") which is principally engaged in metal trading, predominantly silver.

In September 2009, GobiMin acquired an equity interest of 70% in Xinjiang Tongyuan Minerals Ltd. ("Tongyuan") for development of the Sawayaerdun Gold Project in Xinjiang, China.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles under the following policies:

a) Principles of Consolidation:

These consolidated financial statements include accounts of GobiMin and all of its subsidiaries. All significant inter-company transactions and balances are eliminated.

b) Foreign currency translation:

The Company's self-sustaining foreign subsidiaries are translated using the current rate method. The assets and liabilities of foreign subsidiaries are translated into US dollars at year-end exchange rates. Revenue and expenses are translated into US dollars at the average exchange rates of the period. The resulting translation difference is included in the accumulated other comprehensive income account. The Company's integrated foreign subsidiaries are translated using the temporal method. Monetary assets and liabilities of such foreign subsidiaries are translated into US dollars at year-end exchange rates. Non monetary assets and liabilities are translated into US dollars at historical rates. Revenue and expenses are translated into US dollars at the average exchange rates of the period. The resulting translation difference is included in the operation results.

c) Cash and cash-equivalents:

Cash and cash-equivalents consist of cash and highly liquid money market instruments with maturities of three months or less.

d) Mineral properties:

Included in mineral properties are property, plant and equipment,and exploration costs.

Property, plant 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%

For the new mill plant and shafts, the Company used estimations of the buildings' service lives and residual value to calculate the depreciation expenses. The range of buildings' depreciation rates is from 4.75% to 33.3%.

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

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.

Mineral properties are stated at cost less accumulated amortization and any impairment losses. The cost of mining rights is amortized on the straight-line basis over their estimated useful lives of 5-10 years. Mineral properties are tested for impairment whenever events or circumstances indicate that a carrying amount may not be recoverable. An impairment loss would be recognized when the carrying amount of an asset exceeds the estimated undiscounted cash flows used in determining the fair value of the assets. The amount of the impairment loss is calculated by the excess of the assets carrying value over its fair value. Fair value is determined using a discounted cash flow analysis.

e) Inventories:

Raw materials are valued at the lower of cost, determined on first-in, first-out basis, and net realizable value. Work in progress and finished goods are valued at the lower of manufacturing cost and net realizable value. Manufacturing cost includes the cost of raw materials, direct labour and applicable production overheads, excluding borrowing costs, based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

f) Income taxes:

The Company uses the liability method of tax allocation for accounting for income taxes. Under the liability method of tax allocation, future tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be recognized.

g) Stock based compensation expense:

The fair value of stock options is estimated at the grant date using the Black-Scholes Option Pricing Model. This model requires the input of a number of assumptions, including expected dividend yields, expected stock price volatility, expected time until exercise and risk-free interest rates. Although the assumptions used reflect management's best estimates, they involve inherent uncertainties based on market conditions generally outside of the control of the Company. If other assumptions are used, stock option expense could be significantly impacted. As stock options are exercised, proceeds received on exercise are credited to share capital.

h) Revenue recognition:

Revenue from the sale of nickel concentrate is recognized when risk and title pass to the customer, the price is fixed and determinable and collection of the proceeds is reasonably assured. The passing of title and risk occurs based on the terms of the off-take contract. The price is 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.

i) Earnings per share:

The calculation of earnings per share is based on the weighted average number of shares issued and outstanding. Diluted earnings per share are calculated using the treasury stock method which includes the effect of the exercise of dilutive elements.

j) Use of estimates:

The preparation of these consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amount of revenue and expense during the reporting period. Actual results could differ from these estimates. Significant estimates and assumptions are used when accounting for items such as impairment of assets, determination of estimated useful lives of mineral properties and property, plant and equipment, construction in progress, asset retirement obligation and stock based compensation expense.

k) Asset retirement obligation:

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 ultimate mine site retirement liabilities could change 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.

l) Financial Instruments:

Financial instruments are measured at fair value on initial recognition. After initial recognition, financial instruments are measured at their fair values, except for financial assets classified as loans and receivables and other financial liabilities, which are measured at cost or amortized cost using the effective interest rate method.

The Company has made the following classifications:

- Cash and cash equivalents, restricted cash and short-term deposits are classified as “assets held for trading” and are measured at fair value.

- Other receivables and due from related parties are classified as “loans and receivables” and are recorded at amortized cost, which upon their initial measurement is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest method.

- Accounts payable, other payables and accrued liabilities, other payables and due to related parties are classified as “other financial liabilities” and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest method.

Transaction costs are included in the initial carrying amount of financial instruments except for held-for-trading items in which case they are expensed as incurred.

m) 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 banks 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 banks for the forward contract are separately disclosed as restricted cash in the Consolidated Balance Sheets.

n) Proportionate Consolidation:

For a venture that the Company and the other parties have joint control over and share both benefits and risks, the Company accounts for its interest in this joint venture 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.

o) Equity Investment:

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

3. NEW ACCOUNTING STANDARDS

a) Goodwill and Intangible Assets

The Canadian Institute of Chartered Accountants (“CICA”) issued in February 2008 accounting standard Section 3064 “Goodwill and Intangible Assets” which replaces Section 3062 “Goodwill and Other Intangible Assets”, Section 3450 “Research and Development” and EIC27 “Revenues and Expenditures during the Pre-operating Period”. The new section provides standards on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This standard is effective for interim and annual financial statements for financial years beginning on or after October 1, 2008. The adoption of this standard had no impact on the Company’s financial statements.

b) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA approved EIC 173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. The adoption of this guidance had no impact on the Company’s financial statements.

c) Mining Exploration Costs

On March 27, 2009, the CICA approved EIC-174 “Mining Exploration Costs”, which provides guidance on capitalization of exploration costs related to mining properties in particular, and on impairment of long-lived assets in general. The Company has applied this new guidance in 2009 and there was no impact on the Company’s financial statements.

d) Financial Instruments - Disclosures

During 2009, CICA Handbook Section 3862 “Financial Instruments – Disclosures” was amended to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:
Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;
Level 3 – Inputs that are not based on observable market data.

e) 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. DISCONTINUED OPERATIONS

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. The assets and liabilities of Yakesi and Jubao were therefore classified as discontinued operations in the Consolidated Balance Sheet as at December 31, 2008. 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.

On 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 $72.2 million). The Company also received dividends of RMB43.89 million (approximately $6.4 million) paid out by Yakesi and Jubao. The disposal resulted in a net gain of $31.4 million.

(Expressed in United States Dollars)

a) Assets and Liabilities of the Discontinued Operations

As Yakesi and Jubao were sold in the quarter ended March 31, 2009, their assets and liabilities are not included in the financial statements for the year. The major classes of assets and liabilities of the discontinued operations are as follows:

	December 31, 2009	December 31, 2008
ASSETS	**$**	$
Current		
Cash and cash equivalents	-	2,317,225
Loan receivable	-	1,026,038
Prepayments and other receivables	-	11,465,473
Inventory	-	2,499,419
Mineral properties	-	44,931,909
Equity investments	-	1,439,498
Due from related parties	-	80,246
Assets of discontinued operations	-	63,759,808

	December 31, 2009	December 31, 2008
LIABILITIES	**$**	$
Accounts payable	-	2,511,104
Due to related parties	-	20,378
Other payables and accrued liabilities	-	13,900,977
Income tax payable	-	174,080
Future income tax liabilities	-	83,562
Liabilities of discontinued operations	-	16,690,101

b) Gross loss from Discontinued Operations

Gross loss of $81,971 (2008: gross profit of $9,572,867) arising from discontinued operations represents the loss from sales of nickel produced by Yakesi upon its disposal on February 11, 2009.

c) Gain and Proceeds from Disposition of Equity Interest in Subsidiaries

	December 31, 2009	December 31, 2008
	$	$
Net assets disposed of as at February 11, 2009	**40,777,447**	-
Gain on disposal of subsidiaries	**31,386,886**	-
Consideration from disposition	**72,164,333**	-
Net proceeds from disposition of equity interest in subsidiaries:		
Consideration from disposition	**72,164,333**	-
Deposits received in 2008	**(36,082,093)**	-
Effect of foreign exchange rate changes in 2009	**(73)**	-
Final installments received	**36,082,167**	-
Dividends received from discontinued operations	**6,429,449**	-
Withholding and other tax paid to local tax bureau	**(5,550,021)**	-
	36,961,595	-

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 of RMB246 million (approximately $36.1 million) were received by the Company during the year ended December 31, 2008.

(Expressed in United States Dollars)

The final installments and dividends, net of tax payment, of RMB254 million (approximately $37.0 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 December 31, 2009 include cash in different locations as follows:

Bank location	Reporting Currency	Amount	**US$ Equivalent**
Cash and cash equivalents:			
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
Time deposit:			
Hong Kong	HKD	38,751,003	**5,000,000**
Total			**78,350,405**

Cash and cash equivalents at December 31, 2008 include cash in different locations as follows:

Bank location	Reporting Currency	Amount	US$ Equivalent
Canada	CAD	251,223	205,147
Hong Kong	HKD	99,708,820	12,865,322
China	RMB	276,619,220	40,545,981
Indonesia	IDR	6,861,969	623
Total			53,617,073

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 December 31, 2009.

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. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The balance of prepayments, deposits and other receivables represent prepayment of expenses, rental deposit and deposit payment for the acquisition of building and a gold project. During the year ended December 31, 2009, the balance of prepayments, deposits and other receivables are mainly contributed by the following deposits made by the Company.

On April 19, 2009, the Company entered into an agreement to acquire a building in Hami, Xinjiang of China to serve as the head office of the operations in China for a consideration of RMB9,870,000 ($1,446,714) which is treated as deposit paid as at December 31, 2009. The deposit paid would be transferred to fixed assets after obtaining the property ownership certificate upon the completion of the building inspection.

(Expressed in United States Dollars)

Further to the agreement for acquiring the head office building in Hami, the Company entered into an agreement for the renovation work of the head office building. The deposit paid for the renovation work is RMB6,200,000 ($908,777) as at December 31, 2009.

On September 15, 2009, the Company entered into an agreement to participate in the development of the Sawayaerdun Gold Project by forming a joint venture, Tongyuan in which GobiMin owned 70% equity interest. As at December 31, 2009, RMB25,000,000 ($3,664,422) has been paid by Tongyuan as deposit for obtaining the exploration and mining license of Sawayaerdun Property (See Note 22).

7. DIVIDEND RECEIVABLE FROM AN INVESTEE COMPANY

The amount represents a dividend receivable of $39,200 (2008: nil) from the Company's 49% owned investee company, China Precision.

8. MINERAL PROPERTIES AND EQUIPMENT

	Cost	Accumulated Amortization/ Written off	Net Book Value
December 31, 2009	$	$	$
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**
December 31, 2008			
Buildings	121,445	(23,614)	97,831
Furniture, equipment and motor vehicles	290,458	(199,402)	91,056
Mineral exploration rights	89,371	-	89,371
	501,274	(223,016)	278,258

During 2008, a carrying value of $1,233,160 was written off for the Company's exploration rights and related machinery in Indonesia, as management believes there was no economic value for those assets under the market conditions. No such written off was made for the year ended December 31, 2009. There are no significant commitments or payment requirements for any of the mineral properties for both years.

9. EQUITY INVESTMENTS

Equity investments represent the Company's equity interests of 40% in each of the four joint ventures established in 2007 to explore nickel, copper, lead and zinc projects in Xinjiang, China and an equity interest of 49% in China Precision established in 2009 to engage in metal trading, predominately silver.

The Company accounts for its investments on the equity basis, which is carried at cost, adjusted for the Company's proportionate share of their undistributed earnings and losses and reserves. During the year ended December 31, 2009, the Company recorded $104,918 equity gain (2008: $6,116 loss) on the investments.

10. 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 it as paid-in capital. The joint venture is formed for mining exploration and development in northwest China.

(Expressed in United States Dollars)

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 year ended December 31, 2009 are as follows:

	2009	2008
	$	$
Cash and cash equivalents	**498,503**	560,549
Intangible assets – exploration right	**205,792**	89,372
Fixed assets	**654**	820
Other receivables	**192**	73,288
Other payables	**(4,648)**	(585)
	700,493	723,444

	2009	2008
	$	$
General and administration expenses	**(2,670)**	(7,980)
Net cash used in operating activities	**(42,731)**	(17,637)
Net cash used in financing activities	**-**	(539,870)
Net cash used in investing activities	**(19,210)**	(39,571)
Effect on foreign exchange rate changes on cash	**2,565**	(66,620)

11. RELATED PARTY TRANSACTIONS AND BALANCES

a) Amount due from related parties of $83,484 (2008: $71,347) 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 (2008: $389,067) 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 (2008: $ Nil) pertains to receivables from minority shareholders of the Company's joint venture, Tongyuan, for Chinese exploration services on its current exploration projects.

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

12. RESTRICTED CASH

Restricted cash comprises bank deposit to secure a currency forward contract in 2008 (see Note 13). The restricted cash has been released upon the maturity of the forward contract on March 10, 2009.

13. DERIVATIVE FINANCIAL INSTRUMENT

As at December 31, 2008, GobiMin had an open position on a non-delivery forward contract with a bank of short selling RMB at exchange rate of 6.986 for $7,000,000. The forward contract matured on March 10, 2009 and realized a total loss of $152,912, of which $58,897 is recognized during 2009 (2008: nil). For the year ended December 31, 2008, the unrealized loss is $94,015.

14. NON-CONTROLLING INTERESTS

(Expressed in United States Dollars)

Non-controlling interests represent the 30% (2008: nil) equity interest in Xinjiang Tongyuan Minerals Limited held by minority shareholders. For 2008, the non-controlling interests included also 6.45% equity interests in Yakesi and 4.84% equity interests in Jubao. All the Company's equity interests in Yakesi and Jubao were disposed in February 2009.

15. OTHER REVENUE AND GAINS

The Company recognized $453,647 (2008: $1,405,407) other revenue and gains in 2009, of which $403,121 (2008: $758,528) represents interest income. The remaining portion of other revenue and gains represented rental income of office and sales of motor vehicles during 2009.

16. WRITE-OFF OF ASSETS

During 2009, GobiMin wrote off $110,000 (2008: $1,233,160) deposit paid for exploration assets, which relates to the Company's 70% owned subsidiary, Topwise's exploration project in Indonesia, as the Company has lost contact with the local party after the local earthquake and the management believed the amount not collectible. In addition, GobiMin wrote off $210,361 due from related parties on 31 December, 2008 pertaining to loans to the minority shareholders of PT Gobi, as the management believed the amount not collectible.

17. WRITE-DOWN OF INVENTORY

As at December 31, 2008, GobiMin wrote down the inventory by $575,861, reflecting the decreased metal price at the year end. There is no inventory write-down during 2009.

18. DIVIDENDS PAID

In June 2009, GobiMin paid an annual dividend of CAD0.01 per share according to the Company's dividend policy and 2008 annual performance and a special dividend of CAD0.07 per share following the disposal of Yakesi and Jubao, totaling $4,822,339 (2008: $2,174,197).

19. INCOME TAX

No provision for Canada and Hong Kong Income tax has been made as the Company has no assessable profits in either Canada or Hong Kong during the year. There is no related future tax asset recognized either, as management believes that the operating loss in Canada and Hong Kong is unlikely to be recovered in future years.

Yakesi was subject to a corporate income tax rate of 15%. Yakesi is eligible for an exemption from a 3% regional tax rate and a 50% relief from the 30% state tax rate in China. Jubao, was subject to two-year tax holiday starting from 2007. After the two-year tax holiday, Jubao is subject to a corporate income tax of 15%. In February 2009, the Company had disposed Yakesi and Jubao.

On March 16, 2007, the National People's Congress (NPC) of China approved the new Corporation Income Tax Law, which became effective on January 1, 2008. The new law establishes a unified 25% tax rate for both domestic enterprises and foreign invested enterprises. The new law will only be applicable to Yakesi and Jubao after the expiry of their current tax policy.

The Company's provision for income taxes reported differs from the amounts computed by applying the cumulative Canadian federal and provincial income tax rates to the earnings before taxation as a result of the following:

	2009	2008
	$	$
Profit before tax	29,506,582	814,735
Statutory tax rates	33%	33.5%

(Expressed in United States Dollars)

Tax charged at statutory tax rates	$ 9,737,172	$ 272,936
Tax rate differential	(4,879,151)	(1,132,861)
Permanent difference	(6,715,288)	706,455
Loss expiry	50,195	72,383
Change in valuation allowance	1,807,072	530,930
Other	-	123,636
Withholding tax	-	330,312
Tax expense	$ -	$ 903,791

Loss carry forwards and other temporary differences that give rise to future income tax assets (liabilities) as at December 31, 2009 and 2008 are as follows:

Future income tax assets	2009	2008
Canadian tax loss carry forwards	$1,106,845	$979,502
Unclaimed share issue costs	130,732	312,345
	1,237,577	1,291,847
Valuation allowance	(1,237,577)	(1,291,847)
Excess of accounting base over tax base relating mineral rights and properties	-	83,562
Future income tax liabilities	$-	$83,562

At December 31, 2009, the Company had accumulated non-capital losses for Canadian income tax purpose of approximately $3,354,076 which will expire between 2010 and 2029.

20. SHARE CAPITAL, WARRANTS AND STOCK OPTIONS

a) Common Shares

	Number	Amount
Authorized:		$
Unlimited number of common shares		
Issued and outstanding:		
Balance, December 31, 2007	73,464,502	31,195,252
Shares issued for option exercise	96,000	98,466
Shares bought back and cancelled	(3,236,100)	(1,374,980)
Balance, December 31, 2008	70,324,402	29,918,738
Shares issued for option exercise	490,200	437,022
Shares bought back and cancelled	(2,557,300)	(1,088,254)
Balance, December 31, 2009	68,257,302	29,267,506

b) Preferred Shares

GobiMin did not issue or authorize any preferred share for both years.

c) Contributed Surplus

	Amount
	$
Balance, December 31, 2007	4,029,197

(Expressed in United States Dollars)

Charge from share buy back	(95,580)
Options exercised	(37,577)
Stock-based compensation expense	1,502,495
Balance, December 31, 2008	5,398,535
Charge from share buy back	(24,356)
Options exercised	(166,264)
Stock-based compensation expense	396,158
Balance, December 31, 2009	5,604,073

d) Normal Course Issuer Bid

On January 23, 2009, 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 3,516,220 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, 2010. Up to December 31, 2009, a total of 2,557,300 common shares were repurchased for an aggregate cost of CAD2,054,685 ($1,782,390). All shares repurchased are returned to treasury for cancellation.

e) Stock Options

On May 26, 2005, the Company adopted a resolution canceling all of its outstanding stock option plans and creating a new stock option plan to grant options to its employees, directors and officers to purchase common shares. A number of 6,700,000 (2008: 5,700,000) common shares were reserved for issuance pursuant to the exercise of options to be granted under the plan.

A summary of the status of the Company's stock option plan as of December 31, 2009, and changes during the year is presented below:

	2009		2008	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
		$		$
Outstanding, beginning of year	**4,398,000**	**1.72**	3,330,400	1.88
Issued on January 31, 2008	**-**	**-**	50,000	2.89
Issued on March 10, 2008	**-**	**-**	15,000	3.44
Issued on August 25, 2008	**-**	**-**	1,202,000	1.06
Issued on February 12, 2009	**50,000**	**0.71**	-	-
Forfeited	**(701,400)**	**2.24**	(103,400)	1.28
Exercised	**(490,200)**	**0.55**	(96,000)	0.55
Outstanding, end of year	**3,256,400**	**1.76**	4,398,000	1.72

The following table summarizes the employee stock options outstanding and exercisable at December 31, 2009:

Exercise Price	Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
CAD	$		(Years)	$		(Years)	$
0.64	0.55	1,021,400	0.78	0.55	1,021,400	0.78	0.55
1.10	0.95	10,000	0.93	0.95	10,000	0.93	0.95
1.85	1.66	150,000	1.49	1.66	150,000	1.49	1.66
2.10	1.79	5,000	2.12	1.79	3,000	2.12	1.79
3.60	3.61	875,000	0.59	3.61	875,000	0.59	3.61

(Expressed in United States Dollars)

3.60	3.61	200,000	2.59	3.61	120,000	2.59	3.61
1.10	1.06	840,000	1.67	1.06	504,000	1.67	1.06
1.10	1.06	105,000	3.67	1.06	42,000	3.67	1.06
0.88	0.71	50,000	0.08	0.71	50,000	0.08	0.71
		3,256,400	1.19	1.76	2,775,400	1.03	1.85

Stock Based Compensation

In 2009, the weighted average fair value of options granted amounted to $0.28 (2008: $0.67) per option. 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:

	2009	2008
Risk free interest rate:	0.58%	3.22%
Expected life:	1 year	1-5 years
Expected volatility:	113%	90%
Dividend yield:	0-1%	0-1%

f) Basic and Diluted Earnings Per Share

	Year ended **December 31, 2009**	Year ended December 31, 2008
Net earnings available to shareholders		
Basic and diluted	**$29,506,582**	$32,267
Weighted average shares outstanding		
Basic	**69,301,637**	72,366,206
Effect of dilutive stock options and warrants	**386,335**	976,625
Diluted	**69,687,972**	73,342,831
Earnings per share (basic)	**$0.43**	$0.00
Earnings per share (diluted)	**$0.42**	$0.00

21. RESERVES

During 2009, net earnings of $7,666 (2008: nil) of the Company's subsidiaries in China was transferred to general reserve. As a result of the sale of its operating subsidiaries, the reserve balance of $6,144,537 at December 31, 2007 was transferred to retained earnings during the year ended December 31, 2008.

22. COMMITMENTS

As at December 31, 2009, there are approximately $3,264,266 (2008: $24,152,667) in capital commitments that the Company had contracted, but not provided for. The commitments are for acquisition of the exploration assets and renovation work of an office building.

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 December 31, 2009. The remaining commitment is

(Expressed in United States Dollars)

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). As mentioned in note 6, 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 December 31, 2009.

The Company has approximately $23,868 (2008: $23,620) monthly office rental expense in its Hong Kong and Canada offices.

23. 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.

24. ACCUMULATED OTHER COMPREHENSIVE INCOME

As at December 31, 2009, accumulated other comprehensive income represents net unrealized exchange gain on translation of self-sustaining foreign operations.

25. 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:

	2009	2008
	$	$
Held for trading (a)	**78,350,405**	54,107,033
Amount due from related parties (b)	**1,572,148**	460,414
Other financial liabilities (c)	**968,798**	36,534,145
Derivatives (d)	**-**	94,015

(a) Cash and cash equivalents, time deposit and restricted cash are measured at fair value.
(b) Due from related parties are measured at amortized cost.
(c) Accounts payable, other payables and accrued liabilities, deposit received and due to related parties are measured at amortized cost.
(d) Foreign exchange forward contract is measured at fair value.

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.

Foreign exchange forward contract

The Company used foreign exchange forward contracts to manage its foreign exchange risks. The Company had entered into a non-delivery forward contract with a bank of short selling RMB in 2008. The forward contract matured on March 10, 2009 and realized a total loss of $152,912, of which $58,897 is recognized during 2009. For the year ended December 31, 2008, the unrealized loss is $94,015. No further foreign exchange forward contract has been entered into by the Company in 2009.

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 use derivatives only for managing existing financial exposures but 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 other foreign currencies will not adversely affect its results of operations, financial condition and cash flows.

As at December 31, 2009 with other variable unchanged, a 1% strengthening (weakening) of the Chinese RMB against the Canadian dollar would have increased (decreased) net income and other comprehensive income by $0.29 million and $0.03 million, respectively.

Credit Risk

The Company is exposed to credit risk with respect to cash equivalents and other receivable. The carrying amount of these 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 December 31, 2009, the Company was holding cash and cash equivalents and time deposit of $78,350,405. 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 $968,798 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 December 31, 2009.

26. 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.

The Company is not subject to externally imposed capital requirements.

27. ECONOMIC DEPENDENCE

The Company conducts its business as a single operating segment, being the development and exploitation of mineral properties. All mineral property interests and capital assets are located in China. All of the Company's revenues are derived from China sources.

28. SUBSEQUENT EVENTS

1. On January 26, 2010, GobiMin announced that it intended to renew its normal course issuer bid to repurchase on the TSX Venture Exchange 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. Since January 1, 2010 and up to April 15, 2010, no common shares have been repurchased. All shares repurchased will be returned to treasury for cancellation.

2. On February 9, 2010, GobiMin announced that it had entered into an agreement to invest in the Balikun Coal Project. According to a NI 43-101 Mineral Resource estimate prepared by Scott Wilson Ltd., the Project hosts 38 million tonnes of coal in Measured Resources and 50 million tonnes in Indicated Resources. GobiMin currently holds an indirect equity interest of 24.49% in the Project and participates in the management and operations.

3. On April 13, 2010, GobiMin entered into a framework agreement with China Daye Non-Ferrous Metals Mining Limited ("China Daye") to dispose a 32% equity interests in the Yanxi Copper Property ("Proposed Transaction"). GobiMin shall own a remaining 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 consideration received and in return, China Daye shall transfer the interest in Yanxi Copper Property back to the Company.

4. 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.

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

Management's Discussion and Analysis of Financial Results

For the year ended December 31, 2009
(Expressed in United States Dollars except where otherwise noted)

GobiMin Inc.
Management's Discussion and Analysis of Financial Results
For the year ended December 31, 2009
(Expressed in United States Dollars)
April 15, 2010

The following discussion and analysis of the consolidated operating results and financial condition of GobiMin Inc. for the year ended December 31, 2009 should be read in conjunction with GobiMin's audited consolidated financial statements for the year ended December 31, 2009 and the year ended December 31, 2008. The financial information was prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This Management's Discussion and Analysis was prepared on April 15, 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. The Mineral Resource Estimate showed in-situ metal of approximately 254 million pounds of copper in Indicated Mineral Resources with a further 160 million pounds in Inferred Mineral resources. On April 13, 2010, GobiMin entered into a framework agreement with China Daye Non-Ferrous Metals Mining Limited ("China Daye") to dispose a 32% interests 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.

In the first half year of 2009, the Company acquired an equity interest of 49% in China Precision Material Limited ("China Precision"). China Precision is principally engaged in metal trading, predominantly silver.

(Expressed in United States Dollars)

In September 2009, GobiMin acquired an equity interest of 70% in a new joint venture, Xinjiang Tongyuan Minerals Ltd. ("Tongyuan"), for development of the Sawayaerdun Gold Project in Xinjiang, China.

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) Financial highlights

	Year ended December 31, 2009	**Year ended December 31, 2008**	**Changes on yearly basis**
Revenue	$0.9 million	$21.4 million	-95.6%
Net earnings (1)	$29.51 million	$0.03 million	>100.0%
EBITDA(2)	$30.5 million	$6.3 million	>100.0%
Gross Margin	-8.7%	44.6%	>-100.0%
Basic earnings per share	$0.43	$0.00	>100.0%
Diluted earnings per share	$0.42	$0.00	>100.0%
EBITDA per share(2)	$0.44	$0.09	>100.0%
Cash and cash equivalents and time deposit	$78 million	$54 million	46.1%
Cash and cash equivalents and time deposit per share(2)	$1.15	$0.76	50.6%
Annual dividend per share (3)	$0.0125	$0.01	25%

(1) Net earnings for the year 2009 comprised also the gain on disposal of the 2 operating subsidiaries in China.
(2) As non-GAAP measurements, EBITDA, EBITDA per share, Cash and cash equivalents and time deposit per share and Cash cost per tonne of ore 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) The Company declared an annual dividend of CAD0.0125 ($0.0125) per share for 2009 according to its dividend policy and 2009 annual performance. The Company paid an annual dividend of CAD0.01 per share for 2008 according to the Company's dividend policy and a special dividend of CAD0.07 per share following the disposal of the 2 Chinese operating subsidiaries.

(b) Change in auditor

Ernst & Young LLP (the "Former Auditor"), at the request of the Company, resigned as auditor of the Company effective October 23, 2009. The Board of Directors of the Company has appointed BDO Limited as the Company's auditor in the place and stead of the Former Auditor effective October 23, 2009 until the close of the next Annual General Meeting of the Company. There were no reservations in the Former Auditor's reports in connection with the financial statements of the Company for the two most recently completed financial years, and any period subsequent to the most recently completed period for which an audit report was issued and preceding the effective date of expiry of the Former Auditor's term of office.

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 owns an interest of 15% (See the Company's news release on September 18, 2009).

(b) Coal Project in Xinjiang

On February 9, 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. 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 (See the Company's news release on February 9, 2010).

(c) Silver Operations

The Company intends to build a vertically integrated silver operation. During the first half year of 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 40% owned Yanxi Copper Property which is located about 115 km south of the city of Hami in Xinjiang, China. During the year, the Company continued the work towards the potential development of this project and has applied for the mining licence. It is expected that the mining license can be obtained by the Company within 2010. On April 13, 2010, GobiMin entered into a framework agreement with China Daye to dispose a 32% interests in the Yanxi Copper Property. GobiMin shall own a remaining 8% indirect equity interest in the property. The transaction is expected to be completed on or before June 30, 2010.

The Company will continue the work on the remaining exploration projects which are at early exploration stages and some of them have undergone reconnaissance-prospecting or reconnaissance exploration.

(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 $78 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 23, 2009, the Company renewed its normal course issuer bid to repurchase up to an additional 3,516,220 common shares over a maximum period of 12 months ended January 31, 2010. The Company repurchased 2,557,300 common shares during the year. All shares repurchased were returned to treasury for cancellation. GobiMin has 68,257,302 shares outstanding as at December 31, 2009.

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. Up to April 15, 2010, no common shares were repurchased. All shares repurchased will be returned to treasury for cancellation.

4. Key Economic Trends

(a) Nickel

The main product sold by GobiMin was nickel concentrate, which accounted for 100% of total revenues in the year. The price received by the Company for the nickel contained in the concentrate was calculated at a discount to the Chinese domestic nickel cathode price (which is generally correlated to the London Metal Exchange ("LME") nickel price). The discount reflects the smelter and refining charges as well as recovery loss to convert concentrate into nickel cathode.

The cash settlement price of nickel on the LME averaged $6.67 per pound in 2009, compared to an average of $13.04 in 2008.

(b) Copper

The Company did not produce any copper concentrate in 2009. Revenue from selling copper concentrates is treated as by-product credits in the calculation of cash operating costs in last year.

(c) 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 year ended December 31, 2009, the Chinese currency Renminbi ("RMB") depreciated slightly by 0.1% 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 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 nickel concentrate 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 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

(a) Goodwill and Intangible Assets

The Canadian Institute of Chartered Accountants ("CICA") issued in February 2008 accounting standard Section 3064 "Goodwill and Intangible Assets" which replaces Section 3062 "Goodwill and Other Intangible Assets", Section 3450 "Research and Development" and EIC27 "Revenues and Expenditures during the Pre-operating Period". The new section provides standards on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This standard is effective for interim and annual financial statements for financial years beginning on or after October 1, 2008. The adoption of this standard had no impact on the Company's financial statements.

(b) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA approved EIC 173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. The adoption of this guidance had no impact on the Company's financial statements.

(c) Mining Exploration Costs

On March 27, 2009, the CICA approved EIC-174 "Mining Exploration Costs", which provides guidance on capitalization of exploration costs related to mining properties in particular, and on impairment of long-lived assets in general. The Company has applied this new guidance in 2009 and there was no impact on the Company's financial statements.

(d) Financial Instruments – Disclosures

During 2009, CICA Handbook Section 3862 "Financial Instruments – Disclosures" was amended to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;
Level 3 – Inputs that are not based on observable market data.

(e) 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.

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 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.

(Expressed in United States Dollars)

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:

For the quarter ended	**December 31, 2009**	**September 30, 2009**	**June 30, 2009**	**March 31, 2009**
	$	**$**	**$**	**$**
Revenue	**-**	**-**	**-**	**940,433**
Net earnings / (loss)	**(7,378,103)**	**(790,924)**	**(492,595)**	**38,168,204**
Basic earnings / (loss) per share	**(0.107)**	**(0.012)**	**(0.007)**	**0.543**
Diluted earnings / (loss) per share	**(0.107)**	**(0.011)**	**(0.007)**	**0.541**
Cash and cash equivalents and time deposit	**78,350,405**	**75,676,346**	**80,599,671**	**92,026,901**
Total assets	**90,403,943**	**89,599,209**	**90,489,060**	**96,287,094**

For the quarter ended	December 31, 2008	September 30, 2008	June 30, 2008	March 31, 2008
	$	$	$	$
Revenue	3,066,275	7,481,856	6,762,013	4,137,710
Net earnings / (loss)	(2,955,975)	1,150,383	1,294,072	543,787
Basic earnings / (loss) per share	(0.041)	0.016	0.018	0.007
Diluted earnings / (loss) per share	(0.040)	0.016	0.018	0.007
Cash and cash equivalents and time deposit	53,617,073	34,868,732	39,168,373	44,133,344
Total assets	121,886,062	93,967,095	93,582,677	93,340,779

8. Results of Operations

(a) Revenues

The Company recorded in 2009 revenues of $940,433 compared to $21,447,854 in 2008. Revenue for nickel concentrate was $940,433, compared to $17,261,538 in 2008 and there was no revenue for copper concentrate, compared to $4,186,316 in 2008. The revenue was lower as there was only one month of operation in 2009 due to the disposal of the operating subsidiaries on February 11, 2009.

Other revenue and gains in 2009 were $453,647 (2008: $1,405,407) including $403,121 (2008: $758,528) in interest income. The remaining portion of other revenue and gains represented rental income of office and sales of motor vehicles during the year 2009.

The following table summarizes the Company's production and revenue information for the years:

Mining Operations	**12 Months Ended December 31, 2009**	12 Months Ended December 31, 2008
Ore (tonnes)		
Processed	**3,470**	312,388
Sold	**34,464**	294,926
Nickel grade of ore	**0.47%**	0.45%
Metallurgical recovery	**92.1%**	83.7%
Metal contained in concentrate ('000 pounds)		
Nickel	**329**	2,456
Copper	**-**	1,517
Metal contained in concentrate sold ($)		
Nickel	**$940,433**	$17,261,538
Copper and others	**$-**	$4,186,316
Total Revenue	**$940,433**	$21,447,854
Average realized price of nickel contained in concentrate (per pound)	**$2.86**	$7.03
Average realized price of copper contained in concentrate (per pound)	**$-**	$2.76
Average cash cost per pound of nickel contained in concentrate, net of by-product credits (1)	**$2.33**	$2.44
Average cash cost per tonne of ore, net of by-product credits (1)	**$22.20**	$20.32

(1) Cash cost is a non-GAAP measure, which excludes depreciation and asset write-off, and includes mining, milling, haulage and sales and distribution costs, after deducting the copper, gold and silver revenue.

(b) Cost of sales

Cost of sales amounted to $642,677 ($18.65 per tonne of ore) in 2009 compared to $9,435,294 ($31.99 per tonne of ore) in 2008. Cost of sales includes the costs of mining, milling, haulage from mine sites to the mill and resource tax to the local government. The significant decrease in the cash cost per tonne is mainly caused by the write-down of inventories by RMB4 million (equivalent to $575,861) for the year ended December 31, 2008. The cash cost per tonne would be similar to that of 2008 if the write-down of inventory value was not taken into account.

The selling and distribution cost was $3.55 per tonne of ore, increasing from $2.52 a year ago. This cost is incurred for the rail and truck transportation of concentrates to the customers' smelter sites. The increase is mainly due to increased transportation cost to a smelter situated further away.

There was no sale of copper concentrate and so no by-product credit for the year.

Cash cost figure, a non-GAAP measure, represents the total of all cash costs directly attributable to the related mining and milling operations after the deduction of credits with respect to by-product sales. The Company produces separate nickel and copper concentrates. Disclosure of cash cost by the Company may not be directly comparable to other nickel producers and is only intended to provide investors with information about the cash generating capacity of the mining operations of the Company.

(Expressed in United States Dollars)

The following table presents the calculation of cash operating cost per tonne of ore sold:

	12 Months Ended December 31, 2009		12 Months Ended December 31, 2008	
	$	$/tonne	$	$/tonne
Cost of sales (1)	642,677	18.65	9,435,294	31.99
Selling and distribution cost	122,492	3.55	744,445	2.52
By-product credits:				
Copper, gold and silver	-	-	(4,186,316)	(14.19)
Cash operating cost	765,169	22.20	5,993,423	20.32

(1) Cost of sales excludes depreciation and write-off of mine construction cost.

(c) Gain on disposal of subsidiaries

The Company received total sales proceeds of RMB492 million (approximately $72.2 million) for the disposal of the equity interests in Yakesi and Jubao. The net asset value of the subsidiaries on the date of disposal amounted to $40.8 million which resulted in a gain on disposal of $31.4 million. The net asset value of the subsidiaries was originally estimated as $38.5 million which resulted in an estimated gain on disposal of $33.6 million in the Company's 2009 quarterly unaudited financial statements. The change is about $2.2 million, mainly due to the net effect of adjustments on the reserve and retained earnings in relation to the disposal. The change in the estimate was made based on the latest available and reliable information become known to the Company. There is no change in the cash flow in relation to the disposal and no impact on the net asset value of the Company from this adjustment.

(d) Other expenses

Depreciation expense was $257,235 compared to $1,695,248 in 2008. The decrease in depreciation was mainly due to the disposal of the operating subsidiaries in February 2009.

General and administrative expenses incurred in this year were $3,821,382 compared to $5,508,060 in 2008, and were lower as a result of discontinued operations. The expenses mainly include office rental, staff cost and consulting fees.

In 2009, the Company granted 50,000 options to its external consultant at an exercise price of $0.71 (CAD$0.88) per share vested over one year. The amortized portion of total stock based compensation in 2009 decreased to $396,158 (2008: $1,502,495) mainly due to the cancellation of stock options granted to staff under the discontinued operation.

(e) Earnings per share

Basic earnings per share for 2009 were $0.43 (2008: $0.00) and diluted earnings per share were $0.42 (2008: $0.00).

(Expressed in United States Dollars)

(f) EBITDA

In 2009, earnings before interest income and expense, income taxes, stock-based compensation, write-off expense, depreciation and amortization ("EBITDA"), a non-GAAP performance measure, were $30.5 million as compared to $6.3 million in 2008.

The following table presents the calculation of EBITDA for the periods indicated:

	12 months ended December 31 2009	**12 months ended December 31 2008**
Net earnings	$ 29,506,582	$ 32,267
Interest income	(403,121)	(758,528)
Interest expense	32,785	585,780
Income tax	-	903,791
Depreciation	257,235	1,695,248
Amortization in general and administration expenses	626,240	415,478
Stock based compensation	396,158	1,502,495
Write-off of assets and Write-down of inventory	110,000	2,019,382
Non-controlling interest	-	(121,323)
EBITDA (1)	30,525,879	6,274,590
EBITDA per share (2)	0.44	0.09

(1) *As a non-GAAP measurement, 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*

(g) 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 year ended December 31, 2009:

	December 31, 2009	**December 31, 2008**
Cash and cash equivalents	$73,350,405	$53,617,073
Working capital (1)	$84,059,586	$65,219,635

	12 Months ended December 31, 2009	**12 Months ended December 31, 2008**
Net Cash (used in) from operating activities	($9,391,756)	$15,362,617
Net Cash used in financing activities	($2,954,305)	($17,094,038)
Net Cash from investing activities	$31,424,610	$13,395,904

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

(a) Operating activities

In 2009, net cash used in operating activities was $9,391,756 compared to $15,362,617 net cash generated in 2008. The cash outflow for the year was mainly due to substantially reduced revenue since the disposal of the operating subsidiaries in February 2009 and the payment of RMB25,000,000 ($3,660,323) as deposit for the acquisition of the exploration and mining licenses to Tongyuan in the year.

(b) Financing activities

Financing activities used cash flow of $2,954,305 (2008: $17,094,038) in 2009. The Company received $2.3 million loan repayment from its discontinued operation in February 2009. The Company also received $0.27 million for the exercise of options during the year. $1.1 million (RMB7,500,000) was received from the minority shareholders of Tongyuan for its registered capital. $4.82 million cash was used in paying annual and special dividends and $1,782,390 (CAD2,054,685) was used in repurchasing 2,557,300 common shares.

(c) Investing activities

Investing activities generated $31,424,610 of cash in 2009 compared to $13,395,904 in 2008. In February 2009, the agreements in respect of the sale of the Company's equity interests in Yakesi and Jubao were approved by the Chinese government. Accordingly, the Company received the final installments of the sales proceeds together with the dividends paid out by Yakesi and Jubao. The total amount received during the year, net of tax, was RMB254 million (approximately $37.0 million). In addition, $5 million cash was used in making a time deposit which will be matured in May 2010.

10. Balance Sheet

(a) Cash

The Company had $78,350,405 in cash and cash equivalents and time deposit as at December 31, 2009 compared to $53,617,073 as at December 31, 2008. The significant increase in the cash and time deposit balance is attributed to the sale of its subsidiaries.

(b) Share Capital

As at December 31, 2009, the Company had 68,257,302 common shares issued and outstanding. During this year, 2,557,300 common shares were bought back and cancelled and 490,200 common shares were issued for the exercise of options by employees.

During 2009, GobiMin granted 50,000 options exercisable until January 31, 2010 to an external consultant.

11. Contractual obligations and commitment

As at December 31, 2009, there are approximately $3,264,266 (2008: $24,152,667) in capital commitments that the Company's subsidiaries had contracted, but not provided for. The commitments are for acquisition of the exploration assets and renovation work of an office building.

On September 10, 2009, the wholly owned subsidiary of GobiMin, Weifu, has entered into an agreement with Baodi and Brigade No. 2 to form a joint venture company, Tongyuan, in China to participate 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 December 31, 2009. 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 December 31, 2009.

The Company has approximately $23,868 (2008: $23,620) 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, GobiMin has entered into a framework agreement with China Daye to dispose a 32% equity interests in the Yanxi Copper Property ("Proposed Transaction"). GobiMin shall own a remaining 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 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:

(Expressed in United States Dollars)

	December 31, 2008	December 31, 2009	April 15, 2010
Number of Common Shares Outstanding	70,324,402	68,257,302	68,282,302
Warrants	-	-	-
Options	4,398,000	3,256,400	3,202,000
Total Number of Common Shares Fully Diluted	74,722,402	71,513,702	71,484,302

15. Fourth Quarter 2009 Review

For the three months ended December 31, 2009, the Company reported net losses of $7,378,103 (Q4 2008: $2,955,975 net loss).

General and administrative expenses totaled $1,767,952 (Q4 2008: $1,655,214) in the fourth quarter of 2009. An exchange loss of $3,426,723 (Q4 2008: $299,575) has been recognised for the translation of the Company's year end CAD net liabilities balance. The net loss in the fourth quarter of 2009 also included the adjustments on gain on disposal of subsidiaries, which resulted from the net effect of changes on the reserve and retained earnings, of about $2.2 million as described in note 8(c) above. The Company also recorded a non-cash income of $80,857 (Q4 2008: expense of $314,890) for stock based compensation and $110,000 (2008: $1,443,521) asset write-off expenses.

16. Risk factors

The mining business conducted by the Company is subject to a number of risks, including those outlined below. 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. Readers should also be aware that there are particular risks of doing business in China, some of which are outlined below.

(a) <u>Metal prices</u>

The profitability of the Company may be significantly affected by changes in the market price of metals. Metal prices fluctuate on a daily basis and are affected by numerous factors beyond the control of the Company. Interest rates, inflation, exchange rates and world supply of mineral commodities 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 patterns and political developments.

The Company may apply its free cash balances to metal trading operations. These transactions are by their very nature speculative and could result in GobiMin suffering financial losses.

(b) <u>Currency risks</u>

The Company's operating expenses and revenues from operations are in RMB, the main currency used by the Company. Currently, the RMB is linked to the US dollar by exchange rates managed through China's central bank. Accordingly, exchange rate fluctuations with the

RMB may adversely affect the Company's financial position and operating results. The Company does not currently engage in foreign currency hedging activities.

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 China 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 the Company to obtain foreign exchange through debt or equity financing, or to obtain foreign exchange for capital expenditures.

(c) Exploration, development and operating risks

The exploration and development of mineral deposits involves significant risks over a significant period of time, which even with a combination of careful evaluation, experience and knowledge may not be eliminated. Few properties that are explored are ultimately developed into producing mines. Major expenditures may be required to establish mineral reserves through drilling, to develop metallurgical processes and to develop the mining and processing facilities and infrastructure at any site chosen for mining. No assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economic viability of a mineral deposit depends on many factors, including size, grade, cost of operations, metal prices, cost of processing equipment, continuing access to smelter facilities on acceptable terms, government regulations, land tenure, and environmental protection. The exact effect of these factors cannot be measured but the combinations of these factors may impact the success of the Company's mineral exploration, development and acquisition activities. 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.

It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks because of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any further profitability and result in increasing costs and a decline in the value of the securities of the Company. The Company does not maintain insurance against political or environmental risks.

The Company's properties are generally located in Hami region, 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.

The development of mining properties has inherent risks. The Company may not have sufficient technical or financial resources to complete the projects. Costs over-runs are common in mining projects and may pose a risk for the Company.

(d) Uncertainty of ore reserve and resource estimates

For some of its properties, the Company may prepare its own mineral reserves and resources estimate only in accordance with the former China Ministry of Geological and Mineral Resources ("CMGMR") classification system. The CMGMR classification system is not compliant with the Canadian Securities Administrators National Instrument 43-101. These figures are only estimates and there cannot be any assurance given that the estimated mineral reserves and resources will be recovered or that they will be recovered at the rates estimated. Mineral reserve and resource estimates are determined based upon assumed commodity prices and operating costs. These factors may in the future render certain mineral reserves and resources unproductive and may ultimately result in a significant reduction in reserves and resources.

(e) Capital requirements

The Company does have limited financial resources. Although the Company believes it will be able to fund the development of its mineral properties through existing working capital, and a combination of debt and equity, there can be no assurance the Company will be able to raise additional funding if needed. Failure to obtain such additional funding could result in the delay or indefinite postponement of the exploration and development of some of the Company's properties.

(f) Risks relating to conducting business in China

The business operations of the Company are located in, and the revenues of the Company are derived from activities in, China. Accordingly, the business, financial condition and results of operations of the Company could be significantly and adversely affected by economic, political and social changes in China. Generally, China demonstrates favourable policies towards foreign investments. However, there is no guarantee that current policy trends and the existing economic policy of China will not be changed. A change in policies in China could adversely affect the Company.

(g) Dependence on Key Managerial Employees

The success of the Company is highly dependent upon the continued services of a small number of key managerial employees both in Canada and China, including Mr. Felipe Tan, the Chief Executive Officer of the Company and Mr. Zhang Ming, a Director of the Company and General Manager of the Chinese subsidiary. The Company does not currently maintain key-man life insurance policies on any member of management. Accordingly, the loss of any of these executives could have a material adverse effect on the Company.

(h) Competition

There is significant and increasing competition within the mining industry for the discovery and acquisition of properties considered having commercial potential. The Company competes with other mining companies, some of which have greater financial resources, and as a result, the Company may not be able to acquire mineral interests on terms it considers acceptable. As well, the Company competes for the recruitment and retention of qualified employees and other personnel. The current economic growth in China and the corresponding creation of a more liquid market for skilled employees may lead to future problems in retaining local Chinese management. As a result of this competition, the Company may not be able to acquire additional mineral interests and hire or retain qualified personnel for its projects.

17. Outlook

Despite the turbulence on the financial market, GobiMin is still financially well positioned to explore synergistic acquisition and investment opportunities.

Since the successful completion of the disposal of its two Chinese subsidiaries in February 2009, GobiMin endeavors to make opportunistic acquisitions with the cash reserves. In our recently completed financial year, GobiMin has acquired an equity interest in a silver trading operation and a gold property and, subsequently in early 2010, a coal project in China. Management is optimistic that these projects will bring satisfactory contribution to the Company upon commissioning and full operation.

During the coming year ahead, the Company will increase its efforts towards advancing the existing and newly acquired mining projects from exploration to development stage. Given our strong financial cash position, GobiMin will stay focused on finding investment opportunities with sound potential to sustain our development in the long run. The projects currently under evaluation and negotiation include high quality exploration and mining projects in China and overseas.

We look forward to the period ahead and the continued delivery of strong returns for the shareholders.