GobiMin Inc.
(Formerly Goldsat Mining Inc.)
(Incorporated in Canada under the Canada Business Corporation Act)

Consolidated Financial Statements

December 31, 2005 and 2004
(Expressed in United States Dollars)

AUDITORS' REPORT

To the Shareholders of
GobiMin Inc.

We have audited the balance sheet of **GobiMin Inc.** as at December 31, 2005 and the statements of income and retained earnings 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 financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2005 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, 2004 and for the eight months then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated June 30, 2005.

Ernst & Young LLP

Vancouver, Canada,
April 24, 2006.

Chartered Accountant

GobiMin Inc.

(Formerly Goldsat Mining Inc.)

Consolidated Balance Sheet

As at December 31, 2005 and 2004

(Expressed in United States Dollars)

	December 31, 2005	December 31, 2004
ASSETS	$	$
Current		
Cash and cash equivalents (Note 5)	7,894,272	2,774,378
Prepayments, deposits and other receivables	329,111	561,116
Inventories (Note 6)	1,258,653	848,367
Total current assets	9,482,036	4,183,861
Mineral properties (Note 7)	8,741,702	7,209,055
Due from related parties (Note 11)	186,458	-
Total assets	18,410,196	11,392,916
LIABILITIES		
Current		
Accounts payable	327,789	91,073
Other payables and accrued liabilities	3,183,302	1,514,807
Loan payable (Note 9)	-	348,542
Promissory note payable (Note 3 and 8)	2,287,486	-
Income tax payable	480,186	456,287
Total current liabilities	6,278,763	2,410,709
Due to shareholders (Note 10)	-	3,380,963
Total liabilities	6,278,763	5,791,672
Non-controlling interests	**219,301**	**87,925**
SHAREHOLDERS' EQUITY		
Share capital (Note 14)	3,834,003	9,967
Contributed surplus (Notes 14a and 14b)	3,592,116	2,778,791
Cumulative translation adjustments	20,284	-
Reserves (Note 15)	1,547,278	986,229
Retained earnings	2,918,451	1,738,332
Total shareholders' equity	11,912,132	5,513,319
Total liabilities and shareholders' equity	18,410,196	11,392,916

See accompanying notes to the Consolidated Financial Statements

APPROVED BY THE BOARD

Felipe Tan
Director

Hubert Marleau
Director

GobiMin Inc.

(Formerly Goldsat Mining Inc.)

Consolidated Statement of Income and Retained Earnings

12 Months Ended December 31, 2005 and 8 Months Ended December 31, 2004

(Expressed in United States Dollars)

	12 Months Ended December 31, 2005	8 Months Ended December 31, 2004
	$	$
Revenues	11,038,464	7,552,342
Cost of sales	(2,850,817)	(2,581,705)
Depreciation	(938,370)	(498,333)
Selling and distribution cost	(347,579)	(355,136)
Write-off of mine construction cost (Note 7)	(254,785)	-
Gross Profit	6,646,913	4,117,168
Other revenue	176,997	20,187
General and administrative expenses	(2,144,066)	(946,246)
Stock based compensation (Note 14b)	(118,930)	-
Other operating expenses	(106,990)	7,719
Operating earnings	4,453,924	3,198,828
Interest expense	(15,211)	(15,018)
Earnings before tax and non-controlling interests	4,438,713	3,183,810
Income tax (Note 13)	(845,762)	(492,532)
Earnings before non-controlling interests	3,592,951	2,691,278
Non-controlling interests	(130,696)	(86,363)
Net earnings for the period	3,462,255	2,604,915
Retained earnings, beginning of period	1,738,332	192,784
Reverse Takeover transaction costs (Note 3)	(286,778)	-
Special dividend payment in Reverse Takeover (Note 3)	(1,039,816)	-
Dividend payment (Note 12)	(385,500)	(192,900)
Transfer to general reserve (Note 15)	(570,042)	(866,467)
Retained earnings, end of the period	2,918,451	1,738,332
Basic earnings per share (Note 14)	0.09	0.07
Diluted earnings per share (Note 14)	0.08	0.07
Weighted average number of shares outstanding (Note 14)	40,201,034	36,532,500
Diluted weighted average number of shares outstanding (Note 14)	41,536,731	36,532,500

GobiMin Inc.

(Formerly Goldsat Mining Inc.)

Consolidated Statement of Cash Flows

12 Months Ended December 31, 2005 and 8 Months Ended December 31, 2004

(Expressed in United States Dollars)

	12 Months Ended December 31, 2005	8 Months Ended December 31, 2004
Cash flows from (used in) operating activities	$	$
Net earnings for the period	3,462,255	2,604,915
Adjustments for items not involving cash:		
- depreciation	938,370	498,333
- amortization in general and administrative expenses	72,158	22,727
- write-off of mine construction cost	254,785	-
- stock based compensation	118,930	-
- gain on settlement of debts	(34,621)	-
- other unusual items	(159,076)	72,775
- non-controlling interests	130,696	79,151
	4,783,497	3,277,901
Change in non-cash working capital items:		
- Prepayments, deposits and other receivables	232,004	(242,437)
- Due from related parties (Note 11)	-	21,857
- Inventories	(410,286)	(217,738)
- Accounts payable	236,716	(196,023)
- Due to related parties (Note 11)	-	(5,892)
- Other payables and accrued liabilities	1,668,496	425,086
- Tax payable	23,899	393,295
Net cash from operating activities	6,534,326	3,456,049
Cash flows from (used in) financing activities		
Shares issued for cash from private placement	3,309,976	-
Shares issued for cash from warrant exercise	277,632	-
Share issue cash costs	(388,804)	-
Dividend paid	(385,500)	(192,900)
Bank loans	-	348,542
Repayment of bank loans	(348,542)	(360,561)
Net cash from (used in) financing activities	2,464,762	(204,919)
Cash flows from (used in) investing activities		
Financing for employee benefits	(186,458)	-
Cash acquired in reverse take over	1,213,417	-
Cash payment to effect acquisition of Alexis (Note 3)	(2,342,736)	-
Property, plant and equipment	(2,540,958)	(1,038,727)
Net cash used in investing activities	(3,856,735)	(1,038,727)
Increase in cash and cash equivalents	5,142,353	2,212,403
Effect on foreign exchange rate changes on cash	(22,459)	-
Cash and cash equivalents at beginning of period	2,774,378	561,975
Cash and cash equivalents at end of period	7,894,272	2,774,378
Supplementary cash flow information:		
Interest received	117,355	5,143
Interest paid	(12,426)	(15,018)
Income tax paid	(836,429)	(99,236)

1. NATURE OF OPERATIONS

GobiMin Inc. (formerly Goldsat Mining Inc. ("Goldsat") together with its subsidiaries, collectively referred to herein as the "Company" or "GobiMin", is engaged in the development and exploitation of mineral properties in Hami of the Xinjiang Uygur Autonomous Region of the People's Republic of China ("China") through its operating Chinese subsidiaries, Xinjiang Yakesi Resources Company Limited ("Yakesi") and Hami Jubao Resources Development Limited ("Jubao"). The Company owns 97% of Yakesi and 92.9% of Jubao.

The ore being mined by the Company is predominately nickel and copper. It then processes the ore through its 600 tonnes per day processing plant to produce a nickel and copper concentrate. The concentrate is then sold to its customer, Jinchuan Group Ltd., China's largest nickel producer and smelter operator.

The Company was created on September 30, 2005 under the Canada Business Corporation Act upon the amalgamation of Goldsat Mining Inc. with 4209931 Canada Inc. ("Canco") and the ensuing acquisition of Alexis Resources Limited ("Alexis") by way of reverse takeover, as more fully described in Note 3.

Alexis, the Company's wholly-owned subsidiary, is considered as the acquiring company and the continuing entity for accounting purposes and the transactions accounted for as an issuance of shares of Alexis and a recapitalization of the consolidated entity. Consequently, the comparative figures presented are those of Alexis. Alexis changed its fiscal year-end from April 30 to December 31 for the period ended December 31, 2004. Therefore, Alexis 2004 financial statements cover a period of eight months from May 1, 2004 to December 31, 2004 while GobiMin 2005 financial statements cover a period of twelve months from January 1, 2005 to December 31, 2005.

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. The reverse takeover transaction is accounted for under the guidelines of Canadian Institute of Chartered Accountant ("CICA") EIC 10 Reverse Takeover Accounting.

b) Foreign currency translation:

The Company's subsidiaries denominated in foreign currencies are translated using the current rate method. The assets and liabilities of foreign subsidiaries are translated into US Dollars at year end exchange rates. The Income Statements are translated into US Dollars at the average exchange rates of the period. The resulting translation difference is included in the currency translation adjustment account.

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) Property, plant and equipment:

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: 9.5% - 19%
Leasehold improvement: 33.33%
Production equipment: 9.5% - 19%
Transportation equipment: 11.88% - 25%
Other equipment: 19%

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.

e) Intangible asset:

Intangible assets are the licenses on mining rights. The mining rights are stated at cost less accumulated amortization and any impairment losses. The cost of mining rights is amortized on a straight-line basis over their estimated useful lives of 5-10 years. Intangible assets 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.

f) Inventories:

Inventories are valued at the lower of cost (first-in, first-out basis) and market (net realizable value).

g) 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.

h) Stock based compensation expense:

The Company has adopted CICA 3870 Stock-based Compensation and Other Stock based Payments to account for the issuance of stock options to employees and non-employees. 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.

i) Revenue recognition:

Revenue from the sale of nickel concentrate is recognized when risk and title passes 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 a formula in the off-take contract that includes average listed price of the customer and the price factor decided by the grade of the concentrate.

j) 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.

k) 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 intangible assets and property, plant and equipment, construction in progress and stock based compensation expense.

l) Seasonality of operations:

The winter conditions in which the Company's subsidiaries operate temporarily suspend the processing of the ore. The quantities of finished goods produced for sale in winter are significantly lower than the capacity of the Company's plant facilities. Winter is generally from mid- November to early March.

m) Asset retirement obligation:

The Company has not recorded a liability for its asset retirement obligations because there are no legal obligations for asset retirements in all of the Company's projects in China. All the projects are in a desert area in northern China and management believes that the liability after the mine site is closed is immaterial. If there is any change in the regulations in the future, the Company will make necessary provisions to meet the related potential liabilities.

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.

n) Prior period presentation:

The 2004 consolidated financial statements were prepared in accordance with Hong Kong generally accepted accounting principles because Alexis, the continuing entity for accounting purpose, was in 2004 an associate of a Hong Kong listed company. The 2004 comparative figures in the financial statements are restated in accordance with Canadian generally accepted accounting principles and are translated into US dollars using the current rate method. The prior period restatement effect is accounted for in 2004 opening retained earnings. The reason for the restatement is that under Hong Kong GAAP it is permissible for the Company to fund its operations from the shareholders reserve.

(Expressed in United States Dollars)

3. ACQUISTION AND REVERSE TAKEOVER

Goldsat entered into a share purchase agreement on February 11, 2005 with Alexis, a private company incorporated under the laws of the British Virgin Islands, and the then shareholders of Alexis, Belmont Holdings Group Limited ("Belmont") and Simsen (China) Investments Limited ("Simsen"), for the acquisition of all of the issued and outstanding shares of Alexis. In addition, Goldsat entered into an amalgamation agreement with 4209931 Canada Inc. ("Canco"), a private company incorporated under the laws of Canada.

On September 29, 2005, after obtaining the approval of Goldsat's and Canco's shareholders, Goldsat completed the amalgamation by issuing 3,750,000 common shares at Canadian dollars ("Can$") 0.40 per share and 3,750,000 warrants at Can$ 0.50 per warrant (expiring on September 30, 2006) to the Shareholders of Canco, resulting in the formation of GobiMin under the *Canada Business Corporation Act* effective September 30, 2005.

On September 30, 2005, GobiMin completed the acquisition of Alexis through purchasing all the issued and outstanding shares of Alexis for consideration as described below. The consideration for the acquisition of Belmont's interest in and shareholder loan to Alexis was the issuance of 27,007,500 common shares of the Company and 4,500,000 warrants of the Company entitling the holder to purchase one common share of the Company at Can$0.50 for 18 months.

The consideration for the acquisition of Simsen's interest in and shareholder loan to Alexis was 9,525,000 common shares of GobiMin, a one year non-interest bearing promissory note of Can$2,667,000 ($2,297,087) and cash payment of Can$2,720,000 ($2,342,736). The amount of Simsen's shareholder loan was Can$4,179,737 ($3,600,007). Therefore the difference of $1,039,816 between the total amount of the promissory note and the cash payment and the amount of the shareholder loan was regarded as a special dividend payment to Simsen in the reverse takeover.

As a result of these transactions, the then shareholders of Alexis become the owners of a significant amount of the issued and outstanding common shares of the Company and the directors of Alexis and Canco become directors of the Company. Accordingly, this acquisition was accounted for as a reverse takeover transaction. Alexis, legally the Company's wholly-owned subsidiary, is considered the acquiring company and the continuing entity for accounting purposes and the transaction is accounted for as an issuance of shares of Alexis and a recapitalization of the consolidated entity. Consequently, the comparative figures presented are those of Alexis.

As described above, these consolidated financial statements include the completion of the reverse takeover transaction recorded in the year. Alexis, the continuing entity for accounting purposes, is considered to have acquired the assets and liabilities of Goldsat in a capital transaction.

The cost of the acquisition was allocated to the net identifiable assets of GobiMin at September 29, 2005 as follows:

Cash	1,220,387
Accounts receivable	28,002
Accounts payable	(184,695)
Loan payable	(170,049)
Net assets assumed	893,645

(Expressed in United States Dollars)

For the nine-month period from the date of the most recent audited financial statements to September 29, 2005, Statement of Operations and Deficit and Statement of Cash Flows of Goldsat, the legal parent, are as follows:

Statement of Operations and Retained Earnings

Revenue	
Mining credit recovery	8,446
Gain on debt settlement	38,800
	47,246
Expenses	
General expense	9
Bad debts	14,772
Automotive	2,475
Bank interest charges	158
Management fee	9,809
Transfer agent and filing fees	22,335
Office expenses	774
Telephone	1,085
	51,417
Net loss for the period	(4,171)
Deficit, beginning of the period	(2,907,032)
Elimination of deficit	2,541,977
Deficit, end of the period	(369,226)

Statement of Cash Flows

Operating	
Net loss	(4,171)
Gain on forgiveness of debts	(38,800)
	(42,971)
Change in non-cash operating working capital	
Accounts receivable	(2,550)
Payables and accruals	18,071
Loan payable	88,701
	61,252
Financing	
Issue of shares	139,759
Share issue costs	(96,098)
Cash from amalgamation of Canco	1,158,324
Advances on notes payable, net	(105,138)
	1,096,847
Net increase in cash	1,158,098
Cash, beginning of the period	86
Effect on foreign exchange rate changes on cash	62,203
Cash, end of the period	1,220,387

(Expressed in United States Dollars)

4. ACCOUNTING CHANGES

Reporting currencies

The Company changed its reporting currency to United States dollars effective September 30, 2005. The change in reporting currency was made to facilitate an investors' ability to compare the Company's financial conditions with other publicly traded companies in the industry. The consolidated financial statements were translated from Canadian dollars and other currencies to United States dollars using the current rate method. Under this method, the assets and liabilities were translated using the exchange rate in effect at the balance sheet date. The statements of operations and cash flows were translated at the average rate for the respective reporting periods. Any resulting foreign exchange gains and losses were recorded as a separate component of shareholders' equity and described as cumulative translation adjustments. The translated amount for non-monetary items became the historical basis for those items in subsequent reporting periods.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2005 include cash denominated in different currencies as follows:

Bank location	Currency	Amount	US$ Equivalent
Canada	CAD	387,409	332,280
Hong Kong	HKD	27,942,432	3,604,574
China	RMB	31,919,321	3,957,418
Total			7,894,272

Cash and cash equivalents at December 31, 2004 include cash denominated in different currencies as follows:

Bank location	Currency	Amount	US$ Equivalent
Hong Kong	HKD	2,110,575	271,420
China	RMB	20,825,548	2,502,958
Total			2,774,378

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, 2005.

6. INVENTORIES

	December 31, 2005	December 31, 2004
Raw materials	238,413	378,887
Finished goods	1,020,240	469,480
	1,258,653	848,367

7. MINERAL PROPERTIES

	Cost	Accumulated amortization	Net book value
December 31, 2005			
Leasehold land and buildings	2,047,995	(547,779)	1,500,216
Plant and machinery	1,735,929	(852,271)	883,658
Furniture, equipment and motor vehicles	429,540	(33,803)	395,737
Intangible Asset	6,066,514	(2,506,209)	3,560,305
Construction in progress	2,401,786	-	2,401,786
	12,681,764	(3,940,062)	8,741,702
December 31, 2004			
Leasehold land and buildings	842,306	(312,163)	530,142
Plant and machinery	1,667,940	(633,703)	1,034,237
Furniture, equipment and motor vehicles	38,444	(18,488)	19,956
Intangible Asset	6,011,573	(1,943,895)	4,067,678
Construction in progress	1,557,041	-	1,557,042
	10,117,304	(2,908,249)	7,209,055

From time to time, the management evaluates the estimated economic benefit derived from shaft construction relating to future mining potential. Mine construction costs are written off as soon as it is determined that their carrying values may exceed their estimated net recoverable amounts.

During 2005, the construction of one shaft at Huangshan was suspended and one old building at the processing plant was written off as management determined that the economic benefit would be negative. A cost of $254,785 for the shaft development and the net book value of the building at the processing plant was written off.

8. PROMISSORY NOTE PAYABLE

As described in Note 2, the promissory note represents part of the consideration for the acquisition of Simsen's interest in Alexis. The note is non-interest bearing and is due in September 2006.

9. LOAN PAYABLE

The loan payable of $348,542 at December 31, 2004 was secured into an interest-bearing bank loan repayable within one year. The bank loan was denominated in RMB and secured by certain plant and machinery of the Company with a net book value of approximately $655,346. The loan was paid off during 2005 and the balance of the loan payable was nil at December 31, 2005.

10. DUE TO SHAREHOLDERS

Due to shareholders of $3,380,963 at December 31, 2004 was unsecured, interest-free and repayable within one year. The amounts were paid off in 2005 and the balance due to shareholders was nil at December 31, 2005.

11. RELATED PARTY TRANSACTIONS

a) During the twelve months ended December 31, 2005, the Company incurred $74,651 in production expenses with minority shareholders of subsidiaries. The transactions are conducted in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties. The Company's ending inter-company balances with the minority shareholders were nil at December 31, 2005.

b) Due from related parties pertains to loans to 14 employees in the Chinese subsidiary of the Company for financial assistance related to home purchases. The balance of the loans at December 31, 2005 is $186,458 (2004 - nil). These loans are non-interest bearing and forgivable after eight years of service from the date of granting of the loan. Should the employee terminate his/her service to the Company prior to the end of the eighth year from the granting date of the loan, the original loan principal will become immediately repayable. These loans are collateralized by the homes and are being amortized on a straight-line basis over eight years.

c) As at April 30, 2004, the Company had $21,857 account receivable balance from Tigermetal Company Limited and $5,892 account payable balance to Tigermetal Company Limited. Both balances were regarded as due from (to) related parties as a director of the Company is also a director of Tigermetal. The balances with the related company and a director were received and paid during the eight months ended December 31, 2004.

d) See Notes 17 and 18b.

12. DIVIDEND PAID

Dividend of $385,500 (2004 - nil) was paid during the year by Alexis to its then shareholders, Belmont and Simsen, prior to the completion of the reverse takeover transaction.

13. INCOME TAX

No provision for Canada and Hong Kong Income tax has been made as the Company has no assessable profits in Canada and Hong Kong during the period. There is not related future tax asset recognized either because management believes that the operation loss in Canada and Hong Kong cannot be recovered in future years.

Yakesi, a 97%-owned subsidiary of the Company established in China, was subject to corporate income tax rate of 15% in 2005. Yakesi is eligible for an exemption from 3% regional tax rate and a 50% relief from the 30% state tax rate in China.

(Expressed in United States Dollars)

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:

	12 months Ended December 31, 2005	8 months Ended December 31, 2004
Profit before tax	4,438,713	3,183,809
Statutory tax rates	34.87%	17.50%
Tax charged at statutory tax rates	1,547,779	557,167
Tax rate difference	(1,588,707)	(78,685)
Permanent difference	674,443	14,050
Loss expiry	583,544	-
Share issue costs	(388,396)	-
Tax rate change	50	-
Foreign exchange effect	(11,013)	-
Change in valuation allowance	28,062	-
Tax expense	845,762	492,532

14. SHARE CAPITAL, WARRANTS AND STOCK OPTIONS

a) Common Stock

	Number	Amount
Authorized:		
Unlimited number of common shares		
Unlimited number of preferred shares		
Issued and outstanding:		
Shares issued to former shareholders of Goldsat and Canco, and Finder's fees	7,871,694	$893,645
Shares issued to former shareholders of Alexis	36,542,500	9,967
Shares issued for settlement of debts	202,348	87,140
Shares issued for cash from private placement	6,405,000	2,620,678
Shares issued for warrant exercise	519,000	222,573
Balance, December 31, 2005	51,540,542	$3,834,003

(Expressed in United States Dollars)

Warrant value in private placements

On January 21, 2005, Goldsat issued common share purchase units (341,960 units post-consolidation). Each unit consists of one common share and one warrant. Each warrant entitles the holder to acquire one additional common share at a price of $0.52. Upon the closing of the reverse takeover and amalgamation transaction, the Company closed private placement financing for $3,309,976 consisting of 6,405,000 units at a price of $0.52. Each unit consists of one common share and one-half of one common share purchase warrant, each whole purchase warrant exercisable into one common share of the Company at $0.86 per share until September 30, 2006. The warrants from private placement have been recognized in a separated component of equity.

The weighted average fair value of the 3,544,460 warrants from private placements was $0.19. The Company determines fair value of the warrants from private placements using the Black-Scholes pricing model. In determining the fair value of these employee stock options, the following assumptions were used:

Risk free interest rate:	2.94%
Expected life:	1.5 year for 341,960 warrants and 2 years for 3,202,500 warrants
Expected volatility:	69.9%
Expected dividends:	-

Escrowed Shares

27,532,500 common shares were placed in escrow in accordance with the escrow agreement dated September 30, 2005. The escrow shares are subject to a three-year term.

The total number of shares held in escrow at December 31, 2005 is 24,779,250.

b) Stock options

On May 26, 2005, the Company adopted the 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 4,900,000 common shares were reserved and 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, 2005 and 2004, and changes during the years ended on those dates is presented below:

	December 31, 2005		December 31, 2004	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Outstanding, beginning of period	71,311	$ 0.95	131,311	$ 1.64
Expired	(42,500)	(0.86)	(60,000)	(0.96)
Cancelled	(28,811)	-	-	-
Issued at October 1, 2005	2,675,000	0.55	-	-
Issued at December 5, 2005	310,000	1.00	-	-
Outstanding, end of period	2,985,000	$ 0.60	71,311	$ 0.95

(Expressed in United States Dollars)

The following table summarizes the employee stock options outstanding and exercisable at December 31, 2005:

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
		(Years)	$		(Years)	$
$0.55	2,675,000	4.75	0.55	-	-	-
$0.95 - $1.29	310,000	2.04	1.00	300,000	1.94	1.00
	2,985,000	4.47	0.60	300,000	1.94	1.00

The weighted average fair value of the 300,000 exercisable options exercisable in 2005 was $0.40. The Company determines fair value of the employee stock options using the Black-Scholes option pricing model. In determining the fair value of these employee stock options, the following assumptions were used:

Risk free interest rate:	3.80%
Expected life:	2 years
Expected volatility:	69.9%
Expected dividends:	-

c) Warrants

	December 31, 2005		December 31, 2004	
	Warrants	Weighted average exercise price	Warrants	Weighted average exercise price
		$		$
Outstanding, beginning of period	-	-	-	-
Issued at January 21, 2005	341,960	0.52	-	-
Issued at September 30, 2005	8,350,000	0.43	-	-
Issued at September 30, 2005	3,202,500	0.86	-	-
Exercised	(519,000)	0.43	-	-
Outstanding, end of period	11,375,460	0.55	-	-

The following table summarizes the warrants outstanding and exercisable at December 31, 2005:

Exercise Price	Number of Warrants Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Warrants Exercisable	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
		(Years)	$		(Years)	$
$0.52	341,960	0.56	0.52	341,960	0.56	0.52
$0.43	7,831,000	1.02	0.43	7,831,000	1.02	0.43
$0.86	3,202,500	0.75	0.86	3,202,500	0.75	0.86
	11,375,460	0.93	0.55	11,375,460	0.93	0.55

(Expressed in United States Dollars)

d) Basic and Diluted Earnings Per Share

According to EIC-10 RTO Earnings Per Share calculation, the number of shares deemed to be outstanding at the beginning of the 2005 should be the number of shares issued by the Company in the reverse takeover transaction.

Shares outstanding at January 1, 2004	36,532,500
Shares outstanding at January 1, 2005	36,532,500
Shares outstanding at September 29, 2005	41,864,194
Shares outstanding at September 30, 2005	51,021,542
Shares outstanding at December 14, 2005	51,140,542
Shares outstanding at December 21, 2005	51,540,542
Weighted Average Number of Shares Outstanding	40,201,034
Average Diluted Number of Shares Outstanding	41,536,731
Net earnings in 2005	3,462,255
Basic earnings per share	0.09
Diluted earnings per share	0.08

At December 31, 2005, 51,540,542 (2004 - 36,532,500) common shares were outstanding. The determination of earnings per share includes the earnings of Alexis and excludes the operation of Goldsat up to the date of the reverse takeover. The weighted average number of common shares issued and outstanding for the period ended December 31, 2005 was 40,201,034 (2004 - 36,532,500) which was based on the number of shares deemed to be outstanding from January 1, 2005 issued by the Company in the reverse takeover transaction. The average diluted number of shares outstanding at December 31, 2005 was 41,536,731 (2004 - 36,532,500).

The 3,202,500 warrants issued at September 30, 2005 do not have any dilutive effect because the exercise price of the option is higher than the average share market price of the shares during the period.

15. RESERVES

Pursuant to the relevant laws and regulations in China, $570,042, a portion of the net earnings of the Company's subsidiaries in China, was transferred to general reserve, at the discretion of its board of directors. Subject to certain restrictions set out in the relevant law and regulations in China and the articles of associations of the relevant companies, the general reserve may be used to off-set losses or for capitalization as paid-up capital.

16. COMMITMENTS

As at December 31, 2005, capital commitments that the Company had contracted for, but not provided for, amounted to $3,114,548 (2004 - $2,888,308). The commitments relate to shaft construction and mining of Site #10 at Huangshan Dong. Pursuant to the construction and mining contracts, $2,507,480 of construction and mining expenditures is expected to be incurred in 2006 and the remaining amounts will be incurred in 2007.

17. ECONOMIC DEPENDENCE

The Company has only one customer over the period covered by these consolidated financial statements. The customer is Jinchuan Group Limited ("Jinchuan") (See Notes 11d and 18b). Should the customer terminate the purchase agreement it signed with the Company, the sale of the Company's finished products depends on the Company's ability to locate and secure alternative sales outlets. The potential alternative can be selling nickel concentrate to other customers with smelter facilities in China.

18 SUBSEQUENT EVENT

a) On January 6, 2006, the Company closed a non-brokered private placement financing for Can$1,276,000, consisting of 1,160,000 units at a price of Can$1.10 per unit. Each unit consists of one common share and one-half of one common share purchase warrant, each whole purchase warrant exercisable into one common share of the Company at Can$1.50 per share until January 31, 2007. The securities will be subject to a four-month holding period. Net proceeds from the issue will be used towards the advancement of the Company's exploration program at the Huangshan deposit in northwest China as well as for general corporate purposes.

b) Between January 1 to April 24, 2006, the Company issued 3,948,489 common shares for the total proceeds of Can$3,339,943 pursuant to the exercise of 3,923,489 share purchase warrants at the prices between Can$0.50 to Can$1.50 per share and the exercise of 25,000 options at the price of Can$0.64 per share. Among the shares issued, 2,550,000 common shares were issued to Jinchuan Group Limited for share purchase warrants exercised by it at the price of Can$1.00 with a total proceeds of Can$2,550,000. After the said issue of shares, Jinchuan holds approximately 13.5% of the total outstanding shares of the Company.

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

Management's Discussion and Analysis of Financial Results

For the year ended December 31, 2005
(Expressed in United States Dollars)

The following discussion and analysis of the consolidated operating results and financial condition of GobiMin Inc. for the fiscal year ended December 31, 2005 and the eight months ending December 31, 2004 should be read in conjunction with the audited consolidated financial statements and accompanying notes. The financial information was prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The date of this Management's Discussion and Analysis is April 24, 2006.

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.

Corporate Overview

GobiMin Inc. ("GobiMin"), formerly Goldsat Mining Inc. ("Goldsat"), together with its subsidiaries, collectively referred to herein as the "Company", is engaged in the exploration, development and mining of mineral properties in the People's Republic of China ("China"). The Company's base metals projects are located in the Hami region of northwestern China.

The Company was created on September 30, 2005 under the *Canada Business Corporations Act* upon the amalgamation of 4209931 Canada Inc. ("Canco") and Goldsat and the ensuing acquisition of Alexis Resources Limited ("Alexis") by way of reverse takeover, as more fully described below.

GobiMin, through its subsidiary Alexis, mines nickel and copper ore from two underground mines. Ore is processed through a 600 tonnes per day plant to produce nickel-copper concentrates, which are sold to its customer, Jinchuan Group Ltd. ("Jinchuan"), China's largest nickel producer and smelter operator. The Company is currently constructing a new plant facility with capacity of 1,000 tonnes per day scheduled to be completed by late 2006, which will have the result of nearly doubling the current nickel concentrate production. The Company continues to pursue additional base metals opportunities in northwestern China with the objective of becoming a significant producer in that region.

Industry Overview

The global nickel market enjoyed an excellent year in 2005 with nickel prices on the London Metal Exchange ("LME") averaging $6.68 per pound, the highest in history. Nickel prices were slightly higher on average in 2005 compared to 2004, despite weakening in the second half of 2005 due to a slower demand from the stainless steel sector. The LME nickel prices averaged $7.20 per pound in the first half of the year while averaging $6.17 per pound in the second half.

Looking ahead, nickel prices are expected to remain high with a certain degree of volatility. China is likely to be the main driver of growth in nickel consumption for 2006 and for the remainder of this decade. It is not expected that the nickel industry will be capable of exceeding a rate of 4% annual supply growth until at least 2008. The industry is also seeing a shortage of primary nickel, which now accounts for 58% of the global nickel supply. With no significant technology breakthrough happening and average nickel industry costs climbing to new highs due to high energy costs combined with strong demand fundamentals, the nickel market remains attractive.

Business Strategy

GobiMin, through its Chinese subsidiaries, is focused on delivering value to its shareholders. Management's objective is to grow the Company into a major player in the mining industry in China. In order to achieve its long-term strategic goals, the Company plans to:

1. Demonstrate economic potential of the large resources on its properties;
2. Increase production profile at its existing mine infrastructure and expand plant facilities; and
3. Evaluate and acquire strategic business opportunities in China to provide additional shareholder value.

Reverse Takeover

In September 2005, the Company completed the reverse takeover of Alexis (the "RTO") pursuant to a share purchase agreement entered on February 11, 2005 (the "Acquisition Agreement"). The Acquisition Agreement was entered into between Goldsat, Alexis (a private company incorporated under the laws of British Virgin Islands), and the then shareholders of Alexis, Belmont Holdings Group Limited ("Belmont") and Simsen (China) Investment Limited ("Simsen"), and provided for the acquisition of all of the issued and outstanding shares of Alexis. In addition, Goldsat entered into an amalgamation agreement with Canco, a private company incorporated under the laws of Canada. Refer to Note 3 of the Consolidated Financial Statements for complete description of this transaction.

As a result of these transactions, Belmont became the owner of a controlling interest in the Company and directors of Alexis and Canco became directors of the Company. Accordingly, this acquisition has been accounted for as a reverse takeover that does not constitute a business combination. Alexis, legally the Company's wholly-owned subsidiary, is considered the acquiring company and the continuing entity for accounting purposes. The transaction was accounted for as an issuance of shares of Alexis and a recapitalization of the consolidated entity.

In conjunction with the RTO, the Company completed a private placement of Can$3,843,000 by issuing 6,405,000 units at Can$0.60 per Unit. Each Unit is comprised of one common share and one-half of a share purchase warrant, each full warrant entitling the holder to acquire one common share of the company at a price of Can$1.00 prior to September 30, 2006. As part of this private placement, Jinchuan invested Can$3,060,000 in GobiMin by acquiring 5,100,000 units, representing approximately 10% of the issued and outstanding common shares of GobiMin.

Accounting Changes

Reporting currencies

The Company changed its reporting currency to United States dollars effective September 30, 2005. The change in reporting currency was made to facilitate an investor's ability to compare the Company's financial condition with other publicly traded companies in the industry. The consolidated financial statements were translated from Canadian dollars and/or other currencies to the United States dollars using the current rate method. Under this method, the assets and liabilities were translated using the exchange rate in effect at the balance sheet date. The statements of operations and cash flows were translated at the average rate for the respective reporting periods. Any resulting foreign exchange gains and losses were recorded as a separate component of shareholders' equity and described as cumulative translation adjustments. The translated amount for non-monetary items became the historical basis for those items in subsequent reporting periods.

Critical Accounting Policies and Estimates

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

Depreciation of mineral properties

Mineral properties comprise the largest component of the Company's assets and as such, the depreciation and amortization of these assets has a significant effect on the Company's financial statements. Upon commencement of commercial production, the Company amortizes the properties, plant and equipments over their expected useful lives using the straight-line method with an estimated residual value of 5%. Construction in progress is stated at cost less any impairment loss, and is not depreciated. Cost comprises the direct costs of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

(Expressed in United States Dollars)

Impairment of long-lived assets

Undiscounted future net cash flows expected to be generated by the assets of the Company is calculated using management's best estimates of future production, sales prices, operating and capital costs. Because of the changing market environment, it is impossible to predict with certainty the revenue expected to be generated from the assets, as well as to measure with certainty further costs to be incurred for earning such revenue. If an unfavourable market condition persists, the Company may not be able to recover the carrying value of its assets.

Asset retirement obligations

According to current Chinese environmental regulations and contracts of the Company, there is no obligation for the Company to dismantle and remove plant and equipment or to remediate sites upon the cessation of operations. Therefore, the Company has not made any provision on the asset retirement obligations. If there is any change in the regulations in future, the Company will make necessary provisions to account for the related potential liabilities. 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.

Selected Annual Information

Selected annual information is provided as follows:

	12 Months Ended December 31, 2005	**8 Months Ended December 31, 2004**
Revenue	$ 11,038,464	$ 7,552,342
Net earnings	3,462,255	2,604,915
Basic earnings per share	0.09	0.07
Net cash from operating activities	6,534,326	3,456,049
Total assets	18,410,196	11,392,916
Long-term liabilities (1)	-	3,380,963

(1) Long-term liabilities include only amount due to shareholders.

Results of Operations

Revenues

Revenues from the Company's nickel-copper operations for fiscal 2005 totaled $11,038,464 compared to $7,552,342 for the eight months ended December 31, 2004. Revenues for nickel were $10,365,256 million versus $7,279,081 in the eight months ended December 31, 2004 and for copper were $673,208 versus $273,261 in the eight months ended December 31, 2004. This significant increase was the result of higher mining and plant production achieved during 2005. Net of smelting and refining costs, average nickel price realized in 2005 was $4.49 per pound sold and average copper price realized was $0.49 per pound sold compared to average nickel price realized of $3.80 per pound sold and average copper price realized of $0.32 per pound sold in the eight months ended December 31, 2004.

(Expressed in United States Dollars)

As the Company continued to expand its mine development in 2005, 147,977 tonnes of ore were mined. The plant processed 154,786 tonnes of ore with a nickel head grade of 0.83%. The grade of the ore in 2005 was lower than in 2004, mainly because of the decision to lower the cut-off grade to 0.4% nickel from 0.6% nickel, reflecting the stronger metal markets. The plant recovery rate was 89% for nickel.

In 2006, the Company plans to increase mine production levels by 29% and to commission the new 1,000 tpd plant in the third quarter. Metal production is forecast to be approximately 2.7 million pounds of nickel and 1.2 million pounds of copper.

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

Mining Operations	**12 Months Ended December 31, 2005**	**8 Months Ended December 31, 2004**
Ore (tonnes)		
Mined	147,977	104,922
Processed	154,786	100,991
Sold	138,134	98,969
Nickel grade of ore processed	0.83%	1.06%
Nickel grade of ore sold	0.85%	0.99%
Metallurgical recovery	89.2%	88.8%
Metal sold (tonnes)		
Nickel	1,048	870
Copper	630	382
Metal sold ($)		
Nickel	$10,365,256	$7,279,081
Copper	673,208	273,261
Total Revenue	$11,038,464	$7,552,342
Average realized nickel price per pound sold (2)	$4.49	$3.80
Average realized copper price per pound sold (2)	$0.49	$0.32
Average cash cost per pound of nickel sold, net of copper (1)	$1.09	$1.39
Average cash cost per tonne of ore, net of copper (1)	$18.30	$26.90

(1) Cash cost is a non-GAAP measure, which excludes depreciation and asset write-off, and includes mining, milling and haulage costs, after deducting the copper revenue.
(2) Net of smelting and refining cost.

(Expressed in United States Dollars)

Cost of sales

Cost of sales amounted to $2,850,817 in 2005 compared to $2,581,705 for the eight months ended December 31, 2004. Cash operating cost per tonne of ore, net of copper, averaged $18.30 for fiscal 2005. Cash cost figure, a non-GAAP measure, represents the total of all cash costs directly attributable to the related mining operations after the deduction of credits in respect to by-product sales. The Company produces nickel-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.

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

	12 Months Ended December 31, 2005		**8 Months Ended December 31, 2004**	
	$	$/tonne	$	$/tonne
Cost of sales (1)	2,850,817	20.6	2,581,705	26.1
Selling and distribution cost	347,579	2.5	355,136	3.6
By-product credits:				
Copper	(673,208)	(4.8)	(273,261)	(2.8)
Cash operating cost	2,525,188	18.3	2,663,580	26.9

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

The improvement in cash cost per tonne of ore in 2005 was mainly due to the contractor charging less per tonne as a result of the Company purchasing the #17 shaft from the mining contractor. The other reason was the increase in sales volume that did not necessitate a proportionate increase in mining and milling costs.

The selling and distribution expenses were $347,579 in 2005. During 2005, there was a higher number of shipments compared to the previous year, which cost was offset by the use of less expensive railway transportation.

Other expenses

The depreciation expense increased to $939,370 from $498,333 in the last eight months of 2004. The Company bought the #17 shaft at Huangshan Dong in early 2005, which started to be depreciated thereafter.

During 2005, the construction of one shaft at Huangshan was suspended and one old building at the processing plant was written off as management determined that the economic benefit would be negative. A cost of $254,785 for the shaft development and the net book value of the building at the processing plant was written off.

The general and administrative expenses incurred by the Company in 2005 were $2,144,066 compared to $946,246 in the eight-month period ended December 31, 2004. The increase is mainly due to additional professional fees and salaries incurred in 2005 as a result of the Company becoming a reporting issuer. Prior to the RTO, the shareholders of Alexis perform most of the administrative functions. In addition, a significant portion of the general and administrative expenses of $0.8 million was associated with the cost of listing the Company, legal and audit fees, investor relations expenses and salaries. The general and administrative expenses have been constant at the Company's operations over the last two years.

(Expressed in United States Dollars)

In 2005, the Company incurred $118,930 of stock-based compensation (2004 - nil), due to a portion of the stock options that were granted and vested by the year-end.

Income tax

The Company has not recognized any tax benefit for the losses incurred in Canada and Hong Kong as management has determined it is more likely than not that these tax assets will be not recovered at this time.

The effective tax rate was 19% in 2005 versus 15% in the eight-month period ended December 31, 2004. The increase of the effective rate was mainly because the Company incurred more expenses in Canada and Hong Kong, which are not deductible for tax purposes, as described above.

Yakesi Resources Co. Ltd., a subsidiary of the Company established in China, was subject to corporate income tax rate of 15% in 2005. Yakesi is eligible for an exemption from 3% regional tax rate and a 50% relief from the 30% state tax rate in China.

Liquidity and Capital Resources

The following table summarizes the Company's consolidated cash flows and cash on hand for fiscal year 2005 and the eight-month period ending December 31, 2004:

	12 Months ended December 31, 2005	**8 Months ended December 31, 2004**
Cash	7,894,272	2,774,378
Working capital	3,203,273	1,773,152
Long-term debt	-	3,380,963
Cash provided by operating activities	6,534,326	3,456,049
Cash used in investing activities	(3,856,735)	(1,038,727)
Cash provided by (used in) financing activities	2,464,762	(204,919)

Operating activities

In 2005, cash provided by operating activities remained strong, totaling $6,534,326 for the year. Cash flows from the mining operations were higher than the previous year as a result of increased nickel concentrate sold. The Company received an advance payment of $1.6 million from its customer for the inventory in transit at year-end, which contributed to the positive change of non-cash working capital.

Financing activities

Financing activities generated $2,464,762 in 2005. The Company raised gross proceeds of $3.3 million from the issuance of shares as a result of a private placement. The Company received $0.3 million from the exercise of warrants. During the third quarter of 2005, Alexis declared an annual dividend of $385,500 to its then shareholders, Simsen and Belmont, prior to the closing of the RTO, in accordance with the terms of the Acquisition Agreement. The Company intends to adopt a policy to pay dividends whenever there are operating profits from the mining operations, subject to factors such as income, financial condition, and capital requirements of the Company.

The Company's debt repayment amounted to $348,542 in 2005.

Investing activities

Investing activities consumed $3,856,735 of cash in 2005 compared to $1,038,727 in the last eight months of 2004. The significant increase is due to a $2.3 million cash payment to Simsen and $1.2 million cash acquisition during the RTO process. In fiscal 2005, the Company invested a $2.5 million in property, plant and equipment compared to $1.0 million in the eight-month period ended December 31, 2004. The significant increase during 2005 was mainly due to additional shaft construction work relating to mine development. The Company contracts its construction activities to local companies.

At December 31, 2005, the Company's cash and bank balances denominated in RMB are equivalent to approximately $3,957,418. The RMB is not freely convertible into other currencies. However, management believes that under China's Foreign Exchange Control Regulations, Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Company will be permitted to exchange RMB for other currencies through banks that are authorized to conduct foreign exchange business (refer to "Risk Factors").

For 2006, the Company's cash requirements are primarily to fund the construction of the new plant facility, drilling program at Huangshan, and planned development at the mines. The Company has budgeted approximately $5.0 million for these expenses. Cash flows from the operating mines of the Company, based on the current nickel prices, should be adequate to fund these expenditures. The Company would have to raise additional funds through the capital market for further cash requirements to fund new potential acquisitions.

The Company's principal capital requirements are to fund its exploration, development and mining activities. The need for capital requirement will depend in part upon the success of the Company in exploring and developing its existing assets, and the continued favorable market conditions for the nickel industry. Capital requirements are subject to changes as business conditions warrant and opportunities arise.

Balance Sheet

Promissory note

As a result of the RTO and the ensuing recapitalization, the Company incurred a debt in the form of Promissory Note in the amount of $2,287,486 payable to Simsen in September 2006.

Due to shareholders

Due to shareholders of $3,380,963 at December 31, 2004 was unsecured, interest-free and repayable within one year. The balance was repaid in 2005 and there was no amount due to shareholders at December 31, 2005.

Share capital

At December 31, 2005, the Company had 51.5 million common shares issued and outstanding. Approximately 45.7 million shares were issued as a result of the RTO, including the issuance of 27.0 million shares for the acquisition of Alexis, 9.5 million shares issued to Simsen for a convertible note, 6.4 million shares issued in a private placement and 2.8 million shares issued as finder's fee and for debt settlements. An additional 3.7 million shares were issued for the amalgamation with Canco.

The Company cancelled all of its outstanding stock option plans on May 26, 2005 and on September 30, 2005 created a new plan entitled the 2005 Stock Option Plan ("Option Plan"). A total of 4.9 million common shares were reserved for issuance pursuant to the exercise of options to be granted under the Option Plan. On October 11, 2005, the Company granted 2,675,000 options at an exercise price of Can$0.64 to directors, management, employees and consultants and on December 5, 2005, 310,000 additional options were granted to employees and consultants at exercise prices of Can$1.10 and Can$1.50 with expiry dates ranging from three to five years. These options are exercisable six months after the granting date and are vested between three to five years.

In December 2005, a total of 519,000 shares were issued for the exercise of warrants.

Contractual obligations and commitment

As at December 31, 2005, capital commitments that the Company had contracted for, but not provided for, amounted to $3,114,548 (2004 - $2,888,308). The commitments relate to shaft construction and mining of Site #10 at Huangshan Dong. Pursuant to the construction and mining contracts, $2,507,480 of construction and mining expenditures is expected to be incurred in 2006 and the remaining amount will be incurred in 2007. The expected expenditures are all included in the Company's investment plan of 2006.

(Expressed in United States Dollars)

Summary of Quarterly Results

For the quarter ended	December 31, 2005	September 30, 2005	June 30, 2005	March 31, 2005
Revenue	1,144,131	4,461,268	3,950,295	1,482,770
Net earnings (loss)	(248,258)	1,760,307	1,677,428	272,778
Cash and cash equivalent	7,894,272	8,173,174	4,565,944	2,137,510
Working capital	3,203,273	3,334,890	2,919,078	1,137,200
Long term liabilities	-	-	3,380,963	3,380,963

Fourth Quarter 2005 Review

For the three months ended December 31, 2005, the Company reported a net loss of $248,258 on revenue of $1,144,131. The loss was due to a lower amount of nickel concentrate produced and sold as the Company suspends the processing of the ore during the winter months. Winter is generally from mid-November to early March. As a result, the gross profit during the period was reduced to $308,067, significantly lower than the remaining of the year. Maintenance costs at the plant and lower realized nickel prices also impacted earnings.

General and administrative expenses totaled $603,715 in the fourth quarter of 2005 as the Company incurred increased legal, accounting and consulting expenses as a result of the Company's listing on the TSX Venture Exchange. The Company also incurred a non-cash expense of $118,930 for stock based compensation as a result of the issuance of 300,000 stock options to consultants during the fourth quarter.

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 to doing business in China, some of which are outlined below.

Metal prices

The profitability of the Company maybe significantly affected by changes in the market price of nickel and copper. Future serious price declines of nickel could cause commercial production to be impractible. 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.

Currency risks

The Company's operating expenses and revenues from operations are received 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.

Exploration, development and operating risks

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

Uncertainty of ore reserve and resource estimates

The Company prepares its own mineral reserves and resources 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 have been determined based upon assumed commodity prices and operating costs. These factors may in the future render certain mineral reserves and resources uneconomic and may ultimately result in a significant reduction in reserves and resources.

Capital requirements

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

Risks relating to carrying 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. Although in recent years China has implemented economic reforms and reduced state ownership, a substantial portion of productive assets in China is still owned by the China government. The implementation of new or the modification of existing laws and regulations affecting the mining and metals industry could have a material adverse impact on the Company. The China government also exercises significant control over China's economic growth through the allocation of resources, control of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Economic growth in China has been uneven both geographically and among various sectors of the economy. Despite generally favourable policies towards foreign investment, there is no guarantee that current policy trends and, specifically, the existing economic policy of China will not be changed. A change in policies in China could adversely affect the Company as a result of changes in laws and regulations, or the interpretation thereof, confiscatory taxation, restrictions on currency conversion, imports and sources of supplies, or the expropriation of private enterprises.

Other risks and uncertainty involve the renewal of business licenses, permits and authorizations, and mining titles to the properties given the state of the legal and administrative systems in China.

Competition

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 the Chief Executive Officer of the Company, Felipe Tan. The Company does not currently maintain key-man life insurance policies on any member of management. Accordingly, the loss of any of whom could have a material adverse effect on the Company.

There is significant and increasing competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company competes with other mining companies, some of which have greater financial resources than the Company, and as a result it 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 PRC management. As a result if this competition, the Company may not be able to acquire additional mineral interests and hire or retain qualified personnel for its projects.

Dependence on smelting facilities

All of the concentrate from the Company is processed and sold to the Jinchuan smelter. If for any reason the Jinchuan smelter would not be available for an extended period of time, the Company would suffer from material interruptions in cash flow when an alternative smelting facility is not readily available.

Outlook

The strong revenue and cash flow momentum enjoyed in 2005 is expected to continue in fiscal 2006, assuming similar market conditions in the coming year. The Company will continue to increase its production profile through additional development work at its mining operations and the completion of a new plant facility. One of the Company's priorities will be to advance its promising Huangshan exploration project located in proximity of its mining operations to pre-feasibility study stage. Historical drill results have indicated the potential for a large new nickel deposit. GobiMin's geological team with the assistance of SRK Consulting of Canada is planning a drilling program for the coming summer to bring the historical resource to NI 43-101 compliant before the end of the year. Subject to positive results, GobiMin would launch a pre-feasibility study, including mine design and cost analysis.

GobiMin continues to assess new growth opportunities in northwestern China with the objective of bringing significant value to its shareholders in the years ahead. The Company has a successful combination of in-region experience, quality assets and an aggressive approach to project development. These important factors will play a key role in the Company's ability of becoming a key player in the base metals industry in China.