

GobiMin Inc.

(Incorporated in Canada under the Canada Business Corporation Act)

Interim Consolidated Financial Statements
(Unaudited – Prepared by Management)

March 31, 2006

(Expressed in United States Dollars)

GobiMin Inc.**Consolidated Balance Sheet (Unaudited)**

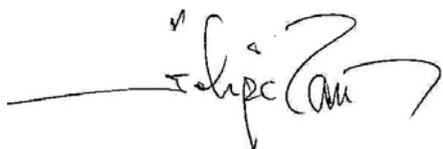
As at March 31, 2006 and December 31, 2005

(Expressed in United States Dollars)

	March 31, 2006	December 31, 2005
	(Unaudited)	(Audited)
	\$	\$
ASSETS		
Current		
Cash and cash equivalents (Note 5)	10,498,318	7,894,272
Prepayments, deposits and other receivables	206,457	329,111
Inventories (Note 6)	986,604	1,258,653
Total current assets	11,691,379	9,482,036
Mineral properties (Note 7)	9,921,277	8,741,702
Due from related parties (Note 9)	181,245	186,458
Total assets	21,793,901	18,410,196
LIABILITIES		
Current		
Accounts payable	645,234	327,789
Other payables and accrued liabilities	2,054,485	3,183,302
Promissory note payable (Note 8)	2,284,173	2,287,486
Income tax payable	510,182	480,186
Total current liabilities	5,494,074	6,278,763
Total liabilities	5,494,074	6,278,763
Non-controlling interests (Note 10)	246,474	219,301
SHAREHOLDERS' EQUITY		
Share capital (Note 11)	5,201,375	3,834,003
Shares to be issued (Note 11)	2,183,967	-
Contributed surplus (Note 11)	3,846,687	3,592,116
Cumulative translation adjustments	77,412	20,284
Reserves (Note 12)	1,547,278	1,547,278
Retained earnings	3,196,634	2,918,451
Total shareholders' equity	16,053,353	11,912,132
Total liabilities and shareholders' equity	21,793,901	18,410,196

See accompanying notes to the Consolidated Financial Statements

APPROVED BY THE BOARD

Felipe Tan
DirectorHubert Marleau
Director

GobiMin Inc.**Consolidated Statements of Income and Retained Earnings (Unaudited)**

Three Months Ended March 31, 2006

(Expressed in United States Dollars)

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
	(Unaudited)	(Unaudited)
	\$	\$
Revenue	2,344,135	1,478,558
Cost of sales	(885,748)	(357,454)
Depreciation	(240,872)	(216,486)
Selling and distribution cost	(97,896)	(55,319)
Write-off of mine construction cost (Note 7)	-	(149,481)
Gross Profit	1,119,619	699,818
Other revenue	40,957	3,137
General and administrative expenses	(612,090)	(348,405)
Stock based compensation (Note 11)	(91,626)	-
Other operating expenses	-	(100,743)
Operating earnings	456,860	253,807
Interest expense	-	(4,621)
Earnings before tax and non-controlling interests	456,860	249,186
Income tax	(151,251)	(123,970)
Earnings before non-controlling interests	305,609	125,216
Non-controlling interests (Note 10)	(27,426)	(11,282)
Net earnings for the period	278,183	113,934
Retained earnings, beginning of period	2,918,451	1,790,608
Retained earnings, end of the period	3,196,634	1,904,542
Basic earnings per share (Note 11)	0.006	0.003
Diluted earnings per share (Note 11)	0.005	0.003
Weighted average number of shares outstanding (Note 11)	53,167,080	36,532,500
Diluted weighted average number of shares outstanding (Note 11)	61,401,252	36,532,500

See accompanying notes to the Consolidated Financial Statements

GobiMin Inc.**Consolidated Statements of Cash Flows (Unaudited)**

Three Months Ended March 31, 2006

(Expressed in United States Dollars)

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
	(Unaudited)	(Unaudited)
Cash flows from (used in) operating activities	\$	\$
Net earnings for the period	278,183	113,934
Adjustments for items not involving cash:		
- depreciation	240,872	216,486
- amortization in general and administrative expenses	33,991	15,093
- stock based compensation	91,626	-
- write-off of mine construction cost	-	149,481
- non-controlling interests	27,426	11,282
	672,098	506,276
Change in non-cash working capital items:		
- Prepayments, deposits and other receivables	122,654	289,336
- Inventories	272,049	13,203
- Accounts payable	317,445	97,193
- Other payables and accrued liabilities	(1,128,818)	(65,663)
- Tax payable	29,996	(69,054)
Net cash from operating activities	285,424	771,291
Cash flows from (used in) financing activities		
Shares issued for cash from private placement	1,092,840	-
Shares issued for cash from warrant and option exercise	438,458	-
Shares to be issued for cash from warrant exercise	2,183,967	-
Repayment of bank loans	-	(107,861)
Net cash from (used in) financing activities	3,715,265	(107,861)
Cash flows from (used in) investing activities		
Property, plant and equipment	(1,425,283)	(1,298,491)
Net cash used in investing activities	(1,425,283)	(1,298,491)
Increase (Decrease) in cash and cash equivalents	2,575,406	(635,061)
Effect on foreign exchange rate changes on cash	28,640	(8,316)
Cash and cash equivalents at beginning of period	7,894,272	2,774,378
Cash and cash equivalents at end of period	10,498,318	2,131,001
Supplementary cash flow information:		
Interest received	38,801	2,812
Interest paid	-	(4,621)
Income tax paid	(124,368)	(193,024)

See accompanying notes to the Consolidated Financial Statements

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 processing plant to produce a nickel and copper concentrate. The concentrate is then sold to its customer, Jinchuan Group Ltd. (“Jinchuan”), China’s largest nickel producer and smelter operator. Jinchuan owns approximately 9.5% of the Company’s total common shares outstanding as at March 31, 2006.

2. BASIS OF PRESENTATION

The unaudited interim consolidated financial statements of GobiMin have been prepared in accordance with Canadian generally accepted accounting principles using the same accounting policies and methods of application as those disclosed in note 2 of GobiMin’s annual consolidated financial statements for the year ended December 31, 2005. Generally accepted accounting principles for interim consolidated financial statements do not conform in all respects to the disclosures required for annual consolidated financial statements and, accordingly, these unaudited interim consolidated financial statements should be read in conjunction with GobiMin’s annual consolidated financial statements and accompanying notes for the year ended December 31, 2005. In the opinion of management, all adjustments considered necessary for the fair presentation of results for the periods presented have been reflected in these unaudited interim consolidated financial statements. These adjustments consist only of normal recurring adjustments. Operating results of those interim periods are not necessarily indicative of the result of that may be expected for the full fiscal year ending December 31, 2006.

The Company reviewed the accounting for selling and distribution cost and certain expenses incurred in the fourth quarter of 2004 and first quarter of 2005 and has restated its financial results for the first quarter of 2005. The effect of these changes on previously reported results is to increase selling and distribution cost of \$52,276, to increase cost of sale by \$105,794, to reduce net earnings for the period by \$158,070 and to reduce the basic and diluted earnings per share by \$0.004 for the first quarter of 2005.

3. 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 investors’ ability to compare the Company’s financial conditions with other publicly traded companies in the industry. The interim 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.

4. 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 late-November to early March.

GobiMin Inc.
Notes to Interim Consolidated Financial Statements (Unaudited)
 March 31, 2006
 (Expressed in United States Dollars)

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at March 31, 2006 include cash denominated in different currencies as follows:

Bank location	Currency	Amount	US\$ Equivalent
Canada	CAD	3,098,678	2,653,887
Hong Kong	HKD	34,786,426	4,482,440
China	RMB	26,948,017	3,361,991
Total			10,498,318

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

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

The fair market values of cash and cash equivalents approximate their carrying values at March 31, 2006.

6. INVENTORIES

	March 31, 2006	December 31, 2005
Raw materials	650,786	238,413
Finished goods	335,818	1,020,240
	986,604	1,258,653

GobiMin Inc.
Notes to Interim Consolidated Financial Statements (Unaudited)
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 (Expressed in United States Dollars)

7. MINERAL PROPERTIES

	Cost	Accumulated amortization	Net book value
<u>March 31, 2006</u>			
Leasehold land and buildings	2,434,733	(624,876)	1,809,857
Plant and machinery	1,752,389	(913,906)	838,483
Furniture, equipment and motor vehicles	588,982	(46,990)	541,992
Intangible Asset	6,069,434	(2,643,758)	3,425,676
Construction in progress	3,305,269	-	3,305,269
	<u>14,150,807</u>	<u>(4,229,530)</u>	<u>9,921,277</u>
<u>December 31, 2005</u>			
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
	<u>12,681,764</u>	<u>(3,940,062)</u>	<u>8,741,702</u>

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.

In the first quarter of 2005, the construction of one shaft at Huangshan was suspended as management determined that the economic benefit would be negative. A cost of \$149,841 for the shaft development in that quarter was written off.

8. PROMISSORY NOTE PAYABLE

The promissory note represents part of the consideration for the acquisition of one of the former shareholder's interest in one of the Company's subsidiaries. The note is non-interest bearing and is due in September 2006.

9. RELATED PARTY TRANSACTIONS

- a) 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 March 31, 2006 is \$181,245 (December 31, 2005 - \$186,458). 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. The related party transaction was recorded at the exchange amount as agreed upon by the related parties.
- b) The Company has only one customer, Jinchuan. As at March 31, 2006, Jinchuan owned approximately 9.5% of the total outstanding shares of the Company. Additional shares were issued to Jinchuan, subsequent to March 31, 2006. (See note 15).

GobiMin Inc.
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10. NON-CONTROLLING INTEREST

Non-controlling interest represented minority shareholders' 3% interest in Yakesi and 7.1% interest in Jubao.

11. 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:		
Balance, December 31, 2005	51,540,542	\$3,834,003
Shares issued for cash from private placement	1,160,000	928,914
Shares issued for option exercise	25,000	13,703
Shares issued for warrant exercise	970,489	424,755
Balance, March 31, 2006	53,696,031	\$5,201,375

b) Contributed Surplus

	Amount
Balance, December 31, 2005	\$ 3,592,116
Fair value of warrants from the private placement	163, 926
Stock-based compensation expense	90,645
Balance, March 31, 2006	\$3, 846,687

Private Placements

On January 6, 2006, the Company closed a private placement financing for \$1,092,840 consisting of 1,160,000 units at a price of \$0.94. Each unit consists of one common share and one-half of one common share purchase warrant, each purchase warrant exercisable into one common share of the Company at \$1.28 per share until January 31, 2007. The fair value of the warrants from the private placement of \$163,926 have been recognized in a separate component of equity.

The weighted average fair value of the 580,000 warrants from the private placement was \$0.28. The Company determines fair value of the warrants from the private placement 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:	4.18%
Expected life:	1 year
Expected volatility:	75.5%
Dividend yield:	0.77%

GobiMin Inc.
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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 March 31, 2006 was 24,779,250.

c) 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 March 31, 2006 and December 31, 2005, and changes during the periods ended on those dates is presented below:

	March 31, 2006		December 31, 2005	
	Number of	Weighted	Number of	Weighted
	Options	average	Options	average
		exercise price		exercise price
Outstanding, beginning of period	2,985,000	\$ 0.60	71,311	\$ 0.95
Expired	-	-	(42,500)	(0.86)
Cancelled	(125,000)	0.55	(28,811)	-
Issued at October 1, 2005	-	-	2,675,000	0.55
Issued at December 5, 2005	-	-	310,000	1.00
Issued at February 7, 2006	135,000	1.41		
Exercised	(25,000)	0.55		
Outstanding, end of period	2,970,000	\$ 0.64	2,985,000	\$ 0.60

The following table summarizes the employee stock options outstanding and exercisable at March 31, 2006:

Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price \$	Number of Options Exercisable	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price \$
\$0.55	2,525,000	4.50	0.55	-	-	-
\$0.95 - \$1.29	310,000	1.79	1.00	300,000	1.69	1.00
\$1.41	135,000	4.86	1.41	300,000	1.69	1.00
	2,970,000	4.23	0.64	300,000	1.69	1.00

GobiMin Inc.
Notes to Interim Consolidated Financial Statements (Unaudited)
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 (Expressed in United States Dollars)

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 – 4.08%
Expected life:	5 years
Expected volatility:	75.5%
Dividend yield:	0.61%

d) Warrants

	March 31, 2006		December 31, 2005	
	Warrants	Weighted average exercise price	Warrants	Weighted average exercise price
		\$		\$
Outstanding, beginning of period	11,375,460	0.55	-	-
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
Issued at January 6, 2006	580,000	1.28		
Exercised	(970,489)	0.44	(519,000)	0.43
Outstanding, end of period	<u>10,984,971</u>	<u>0.60</u>	<u>11,375,460</u>	<u>0.55</u>

The following table summarizes the warrants outstanding and exercisable at March 31, 2006:

Exercise Price	Number of Warrants Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Warrants Exercisable	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
\$0.52	234,971	0.31	\$ 0.52	234,971	0.31	\$ 0.52
\$0.43	6,967,500	0.77	0.43	6,967,500	0.77	0.43
\$0.86	3,202,500	0.50	0.86	3,202,500	0.50	0.86
\$1.28	580,000	0.75	1.28	580,000	0.75	1.28
	<u>10,984,971</u>	<u>0.69</u>	<u>0.60</u>	<u>10,984,971</u>	<u>0.69</u>	<u>0.60</u>

e) Shares to be issued

The Company received \$2,183,967 from warrant exercise in March 2006 with 2,550,000 shares issued in April 2006.

GobiMin Inc.
Notes to Interim Consolidated Financial Statements (Unaudited)
 March 31, 2006
 (Expressed in United States Dollars)

f) Basic and Diluted Earnings Per Share

	Three months ended	
	March 31, 2006	March 31, 2005
<hr/>		
Net earnings available to shareholders (\$)		
Basic and diluted	278,183	113,934
 Weighted average shares outstanding (#)		
Basic	53,167,080	36,532,500
Effect of dilutive stock options and warrants	8,234,172	-
Diluted	61,401,252	36,532,500
<hr/>		
Earnings per share (basic)	\$0.006	\$0.003
Earnings per share (diluted)	\$0.005	\$0.003
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12. RESERVES

Pursuant to the relevant laws and regulations in China, 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 at the end of each year. 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.

13. COMMITMENTS

As at March 31, 2006, capital commitments that the Company had contracted for, but not provided for, amounted to \$4,048,145 (December 31, 2005 - \$3,114,548). The commitments relate to new plant and shaft construction, mining of Site #10 at Huangshan Dong and other maintenance work at the current facility. Pursuant to the construction and mining contracts, \$3,109,071 is expected to be incurred in 2006 with the remaining in 2007.

14. ECONOMIC DEPENDENCE

The Company has only one customer over the period covered by these unaudited interim consolidated financial statements. The customer is Jinchuan (See Notes 9b and 15). 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.

15. SUBSEQUENT EVENTS

From April 1 to May 29, 2006, the Company issued 3,421,741 common shares for the total proceeds of Can\$3,104,470 pursuant to the exercise of 3,181,741 share purchase warrants at prices between Can\$0.50 to Can\$1.50 per share and the exercise of 240,000 options at a price of Can\$0.64 per share. Among the shares issued, 2,550,000 common shares were issued to Jinchuan from exercise of warrants at the price of Can\$1.00 for 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.

On May 2, 2006, the Company declared an annual dividend of Can\$0.01 per share following 2005 financial and operating results. The dividend was recorded on May 15, 2006 and will be payable on June 26, 2006.

On May 12, 2006, the board of directors voted to increase the authorized number of shares available for issuance under the option plan from 4,900,000 to 5,700,000 shares. This is subject to the approval of shareholders in the annual shareholder meeting in June 2006.

In May 2006, the Company acquired through its 97%-owned Chinese subsidiary a 30% equity interest in Tibet Dazi PuXiong Copper Company Limited, which owns the exploration license of the Malonglang copper-zinc project located in Dazi County, Tibet in P.R. China. The aggregate consideration for the acquisition is RMB13,000,000 (approximately \$1,625,000) in cash, which was fully settled through the available resources of the Company.

GobiMin Inc.

(Incorporated in Canada under the Canada Business Corporations Act)

Management's Discussion and Analysis of Financial Results

For the quarter ended March 31, 2006

(Expressed in United States Dollars)

GobiMin Inc.

Management's Discussion and Analysis of Financial Results

For the quarter ended March 31, 2006

(Expressed in United States Dollars)

May 29, 2006

The following discussion and analysis of the consolidated operating results and financial condition of GobiMin Inc. for the quarter ended March 31, 2006 should be read in conjunction with GobiMin's consolidated interim financial Statements for the quarter ended March 31, 2006 and GobiMin's audited consolidated financial statements for the year ended December 31, 2005. The financial information was prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The date of this Management's Discussion and Analysis is May 29, 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.

GobiMin, through its subsidiary Alexis Resources Limited, mines nickel and copper ore from two underground mines. Ore is processed through a 600 tonnes per day plant to produce nickel and 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. The Company continues to pursue additional base metals opportunities in northwestern China with the objective of becoming a significant producer in that region.

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

For the quarter ended March 31, 2006

(Expressed in United States Dollars)

May 29, 2006

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 audited consolidated financial statements for the year ended December 31, 2005. 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 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.

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.

GobiMin Inc.

Management's Discussion and Analysis of Financial Results

For the quarter ended March 31, 2006

(Expressed in United States Dollars)

May 29, 2006

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 Quarterly Information

Selected quarterly information is provided as follows:

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
Revenue	\$ 2,344,135	\$ 1,478,558
Net earnings	278,183	113,934
Basic earnings per share	0.006	0.003
Net cash from operating activities	258,424	771,291
Total assets	21,793,901	18,410,196

Results of Operations

Revenues

Revenues from the Company's nickel-copper mining operations for the first quarter of 2006 totaled \$2,344,135 compared to \$1,478,558 for the first quarter of 2005. Revenues were \$2,131,957 for nickel and \$212,178 for copper in the first quarter of 2006 versus \$1,420,284 for nickel and \$58,274 for copper in the same corresponding period in 2005. Since the Company resumed operations at its plant facility in early March in both 2006 and 2005, revenues were all generated from the sale of concentrates in inventory of the prior year-end for both periods. The higher revenue in the first quarter of 2006 reflects a higher inventory level at the year-end of 2005.

The Company's subsidiaries suspend mining and processing operations from late November to early March each year. Therefore, the operating results for the first quarter of 2006 reflect partial operating activities. It is expected that the production and sales will be significantly higher in the second and third quarters of 2006 as a result of the Company operating at full capacity and increased development plans.

During the first quarter of 2006, the Company sold 255 tonnes of nickel and 172 tonnes of copper compared to 156 tonnes of nickel and 72 tonnes of copper in the same corresponding period in 2005. The Company mined 21,988 tonnes (First quarter of 2005: 11,714 tonnes) of ore from the Huangshan Dong and Xiangshan mines in the month of March. The plant processed 15,937 tonnes (First quarter of 2005: 12,268 tonnes) of ore with a nickel head grade of 0.60% (First quarter of 2005: 1.07%) and recoveries amounting to 89.3% (First quarter of 2005: 90.7%). The

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resulting nickel-copper concentrate was sold in the second quarter of 2006. The lower head grade was mainly due to the decision of lowering the cut-off grade to 0.4% nickel from 0.6% nickel as a result of stronger metal markets. In addition, the mined head grade was slightly lower in a new development area. The mined head grade is expected to ramp up in future periods with the development processing to the next phases.

Net of smelting and refining costs, average nickel price realized in the first quarter of 2006 was \$3.79 per pound sold and average copper price realized was \$0.56 per pound sold compared to average price realized of \$4.13 per pound sold and average copper price realized of \$0.37 per pound sold in the same corresponding period in 2005. The lower realized price for the period was mainly due to a lower grade concentrate sold to Jinchuan.

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

Mining Operations	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
Ore (tonnes)		
Mined	21,988	11,714
Processed	15,937	12,268
Sold	34,436	17,950
Nickel grade of ore processed	0.60%	1.07%
Nickel grade of ore sold	0.83%	0.96%
Metallurgical recovery	89.3%	90.7%
Metal sold (tonnes)		
Nickel	255	156
Copper	172	72
Metal sold (\$)		
Nickel	\$2,131,957	\$1,420,284
Copper	212,178	58,274
Total Revenue	\$2,344,135	\$1,478,558
Average realized nickel price per pound sold ⁽²⁾	\$3.79	\$4.13
Average realized copper price per pound sold ⁽²⁾	\$0.56	\$0.37
Average cash cost per pound of nickel sold, net of copper ⁽¹⁾	\$1.37	\$1.03
Average cash cost per tonne of ore, net of copper ⁽¹⁾	\$22.30	\$19.80

(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. Since the revenues realized in the first quarter of both 2005 and 2006 were from the inventory shipped in the fourth quarter of the prior years, the average realized price was calculated based on Jinchuan's listed prices from October to December in the prior years.

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Cost of sales

Cost of sales amounted to \$885,748 in the first quarter of 2006 compared to \$357,454 for the first quarter of 2005. Cash operating cost per tonne of ore, net of copper, averaged \$22.30 for the first quarter of 2006 compared to \$19.80 for the first quarter of 2005. The increase in cash cost per tonne of ore in 2006 was mainly due to the increasing mining cost payable to the contractors. 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 selling and distribution expenses were \$97,896 in the first quarter of 2006 versus \$55,319 in the first quarter of 2005. The by-product credits per tonne were higher in the first quarter of 2006 because of the higher realized copper price in 2006.

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

	Three Months Ended		Three Months Ended	
	March 31, 2006		March 31, 2005	
	\$	\$/tonne	\$	\$/tonne
Cost of sales ⁽¹⁾	885,748	25.7	357,454	19.9
Selling and distribution cost	97,896	2.8	55,319	3.1
By-product credits:				
Copper	(212,178)	(6.2)	(58,274)	(3.2)
Cash operating cost	771,466	22.3	354,499	19.8

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

Other expenses

The depreciation expense increased to \$240,872 from \$216,486 in the first quarter of 2005. The Company bought a new office building in Hami in early 2006, which started to be depreciated thereafter.

In the first quarter of 2005, the construction of one shaft at Huangshan was suspended as management determined that the economic benefit would be negative. A cost of \$149,841 for the shaft development in that quarter was written off.

The general and administrative expenses incurred by the Company in the first quarter of 2006 were \$612,090 compared to \$348,045 in the first quarter of 2005. The increase is mainly due to legal and audit fees, investor relation expenses and salaries incurred in the first quarter of 2006 as a result of the Company becoming a reporting issuer.

In the first quarter of 2006, the Company incurred \$91,626 of stock-based compensation (the first quarter of 2005 - nil), due to an allocation of the expense from stock options that were granted after the Company started to be listed.

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Income tax

Yakesi Resources Co. Ltd. ("Yakesi"), a 97%-owned subsidiary of the Company 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. However, 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 not be recovered at this time.

Liquidity and Capital Resources

The following table summarizes the Company's consolidated cash flows and cash on hand for the first quarter of 2006:

	March 31, 2006	December 31, 2005
Cash and cash equivalents	\$10,498,318	\$7,894,272
Working capital	\$6,197,305	\$3,203,273
	Three Months ended	Three Months ended
	March 31, 2006	March 31, 2005
Cash provided by operating activities	\$285,424	\$771,291
Cash used in investing activities	(\$1,188,170)	(\$1,298,491)
Cash provided by (used in) financing activities	\$3,715,265	(\$107,861)

Operating activities

In the first quarter of 2006, cash provided by operating activities was \$285,424 compared to \$771,291 in the first quarter of 2005. Cash flows from the operations were lower in 2006 mainly because the Company received \$1.6 million advance payment in 2005 for its revenue realized in the first quarter of 2006, which contributed a negative change of non-cash working capital.

Financing activities

Financing activities generated \$3,715,265 in the first quarter of 2006. The Company raised gross proceeds of \$1.1 million from the issuance of shares as a result of a private placement. The Company received \$2.6 million from the exercise of warrants and stock options.

Investing activities

Investing activities consumed \$1,188,170 of cash in the first quarter of 2006 compared to \$1,298,491 in the same period of 2005. Investing activities in both quarters are in relation to property, plant and equipment. The Company also purchased an office building in the city of

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Hami with a payment of approximately \$0.4 million in the first quarter of 2006, as the lease of the current office will be due in the second quarter of 2006.

At March 31, 2006, the Company's cash and bank balances denominated in RMB are equivalent to approximately \$3,361,991. 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" in the Management Discussion and Analysis for the year ended December 31, 2005).

Management expects to generate positive cash flows from its operating mines based on current nickel prices. 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 cash requirements to fund new potential acquisitions, further development of the Company's mineral properties, ongoing exploration and general working capital purposes.

Balance Sheet

Cash

The Company had \$10,498,318 in cash and cash equivalent as at March 31, 2006 compared to \$7,894,272 as at December 31, 2005.

Inventories

As at March 31, 2006, the value of the inventories was \$986,604 compared to \$1,258,653 as at December 31, 2005. The Company sold all its prior year-end inventories in early January 2006.

Share capital

As at March 31, 2006, the Company had 53.7 million common shares issued and outstanding. Approximately 1.2 million shares were issued from a private placement in January 2006 and 1.0 million shares were issued from warrants and stock options exercised during the quarter resulting in gross proceeds of approximately \$1.5 million. The Company received another \$2.2 million from one warrant exercise at the end of March 2006 with 2.55 million shares issued in early April 2006.

The Company had a total of 2,985,000 stock options outstanding as at December 31, 2005. During the three months ended March 31, 2006, 25,000 options were exercised, 125,000 options were cancelled and 135,000 options were granted for newly hired employees and consultants. 580,000 warrants were issued to the new shareholders from the private placement in January 2006 and 970,489 warrants were exercised during the quarter.

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Contractual obligations and commitment

As at March 31, 2006, capital commitments that the Company had contracted for, but not provided for, amounted to \$4,048,145 (December 31, 2005 - \$3,114,548). The contracts relate to a new plant facility and shafts construction, mining of Site #10 at Huangshan Dong and other maintenance work at the current plant. Pursuant to the construction and mining contracts, \$3,109,071 is expected to be incurred in 2006 with the remaining in 2007.

Risk factors

The business of mineral exploration and development involves a high level of risk. Other risks facing the Company include, but are not limited to, fluctuation in metal prices and foreign currencies; exploration, development and operating risks; uncertainty or ore reserves and resource estimates; capital requirements; competition, reliance on third parties, environmental and insurance risks. In addition to the business risks mentioned, readers should be aware that there are potential risks to doing business in China that may be unanticipated. The details of the Company's risk factors are discussed in the Company's Management and Analysis for the year ended December 31, 2005, which are available at www.sedar.com.

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 have started a 15,000 meter drilling program 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.

In May 2006, the Company acquired through its 97%-owned Chinese subsidiary a 30% equity interest in Tibet Dazi PuXiong Copper Company Limited, which owns the exploration license of the Malonglang copper-zinc project located in Dazi County, Tibet Autonomous Region of the People's Republic of China. This acquisition provides GobiMin an opportunity to expand beyond its current projects in the Hami region and meets the Company's objective of bringing value to its shareholders. 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.