GobiMin Inc.

(Incorporated in Canada under the Canada Business Corporation Act)

Interim Consolidated Financial Statements
(Unaudited – Prepared by Management)

June 30, 2006
(Expressed in United States Dollars except where otherwise noted)

GobiMin Inc.

Consolidated Balance Sheet
(Unaudited)
(Expressed in United States Dollars)

	June 30, 2006	December 31, 2005
	(Unaudited)	(Audited)
ASSETS	$	$
Current		
Cash and cash equivalents (Note 5)	9,024,138	7,894,272
Account receivable	337,339	-
Prepayments, deposits and other receivables	362,230	329,111
Inventories (Note 6)	907,562	1,258,653
Total current assets	10,631,269	9,482,036
Mineral properties (Note 7)	11,121,154	8,741,702
Equity investment (Note 8)	1,624,663	-
Due from related parties (Note 10)	175,355	186,458
Total assets	23,552,441	18,410,196
LIABILITIES		
Current		
Accounts payable	584,543	327,789
Due to related parties (Note 10)	27,027	-
Other payables and accrued liabilities	2,686,910	3,183,302
Promissory note payable (Note 9)	2,391,928	2,287,486
Income tax payable	423,114	480,186
Total current liabilities	6,113,522	6,278,763
Total liabilities	6,113,522	6,278,763
Non-controlling interests (Note 11)	292,562	219,301
Commitments (Note 14)		
SHAREHOLDERS' EQUITY		
Share capital (Note 12)	8,672,844	3,834,003
Contributed surplus (Note 12)	3,334,150	3,592,116
Cumulative translation adjustments	32,547	20,284
Reserves (Note 13)	1,547,278	1,547,278
Retained earnings	3,559,538	2,918,451
Total shareholders' equity	17,146,357	11,912,132
Total liabilities and shareholders' equity	23,552,441	18,410,196

See accompanying notes to the Interim Consolidated Financial Statements

APPROVED BY THE BOARD

Felipe Tan
Director

Hubert Marleau
Director

GobiMin Inc.
Consolidated Statements of Income and Retained Earnings
(Unaudited)
(Expressed in United States Dollars)

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	$	$	$	$
Revenue	3,549,385	3,947,100	5,893,519	5,425,658
Cost of sales	(1,181,506)	(1,071,343)	(2,067,254)	(1,428,797)
Depreciation	(270,369)	(233,630)	(511,241)	(450,116)
Selling and distribution cost	(101,229)	(125,828)	(199,124)	(181,147)
Write-off of mine construction cost (Note 7)	-	(43,319)	-	(192,799)
Gross Profit	1,996,281	2,472,980	3,115,900	3,172,799
Other revenue	102,589	7,922	143,546	11,058
General and administrative expenses	(827,088)	(363,812)	(1,439,178)	(712,216)
Stock based compensation (Note 12)	(75,409)	-	(167,035)	-
Equity loss in investment	(1,133)	-	(1,133)	
Other operating expenses	-	(13,604)	-	(114,348)
Earnings before interests, tax and non-controlling interests	1,195,240	2,103,486	1,652,100	2,357,293
Interest expense	-	(4,924)	-	(9,545)
Earnings before tax and non-controlling interests	1,195,240	2,098,562	1,652,100	2,347,748
Income tax	(270,212)	(256,917)	(421,463)	(380,888)
Earnings before non-controlling interests	925,028	1,841,645	1,230,637	1,966,860
Non-controlling interests (Note 11)	(46,341)	(59,781)	(73,767)	(71,062)
Net earnings for the period	878,687	1,781,864	1,156,870	1,895,798
Retained earnings, beginning of period	3,196,634	1,904,542	2,918,451	1,790,608
Dividends paid	(515,783)	-	(515,783)	-
Retained earnings, end of the period	3,559,538	3,686,406	3,559,538	3,686,406
Basic earnings per share (Note 12)	0.016	0.049	0.021	0.052
Diluted earnings per share (Note 12)	0.014	0.049	0.019	0.052
Weighted average number of shares outstanding (Note 12)	56,608,294	36,532,500	54,897,194	36,532,500
Diluted weighted average number of shares outstanding (Note 12)	63,821,487	36,532,500	61,710,863	36,532,500

See accompanying notes to the Interim Consolidated Financial Statements

GobiMin Inc.

Consolidated Statements of Cash Flows

(Unaudited)

(Expressed in United States Dollars)

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cash flows from (used in) operating activities	$	$	$	$
Net earnings for the period	878,687	1,781,864	1,156,870	1,895,798
Adjustments for items not involving cash:				
- depreciation	270,369	233,630	511,241	450,116
- amortization in general and administrative expenses	47,517	17,646	81,508	32,739
- stock based compensation	75,409	-	167,035	-
- write-off of mine construction cost	-	43,319	-	192,799
- equity loss in investment	1,133	-	1,133	-
- non-controlling interests	46,341	59,779	73,767	71,062
	1,319,456	2,136,238	1,991,554	2,642,514
Change in non-cash working capital items:				
- Account receivable	(337,339)	-	(337,339)	-
- Prepayments, deposits and other receivables	(155,773)	(270,244)	(33,119)	19,092
- Due from related parties	-	(4,006)	-	(4,006)
- Inventories	79,042	79,706	351,091	92,910
- Accounts payable	(60,691)	18,775	256,754	115,969
- Due to related parties	27,027	(57,234)	27,027	(57,234)
- Other payables and accrued liabilities	632,425	567,276	(496,393)	501,613
- Tax payable	(87,068)	101,432	(57,072)	32,378
Net cash from operating activities	1,417,079	2,571,943	1,702,503	3,343,236
Cash flows from (used in) financing activities				
Shares issued for cash from warrant and option exercise	699,556	-	3,321,981	-
Shares issued for cash from private placement	-	-	1,092,840	-
Dividend paid	(515,783)	-	(515,783)	-
Obligation under capital lease	-	(2,273)	-	(110,134)
Net cash from (used in) financing activities	183,773	(2,273)	3,889,038	(110,134)
Cash flows from (used in) investing activities				
Long term investments	(1,624,663)	-	(1,624,663)	-
Property, plant and equipment	(1,517,357)	(145,087)	(2,942,640)	(1,443,578)
Net cash used in investing activities	(3,142,020)	(145,087)	(4,567,303)	(1,443,578)
Increase (Decrease) in cash and cash equivalents	(1,541,168)	2,424,583	1,034,238	1,789,524
Effect on foreign exchange rate changes on cash	66,988	6,113	95,628	4,304
Cash and cash equivalents at beginning of period	10,498,318	2,137,510	7,894,272	2,774,378
Cash and cash equivalents at end of period	9,024,138	4,568,206	9,024,138	4,568,206
Supplementary cash flow information:				
Interest received	47,361	3,431	86,161	6,243
Interest paid	-	(4,450)	-	(9,071)
Income tax paid	(358,510)	(155,290)	(482,879)	(348,314)

See accompanying notes to the Interim 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 13.3% of the Company's total common shares outstanding as at June 30, 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 these inerim periods are not necessarily indicative of the result of that may be expected for the full fiscal year ending December 31, 2006.

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 Company's subsidiaries temporarily suspend the processing of the ore due to the winter conditions. 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.

(Expressed in United States Dollars)

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2006 include cash denominated in different currencies as follows:

Bank location	Currency	Amount	US$ Equivalent
Canada	CAD	328,143	294,299
Hong Kong	HKD	33,211,509	4,275,976
China	RMB	35,599,814	4,453,863
Total			9,024,138

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 June 30, 2006.

6. INVENTORIES

	June 30, 2006	December 31, 2005
Raw materials	391,231	238,413
Finished goods	516,331	1,020,240
	907,562	1,258,653

(Expressed in United States Dollars)

7. MINERAL PROPERTIES

	Cost	Accumulated Amortization/ Written off	Net book value
June 30, 2006			
Leasehold land and buildings	3,405,196	(732,073)	2,673,123
Plant and machinery	1,817,421	(975,313)	842,108
Furniture, equipment and motor vehicles	596,713	(60,412)	536,301
Intangible asset	6,219,369	(2,779,212)	3,440,157
Construction in progress	3,629,465	-	3,629,465
	15,668,164	(4,547,010)	11,121,154
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

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 and second quarters of 2005, the construction of one shaft at Yellow Mountain (Huangshan) was suspended as management determined that the economic benefit would be negative. A cost of $192,799 for the shaft development in those quarters was written off.

8. EQUITY INVESTMENT

Investments in shares of incorporated companies, in which the Company's ownership is greater than 20% but no more than 50% and significant influence is present, are accounted for by the equity method.

Equity investment represents the Company's 30% equity interest in Tibet Dazi PuXiong Copper Company Limited ("PuXiong"), which owns the exploration license of the Malonglang copper-zinc project located in Dazi County, Tibet in China. The consideration for such acquisition was RMB13,000,000 (approximately $1,625,000) in cash. The Company accounts for its investment by the equity basis, which is carried at cost, adjusted for the Company's proportionate share of the undistributed earnings and losses of PuXiong.

9. 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.

10. 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 June 30, 2006 is $175,355 (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 the 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 properties bought 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.

(Expressed in United States Dollars)

b) Due to related parties pertains to accounts payable to the minority shareholder of the Chinese subsidiary of the Company for the loading services provided. The balance of the accounts payable at June 30 2006 is $27,027 (December 31, 2005: nil). The transaction is conducted in the normal course of business and measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

c) The Company has only one customer, Jinchuan. As at June 30, 2006, Jinchuan owned approximately 13.3% of the total outstanding shares of the Company.

11. NON-CONTROLLING INTERESTS

Non-controlling interests represent minority shareholders' 3% interests in Yakesi and 7.1% interests in Jubao.

12. 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	265,000	159,829
Shares issued for warrant exercise	4,602,230	3,750,098
Balance, June 30, 2006	57,567,772	8,672,844

b) Contributed Surplus

	Amount
	$
Balance, December 31, 2005	3,592,116
Fair value of warrants from the private placement	163, 926
Options & warrants exercised and cancelled	(588,927)
Stock-based compensation expense	167,035
Balance, June 30, 2006	3, 334,150

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 June 30, 2006 was 20,649,375.

(Expressed in United States Dollars)

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 5,700,000 (December 31, 2005: 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 June 30, 2006, and changes during the periods ended on those dates is presented below:

	Six months ended June 30, 2006	
	Number of Options	Weighted average exercise price
		$
At December 31, 2005	2,985,000	0.60
Cancelled	(225,000)	0.93
Issued at February 7, 2006	135,000	1.41
Issued at May 19, 2006	30,000	1.84
Exercised	(265,000)	0.55
At June 30, 2006	2,660,000	0.63

The following table summarizes the employee stock options outstanding and exercisable at June 30, 2006:

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	2,285,000	4.25	0.55	1,275,000	4.25	0.55
0.95	10,000	4.42	0.95	2,000	4.42	0.95
0.95	250,000	1.54	0.95	250,000	1.54	0.95
1.29	50,000	1.50	1.29	50,000	1.50	1.29
1.41	35,000	4.61	1.41	-	-	-
1.83	30,000	4.89	1.83	-	-	-
	2,660,000	3.95	0.63	1,577,000	3.73	0.64

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:	4.4%
Expected life:	5 years
Expected volatility:	75.5%
Dividend yield:	0.61%

(Expressed in United States Dollars)

d) Warrants

	Six months ended June 30, 2006	
	Warrants	Weighted average exercise price
		$
At December 31, 2005	11,375,460	0.55
Issued at January 6, 2006	580,000	1.28
Exercised	(4,602,230)	0.69
At June 30, 2006	7,353,230	0.53

The following table summarizes the warrants outstanding and exercisable at June 30, 2006:

Exercise Price	Number of Warrants Outstanding	Weighted Average Remaining Contractual Life	Number of Warrants Exercisable	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
$		(Years)		(Years)	$
0.52	149,980	0.06	149,980	0.06	0.52
0.43	4,500,000	0.75	4,500,000	0.75	0.43
0.43	1,608,750	0.25	1,608,750	0.25	0.43
0.86	529,500	0.25	529,500	0.25	0.86
1.28	565,000	0.58	565,000	0.58	1.28
	7,353,230	0.58	7,353,230	0.58	0.53

(Expressed in United States Dollars)

e) Basic and Diluted Earnings Per Share

	Three months ended	
	June 30, 2006	**June 30, 2005**
Net earnings available to shareholders		
Basic and diluted	$878,687	$1,781,865
Weighted average shares outstanding		
Basic	56,608,294	36,532,500
Effect of dilutive stock options and warrants	7,213,193	-
Diluted	63,821,487	36,532,500
Earnings per share (basic)	$0.016	$0.049
Earnings per share (diluted)	$0.014	$0.049

	Six months ended	
	June 30, 2006	**June 30, 2005**
Net earnings available to shareholders		
Basic and diluted	$1,156,870	$1,895,798
Weighted average shares outstanding		
Basic	54,897,194	36,532,500
Effect of dilutive stock options and warrants	6,813,669	-
Diluted	61,710,863	36,532,500
Earnings per share (basic)	$0.021	$0.052
Earnings per share (diluted)	$0.019	$0.052

13. 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.

14. COMMITMENTS

As at June 30, 2006, capital commitments that the Company had contracted for, but not provided for, amounted to $2,950,426 (December 31, 200: $3,114,548). The commitments relate to new plant and shaft construction, exploration work on Yellow Mountain (Huangshan) site and other maintenance work at the current facility.

15. ECONOMIC DEPENDENCE

The Company has only one customer over the period covered by these unaudited interim consolidated financial statements. The customer is Jinchuan (See Note 10c). 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.

16. SEGMENTED INFORMATION

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

17. SUBSEQUENT EVENTS

On July 4, 2006, the Company announced the granting of 150,000 options to the new director of the Company, under the Company's current stock option plan. The exercise price of the options is $1.66 (CAD$1.85) and the options were exercisable until June 27, 2011, subject to regulatory approval and the provision of the Company's stock option plan.

On July 7, 2006, the Company closed a private placement with an aggregate of 4,120,000 common shares issued to US and Canadian institutional investors at a price of $1.53 (CAD$1.70) per share, for aggregate proceeds of $6,290,292 (CAD$7,004,000), through a syndicate led by Desjardins Securities Inc. and including MGI Securities Inc. and Wellington West Capital Markets Inc (collectively referred to as the "Agents"). The Agents received a cash commission of 6.5% on the gross proceeds and were granted options to acquire an additional 149,400 common shares for a period of six months at a price of $1.53 (CAD$1.70).

On July 24, 2006, the Company's subsidiary in China obtained an approval from the China tax authority regarding approximately RMB2 million tax refund for the subsidiary's reinvestment of retained earnings as share capital. This tax refund is based on the policy of China Foreign Investment Enterprises and Foreign Enterprises Income Tax Law.

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

Management's Discussion and Analysis of Financial Results

For the quarter ended June 30, 2006
(Expressed in United States Dollars except where otherwise noted)

The following discussion and analysis of the consolidated operating results and financial condition of GobiMin Inc. for the quarter ended June 30, 2006 should be read in conjunction with its consolidated interim financial statements for the quarter ended June 30, 2006 and its 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"). This Management's Discussion and Analysis was prepared on August 16, 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 of Xinjiang Uygur Autonomous Region of China.

GobiMin, through its subsidiaries, 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"), the largest nickel producer and smelter operator in China. The Company is currently constructing a new concentration plant 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 north western China with the objective of becoming a significant producer in that region.

Business Summary

In this quarter the Company successfully implemented separation of copper concentrate from nickel concentrate which enabled the Company to sell copper concentrate separately and consequently earn higher revenues. Copper accounted for 17% of revenues in the second quarter of 2006 considerably higher than the 6% in the second quarter of 2005. The copper separation is important to increase future profitability as evidenced by a 26% drop in the average cash cost per tonne of ore from $18.30 for the year ended December 31, 2005 to $13.50 in the current quarter.

During the quarter, GobiMin started a 15,000 meters drilling program at Yellow Mountain (also known as "Huangshan"). The current drilling program has three objectives: (1) validate the historical drilling data, (2) reduce the drill hole spacing to 50 meters in the higher grade portion of the deposit, and (3) test the depth extensions of the nickel-copper mineralization. The data collected will support mineral resource estimation in compliance with National Instrument ("NI") 43-101. By the end of July 2006, six drill holes with over 5,000-meter depth in total were completed. The drilling program should be completed by November 2006.

2006 is an important transitional year as GobiMin has embarked into an expansion program to increase its production and processing capacity from 150,000 tonnes to 400,000 tonnes annually:

1. The Company is building a new 250,000 tonnes annual capacity concentration plant which will complement the existing 150,000 tonnes plant. Construction of the new plant should be completed by late 2006.
2. At the same time, ore production capacity shall be gradually increased by building additional production shafts and related mining stopes to match the increased processing capacity. As a result of the construction in the first 6 months of this year of 2 shafts, the Company has temporarily processed some lower grade ore related to the newly built mining stopes, which resulted in corresponding lower nickel and copper concentrate output. With the completion of the construction, it is expected that the ore grade in the second half of 2006 should be restored to higher grade with higher nickel and copper concentrate output. For the six months ended June 2006, the average head grade for ore sold was 0.63% nickel and 0.36% copper. The grade for July 2006 has already climbed to 0.75% nickel and 0.40% copper.
3. Despite the impact of construction work in the first half of 2006 on production, output in the second half of the year should be higher due to larger volume and higher grade mined. Overall, production in 2006 should still be greater than 2005.
4. Completion of the two shafts in 2006 along with the planned construction of two more shafts in 2007 should spur considerable production increase in 2007 and 2008 in order to fully utilize the 400,000 tonnes milling capacity.

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 China. The resource potential of the property has yet to be explored at the follow-up exploration program. The infrastructure of a 500 tonnes per day concentration plant is completed and the plant is expected for test operation later in 2006.

Subsequent to the quarter end, GobiMin successfully closed a private placement with an aggregate of 4,120,000 common shares issued to US and Canadian institutional investors at a price of CAD$1.70 per share, for aggregate proceeds of CAD$7,004,000. The net proceeds of the offering will be used to fund further development of GobiMin's mineral properties, acquisition of additional properties, ongoing exploration and for general working capital purposes.

Key Economic Trends

Nickel

GobiMin produces and sells nickel concentrate. The price received is calculated at a discount to Chinese domestic nickel price (which is linked to the London Metal Exchange ("LME") nickel price). The discount is to reflect the smelter and refining charges as well as recovery loss. As an indication, the cash settlement price of nickel on the LME averaged $9.09 per pound during the second quarter of 2006, with a high of $10.48 per pound and a low of $7.08, compared to an average of $7.40 during the second quarter of 2005. The average cash settlement price in July 2006 has reached as high as $12.06. Management is of the view that, while the LME average cash settlement price for nickel will continue to be volatile, the demand for nickel should continue to be strong but volatile and the price of nickel should remain strong relative to historic averages.

Copper

GobiMin produces and sells copper concentrate. The price received is calculated at a discount to Chinese domestic copper price (which is linked to LME copper price). The discount is to reflect the smelter and refining charges as well as recovery loss. As an indication, the cash settlement price of copper on the LME averaged $3.27 per pound in the second quarter of 2006, compared to an average of $2.24 per pound and $1.54 per pound in the first quarter of 2006 and the second quarter of 2005, respectively. Management is of the view that the LME average cash settlement price for copper should remain strong relative to historic prices.

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.

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.

Equity Investment

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

Selected Quarterly Information

Selected quarterly information is provided as follows:

For the quarter ended	**June 30, 2006**	**March 31, 2006**	**December 31, 2005**	**September 30, 2005**	**June 30, 2005**	**March 31, 2005**
Revenue	$ 3,549,385	$ 2,344,135	$ 1,144,131	$ 4,461,268	$ 3,947,100	$ 1,478,558
Net earnings (loss)	878,687	278,183	(248,258)	1,760,307	1,781,864	113,934
Basic earnings per share	0.016	0.006	(0.006)	0.036	0.049	0.003
Diluted earnings per share	0.014	0.005	(0.006)	0.036	0.049	0.003
Net cash from operating activities	1,417,079	258,424	69,921	3,117,998	2,571,943	771,291
Total assets	23,552,441	21,793,901	18,410,196	17,960,859	14,087,570	11,338,039

The quarters ended on June 30, 2005 and March 31, 2005 were reported in HK$ in 2005 interim financial statements and converted in US$ in the above table, using the average exchange rate for income statement items and quarter-end rate for balance sheet items.

Results of Operations

Revenues

Revenues from the Company's nickel-copper mining operations for the second quarter of 2006 totaled $3,549,385 compared to $3,947,100 for the second quarter of 2005. Revenues were $2,931,728 for nickel, $617,657 for copper and other by-product credits in the second quarter of 2006 versus $3,709,008 for nickel and $238,092 for copper in the corresponding period in 2005. Revenue from nickel was lower due to temporary lower production and ore grade. Following a period of research, development and testing, starting from this quarter, the Company successfully improved the production process and is now able to separate copper concentrates from nickel concentrates while in the past, the Company produced mixed nickel-copper concentrates only. As a result, the Company benefited from shipping copper concentrates separately to Jinchuan at higher prices. According to the new sales contract on copper, the price factor of realizing copper revenue has been improved from approximately 30% to over 60%. The copper concentrates also contain small amounts of gold and silver, which were recognized for the first time as revenue according to the new sales contract. Copper accounted for 17% of revenues in the second quarter of 2006 considerably higher than the 6% in the second quarter of 2005.

Other revenues for the second quarter of 2006 were $102,589 (second quarter of 2005: $7,922), mainly from interest income on the term deposits.

During the second quarter of 2006, the Company sold 580,000 pounds of nickel and 220,000 pounds of copper, compared to 813,000 pounds of nickel and 496,000 pounds of copper content in nickel-copper concentrates in the corresponding period in 2005. The plant processed 50,687 tonnes (second quarter of 2005: 55,680 tonnes) of ore processed with a nickel head grade of 0.65% (second quarter of 2005: 0.85%) and recoveries amounting to 84.6% (second quarter of

2005: 89.7%). The lower recoveries in this quarter were due to the separation of copper from the mixed concentrates.

Net of smelting and refining costs, average nickel price realized in the second quarter of 2006 was $5.06 per pound sold and average copper price realized was $2.74 per pound sold compared to average nickel price realized of $4.56 per pound sold and average copper price realized of $0.48 per pound sold in the same corresponding period in 2005. The higher realized price for the current period was mainly due to the increasing market price of nickel and copper and higher price factor of copper from the launch of copper separation program mentioned above.

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

Mining Operations	**Three Months Ended June 30, 2006**	**Three Months Ended June 30, 2005**
Ore (tonnes)		
Processed	50,687	55,680
Sold	49,520	45,819
Nickel grade of ore processed	0.65%	0.85%
Nickel grade of ore sold	0.63%	0.90%
Metallurgical recovery	84.3%	89.8%
Metal sold ('000 pounds)		
Nickel	580	813
Copper	220	496
Metal sold		
Nickel	$2,931,728	$3,709,008
Copper and others	$617,657	$238,092
Total Revenue	$3,549,385	$3,947,100
Average realized nickel price per pound sold (2)	$5.06	$4.56
Average realized copper price per pound sold (2)	$2.74	$0.48
Average cash cost per pound of nickel sold, net of by-product credits (1)	$1.15	$1.18
Average cash cost per tonne of ore sold, net of by-product credits (1)	$13.5	$20.9

(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, gold and silver revenue.
(2) Net of smelting and refining cost.

(Expressed in United States Dollars)

Cost of sales

Cost of sales amounted to $1,181,506 in the second quarter of 2006 compared to $1,071,343 for the second quarter of 2005. Cash operating cost per tonne of ore, net of those by-product credits, averaged $13.43 for the second quarter of 2006 compared to $20.93 for the second quarter of 2005. The significant decrease in cash cost per tonne of ore in 2006 was mainly due to the increasing by-product credits, driven by higher copper market price and copper price factor from the copper separation. This illustrates the importance of the copper separation initiative in enhancing the company's future financial performance. However, the cash costs per pound of nickel sold were comparable in these two periods because the nickel grade of ore in the second quarter of 2006 was much lower than that in the corresponding period in 2005, which basically offset the impact of increasing by-product credits. As mentioned above, the grade level is expected to ramp up in the third and fourth quarter of this year. Therefore the cash cost per pound of nickel should decrease from the current level.

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 with respect to by-product sales. The Company produces nickel and copper concentrates. Disclosure of cash cost by the Company may not be directly comparable to other nickel producers and is only intended to provide investors with information about the cash generating capacity of the mining operations of the Company.

The selling and distribution expenses were $101,229 in the second quarter of 2006 versus $125,828 in the second quarter of 2005.

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

	Three Months Ended June 30, 2006		**Three Months Ended June 30, 2005**	
	$	$/tonne	$	$/tonne
Cost of sales [(1)]	1,181,506	23.86	1,071,343	23.38
Selling and distribution cost	101,229	2.04	125,828	2.75
By-product credits:				
Copper, gold and silver	(617,657)	(12.47)	(238,092)	(5.20)
Cash operating cost	665,078	13.43	959,079	20.93

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

Other expenses

The depreciation expense increased to $270,369 from $233,630 in the second quarter of 2005, reflecting more capital investment activities in mine sites since 2005.

In the first and second quarters of 2005, the construction of one shaft at Yellow Mountain (Huangshan) was suspended as management determined that the economic benefit would be negative. A cost of $43,319 for the shaft development in the second quarter of 2005 was written off for the same reason.

(Expressed in United States Dollars)

The general and administrative expenses incurred by the Company in the second quarter of 2006 were $827,088 compared to $363,812 in the second quarter of 2005. The increase is mainly due to the $67,000 audit fees, $80,000 investor relation expenses and $130,000 salaries incurred in the second quarter of 2006 as a result of the Company becoming a public company in September 2005. The other increases relate to more travel, office and amortization expense as the Company has increased investor relation and financing activities in North America.

In the second quarter of 2006, the Company incurred $75,409 of stock-based compensation (second quarter of 2005: nil), due to an allocation of the expense from stock options that were granted after the listing of the Company.

Earnings per share

During the second quarter of 2006, the basic earning per share was $0.016 (second quarter of 2005: $0.049) and the diluted earning per share was $0.014 (second quarter of 2005: $0.049). In addition to decreasing net earnings, the other major reason is the lower share base in the second quarter of 2005, which is deemed to be the number of shares (totalling 36,532,000) issued by Goldsat to the shareholders of Alexis in the reverse takeover transaction ("RTO"), per the Canadian GAAP. The remaining 14,489,042 shares issued pre RTO and during RTO started to be included in the calculation of earnings per share from the third quarter of 2005.

EBITDA

Earnings before interest income and expense, income taxes, stock-based compensation, write-off expense, depreciation and amortization ("EBITDA"), a non-GAAP performance measure, was $1.5 million during the second quarter of 2006, compared to $2.4 million in the second quarter of 2005.

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

	Three months ended June 30		**Six months ended June 30**	
	2006	**2005**	**2006**	**2005**
Net earnings	$ 878,687	$ 1,781,864	$ 1,156,870	$ 1,895,798
Interest (income) expense	(99,850)	1,500	(138,513)	3,328
Income tax	270,212	256,917	421,463	380,888
Depreciation	270,369	233,630	511,241	450,116
Amortization in general and administration expenses	47,517	17,646	81,508	32,739
Stock based compensation	75,409	-	167,305	-
Write-off of mine construction cost	-	43,319	-	192,799
Non-controlling interest	46,341	59,781	73,767	71,062
EBITDA	1,488,685	2,394,657	2,273,641	2,955,668

As a non-GAAP measurement, EBITDA does not comply with GAAP and, therefore, amount presented in the above table may not be comparable to similar data presented by other companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

(Expressed in United States Dollars)

Income tax

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

Liquidity and Capital Resources

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

	June 30, 2006	**December 31, 2005**
Cash and cash equivalents	$9,024,138	$7,894,272
Working capital	$4,517,747	$3,203,273
	Three Months ended June 30, 2006	**Three Months ended June 30, 2005**
Cash provided by operating activities	$1,417,079	$2,571,943
Cash used in investing activities	($3,142,020)	($145,087)
Cash provided by (used in) financing activities	$183,773	($2,273)
	Six Months ended June 30, 2006	**Six Months ended June 30, 2005**
Cash provided by operating activities	$1,702,503	$3,343,236
Cash used in investing activities	($4,567,303)	($1,443,578)
Cash provided by (used in) financing activities	$3,889,038	($110,134)

Operating activities

In the second quarter of 2006, cash provided by operating activities was $1,417,079 compared to $2,571,943 in the second quarter of 2005. Cash flows from the operations were lower in 2006 mainly because of the lower operating margin by $0.9 million. The lower grade level in the second quarter of 2006 caused $0.46 million lower gross profit versus the second quarter of 2005. The $0.46 million higher general and administration expense is due to the cost of operating as a public company. As discussed above, according to the Company's mining plan for 2006, the grading of ore should be substantially improved during the second half of 2006. It is expected that the results of the second half of 2006 should be greatly improved as overall production in 2006 should be higher than 2005 despite a dip in the second quarter. As an indication, the Company's gross margin is back to above 60% in July 2006 (second quarter of 2006: 56%), as a result of increased grade level as planned.

Financing activities

Financing activities generated $183,773 in the second quarter of 2006. The Company received $0.7 million from the exercise of warrants and stock options. As disclosed in prior periods' reports, the Company declared and paid in this quarter the annual dividend of CAD$0.01 per share totalling $515,783.

Investing activities

Investing activities consumed $3,142,020 of cash in the second quarter of 2006 compared to $145,087 consumed in the same period of 2005. $0.22 million was incurred in building the new concentration plant as mentioned above. $0.65 million was consumed in the construction of new shafts in Yellow Mountain East (Huangshan Dong). $0.15 million was relating to acquiring the mining right of Mine No. 10 in Yellow Mountain East (Huangshan Dong). In addition to ongoing capitalized investments in mine shafts, concentration plant and equipments, investing activities in this second quarter were related to the payment by the Company of $1.6 million to acquire a 30% equity interest in Tibet Dazi PuXiong Copper Company Limited, a copper-zinc project in Tibet. The Company started the drilling program at Yellow Mountain (Huangshan) in May 2006 and incurred $0.28 million during the period.

At June 30, 2006, the Company's cash and bank balances denominated in RMB are equivalent to approximately $4,453,863. 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 flow 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 Yellow Mountain (Huangshan), and planned development at the mines. The Company has budgeted approximately $5.0 million for these expenses. Cash flow from the operating mines of the Company, based on current nickel prices, should be adequate to fund these expenditures.

Balance Sheet

Cash

The Company had $9,024,138 in cash and cash equivalent as at June 30, 2006 compared to $7,894,272 as at December 31, 2005.

Share capital

As at June 30, 2006, the Company had 57.6 million common shares issued and outstanding. Approximately 1.2 million shares were issued in connection with a private placement in January 2006 and approximately 4.9 million shares were issued for warrants and stock options exercised during the first two quarters of 2006 resulting in total gross proceeds of approximately $4.9 million.

The Company had a total of 2,985,000 stock options outstanding as at December 31, 2005. During the six months ended June 30, 2006, 265,000 options were exercised, 225,000 options were cancelled and 165,000 options were granted to employees and consultants. 580,000 warrants were issued in connection with the private placement in January 2006 and 4,602,230 warrants were exercised during the six months ended June 30, 2006.

Contractual obligations and commitment

As at June 30, 2006, capital commitments that the Company had contracted for, but not provided for, amounted to $2,950,426 (December 31, 2005: $3,114,548). The contracts relate to the construction of the new plant facility, the ongoing construction of production shaft no. 10 at Zone no. 17 of Yellow Mountain East (Huangshan Dong) and the drilling program at Yellow Mountain (Huangshan).

Risk factors

The business of mineral exploration and development involves a high level of risk. Some of the main risk 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 Company expects higher production of nickel and copper concentrates for the second half of 2006 due to the return to higher ore grade resulting in overall production in 2006 to exceed 2005. Construction work in 2006 which will continue into 2007 should deliver substantial production increase in 2007 and 2008. Increased production and lower cash cost per tonne (from higher copper revenues through copper separation) are the catalysts for substantial earnings growth in the coming years.

As a well-established player in the local mining industry, the Company continues to make efforts seeking opportunities of acquiring quality mining projects.