

GobiMin Inc.

Interim Consolidated Financial Statements
(Unaudited)

June 30, 2007
(Expressed in United States Dollars except where otherwise noted)

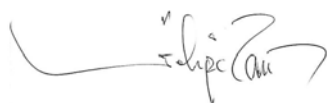
GobiMin Inc.**Consolidated Balance Sheet (Unaudited)**

(Expressed in United States Dollars)

	June 30, 2007	December 31, 2006
	\$	\$
ASSETS		
Current		
Cash and cash equivalents (Note 4)	36,630,677	15,141,334
Short term bank deposit (Note 5)	1,051,030	1,025,007
Margin deposit for futures trading	1,496	244,041
Derivative financial instrument assets (Note 14)	783,753	-
Accounts receivable	477,000	637,212
Prepayments and other receivables	1,777,212	598,367
Loan to investee company (Note 6)	919,652	256,252
Inventories (Note 7)	1,633,600	2,005,061
Total current assets	43,274,420	19,907,274
Mineral properties (Note 8)	16,426,913	16,341,983
Equity investment (Note 9)	1,423,064	1,673,342
Due from related parties (Note 12a&b)	772,280	215,360
Total assets	61,896,677	38,137,959
LIABILITIES		
Current		
Accounts payable	1,067,174	792,739
Due to related parties (Note 12c)	85,291	54,320
Other payables and accrued liabilities (Note 11)	4,795,290	4,674,480
Derivative financial instrument liabilities (Note 14)	-	422,412
Income tax payable	807,793	1,153,979
Total current liabilities	6,755,548	7,097,930
Non-controlling interests (Note 13)	850,893	531,403
Commitments (Note 17)		
SHAREHOLDERS' EQUITY		
Share capital (Note 15)	30,558,481	16,053,320
Contributed surplus	3,503,744	3,645,606
Cumulative translation adjustments	(17,909)	(661,733)
Reserves (Note 16)	2,765,919	2,765,919
Retained earnings	16,990,379	7,789,146
Accumulated other comprehensive income (Note 3)	489,622	916,368
Total shareholders' equity	54,290,236	30,508,626
Total liabilities and shareholders' equity	61,896,677	38,137,959

See accompanying notes to the Consolidated Financial Statements

APPROVED BY THE BOARD


Felipe Tan
Director

Hubert Marleau
Director

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

	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
	\$	\$	\$	\$
Revenue	9,752,563	3,549,385	20,029,145	5,893,519
Cost of sales	(1,937,898)	(1,181,506)	(4,073,465)	(2,067,254)
Depreciation	(475,993)	(270,369)	(948,497)	(511,241)
Selling and distribution cost	(242,830)	(101,229)	(537,055)	(199,124)
Gross Profit	7,095,842	1,996,281	14,470,128	3,115,900
Other revenue (Note 14)	1,029,635	102,589	1,146,527	143,546
General and administrative expenses	(1,222,656)	(827,088)	(2,324,232)	(1,439,178)
Stock based compensation (Note 15b)	(356,740)	(75,409)	(406,602)	(167,035)
Equity loss in investment (Note 9)	(261,212)	(1,133)	(290,011)	(1,133)
Other operating expenses (Note 14)	(372,900)	-	(1,214,017)	-
Earnings before interests, tax and non-controlling interests	5,911,969	1,195,240	11,381,793	1,652,100
Interest expense	-	-	-	-
Earnings before tax and non-controlling interests	5,911,969	1,195,240	11,381,793	1,652,100
Income tax	(344,182)	(270,212)	(1,037,164)	(421,463)
Earnings before non-controlling interests	5,567,787	925,028	10,344,629	1,230,637
Non-controlling interests (Note 13)	(210,809)	(46,341)	(382,621)	(73,767)
Net earnings for the period	5,356,978	878,687	9,962,008	1,156,870
Basic earnings per share (Note 15d)	0.075	0.016	0.146	0.021
Diluted earnings per share (Note 15d)	0.073	0.014	0.142	0.019
Weighted average number of shares outstanding (Note 15d)	71,246,783	56,608,294	68,336,715	54,897,194
Diluted weighted average number of shares outstanding (Note 15d)	73,106,930	63,821,487	70,065,349	61,710,863

See accompanying notes to the Consolidated Financial Statements

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

	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
	\$	\$	\$	\$
Net income	5,356,978	878,687	9,962,008	1,156,870
Other comprehensive loss (Note 3)				
Unrealized exchange gain on translation of self-sustaining foreign operations	(477,100)	(405,815)	(426,746)	(339,836)
Comprehensive income	4,879,878	472,872	9,535,262	817,034

Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
(Expressed in United States Dollars)

	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
	\$	\$	\$	\$
Share Capital				
Balance at beginning of period	19,208,488	5,201,375	16,053,320	3,834,003
Issued for option exercise	445,357	146,126	971,403	159,829
Issued for warrant exercise	-	3,325,343	2,629,122	3,750,098
Issued for private placement	10,904,636	-	10,904,636	928,914
Balance at end of period	30,558,481	8,672,844	30,558,481	8,672,844
Contributed Surplus				
Balance at beginning of period	3,373,520	3,846,687	3,645,606	3,592,116
Options & warrants exercised	(226,516)	(588,927)	(548,464)	(588,927)
Stock based compensation	356,740	76,390	406,602	167,035
Fair value of warrants from the private placement	-	-	-	163,926
Balance at end of period	3,503,744	3,334,150	3,503,744	3,334,150
Cumulative foreign currency translation				
Balance at beginning of period	(562,587)	(162,580)	(661,733)	(153,729)
Current period foreign currency translation (Note 3)	544,678	360,948	643,824	352,097
Balance at end of period	(17,909)	198,368	(17,909)	198,368
Reserves				
Balance at beginning of period	2,765,919	1,547,278	2,765,919	1,547,278
Current period reserves	-	-	-	-
Balance at end of period	2,765,919	1,547,278	2,765,919	1,547,278
Retained Earnings				
Balance at beginning of period	12,394,176	3,196,634	7,789,146	2,918,451
Net income	5,356,978	878,687	9,962,008	1,156,870
Dividend paid	(760,775)	(515,783)	(760,775)	(515,783)
Balance at end of period	16,990,379	3,559,538	16,990,379	3,559,538
Accumulated other comprehensive income				
Balance at beginning of period	966,722	239,992	916,368	174,013
Other comprehensive income (loss) (Note 3)	(477,100)	(405,815)	(426,746)	(339,836)
Balance at end of period	489,622	(165,823)	489,622	(165,823)

See accompanying notes to the Consolidated Financial Statements

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

(Expressed in United States Dollars)

	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Cash flows from (used in) operating activities	\$	\$	\$	\$
Net earnings for the period	5,356,978	878,687	9,962,008	1,156,870
Adjustments for items not involving cash:				
- Depreciation	475,993	270,369	948,497	511,241
- Amortization in general and administrative expenses	77,109	47,517	152,694	81,508
- Stock based compensation	356,740	75,409	406,602	167,035
- Unrealized gain on forward contracts	(790,500)	-	(790,500)	-
- Realized loss on forward contracts	372,599	-	1,228,085	-
- Equity loss in investment	261,212	1,133	290,011	1,133
- Non-controlling interests	210,809	46,341	382,621	73,767
	6,320,940	1,319,456	12,580,018	1,991,554
Change in non-cash working capital items:				
- Accounts receivable	(472,867)	(337,339)	170,084	(337,339)
- Prepayments, deposits and other receivables	(873,199)	(155,773)	(1,099,264)	(33,119)
- Due from related parties	(609,139)	-	(609,139)	-
- Inventories	(356,425)	79,042	412,991	351,091
- Accounts payable	552,273	(60,691)	170,881	256,754
- Due to related parties	95,927	27,027	115,851	27,027
- Other payables and accrued liabilities	1,236,610	326,012	824,520	(912,219)
- Tax payable	(365,529)	(87,068)	(372,181)	(57,072)
Net cash from operating activities	5,528,591	1,110,666	12,193,761	1,286,677
Cash flows from (used in) financing activities				
Shares issued for cash from option and warrant exercise	218,841	699,556	3,052,061	3,321,981
Shares issued for cash from private placement	11,797,706	-	11,797,706	1,092,840
Shares issued cash costs	(893,070)	-	(893,070)	-
Repayment on shareholder's loan advanced to investee company	-	-	258,560	-
New shareholder loan advanced to investee company	-	-	(904,960)	-
Dividend paid	(760,775)	(515,783)	(760,775)	(515,783)
Net cash from financing activities	10,362,702	183,773	12,549,522	3,889,038
Cash flows from (used in) investing activities				
Mineral properties	(693,762)	(1,517,357)	(856,480)	(2,942,640)
Change on construction payables	(90,220)	306,413	(879,496)	415,826
Margin deposit for futures trading	(447,589)	-	(1,385,837)	-
Long-term investment	-	(1,624,663)	-	(1,624,663)
Net cash used in investing activities	(1,231,571)	(2,835,607)	(3,121,813)	(4,151,477)
Increase in cash and cash equivalents	14,659,722	(1,541,168)	21,621,470	1,034,238
Effect on foreign exchange rate changes on cash	(173,144)	66,988	(132,127)	95,628
Cash and cash equivalents at beginning of period	22,144,099	10,498,318	15,141,334	7,894,272
Cash and cash equivalents at end of period	36,630,677	9,024,138	36,630,677	9,024,138
Supplementary cash flow information:				
Interest received	142,955	47,361	221,957	86,161
Interest paid	-	-	-	-
Income tax paid	(424,684)	(358,510)	(1,407,245)	(482,879)

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 plants to produce nickel and copper concentrates. The concentrates are then sold to its customer, Jinchuan Group Ltd. (“Jinchuan”), China’s largest nickel producer and smelter operator. Jinchuan owned approximately 12% of the Company’s total common shares outstanding as at June 30, 2007.

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, 2006, except for the change referred to in note 3 below. Generally accepted accounting principles for interim consolidated financial statements do not conform in all respects to the disclosures required for annual consolidated financial statements and, accordingly, these unaudited interim consolidated financial statements should be read in conjunction with GobiMin’s annual consolidated financial statements and accompanying notes for the year ended December 31, 2006. In the opinion of management, all adjustments considered necessary for the fair presentation of results for the periods presented have been reflected in these unaudited interim consolidated financial statements. These adjustments consist only of normal recurring adjustments. Operating results for these interim periods are not necessarily indicative of the results that may be expected for the full fiscal year ending December 31, 2007.

3. CHANGE IN ACCOUNTING POLICIES

Effective January 1, 2007, GobiMin adopted the new Canadian Institute of Chartered Accountants (“CICA”) accounting standards related to Comprehensive Income (section 1530), Equity (section 3251), Financial Instruments Recognition and Measurement (section 3855), Financial Instruments – Disclosure and Presentation (section 3861) and Hedges (section 3865). As required by the standards prior periods have not been restated except to reclassify the foreign currency translation adjustment as described under Comprehensive Income and Equity.

Financial Instruments

The Company classifies its financial instruments into one of the following categories: held-for-trading (assets and liabilities), assets available-for-sale, loans and receivables, assets held-to-maturity and other financial liabilities. All financial instruments are measured at fair value on initial recognition. Transaction costs are included in the initial carrying amount of financial instruments except for held-for-trading items in which case they are expensed as incurred. Measurement in subsequent periods depends on the classification of the financial instrument.

Financial assets and liabilities “held-for-trading” are subsequently measured at fair value with changes in fair value recognized in net income. Financial assets “available-for-sale” are subsequently measured at fair value with changes in fair value recognized in other comprehensive income.

Financial assets “held-to-maturity”, “loans and receivables”, and “other financial liabilities” are subsequently amortized using the effective interest rate method.

Financial instruments that are derivative contracts are considered “held-for-trading” unless they are designated as a hedge.

Comprehensive Income and Equity

Section 1530 provides for a new statement of Comprehensive Income and establishes accumulated other comprehensive income (AOCI) as a separate component of shareholders’ equity. The statement of Comprehensive

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Income reflects the changes in AOCI in the period. Changes in AOCI are comprised of changes in the fair value of financial instruments designated as cash flow or net investment hedges, to the extent they are effective, and foreign currency translation gains or losses arising from the translation of the Company's self-sustaining foreign operations.

The Company's operations in China are largely self-sustaining and their economic exposure is more closely tied to their respective domestic currencies. Accordingly, these operations are measured in Chinese Renminbi (RMB) and Hong Kong dollars (HKD) and translated to the Company's functional currency Canadian dollars (CAD\$) using the current rate method. The translation of self-sustaining foreign operations into the Company's functional currency is recorded in other comprehensive income. The effect of translating the financial statements from the Company's functional currency CAD\$ into its reporting currency United States dollars (US\$) continues to be included in a separate component of shareholder's equity described as cumulative foreign currency translation.

Initial Adoption of Standards

These accounting standards require prospective adoption with the exception of the translation of self-sustaining foreign operations. Accordingly the prior period cumulative foreign currency translation and AOCI balances have been restated as follows:

Increase (decrease)	December 31, 2006	December 31, 2005	June 30, 2006	Six months ended June 30, 2006
Cumulative foreign currency translation	(916,368)	(174,013)	165,823	339,836
Accumulated other comprehensive income	916,368	174,013	(165,823)	(339,836)

On adoption GobiMin did not have any held-to-maturity, hedging or available-for-sale financial instruments. On January 1, 2007 all of GobiMin's derivative contracts were designated as held-for-trading.

New Canadian Accounting Pronouncements

a) Accounting Changes

In July 2006, CICA revised Section 1506, "Accounting Changes", which now requires that: 1) a voluntary change in accounting principles can be made if, and only if, it is required by primary source of GAAP or the changes result in more reliable and relevant information, 2) changes in accounting policies are accompanied with disclosures of prior period amounts and justification for the change, and 3) for changes in estimates, the nature and amount of the change should be disclosed. The revised section is effective for the Company's financial year beginning on January 1, 2007.

b) Inventories

In June 2007, CICA issued Section 3031, "Inventories", which replaces Section 3030, "Inventories". Under the new section, inventories are required to be measured at the "lower of cost and net realizable value", which is different from the existing guidance of the "lower of cost and market". The new section contains guidance on the determination of cost and also requires the reversal of any write-downs previously recognized. Certain minimum disclosures are required, including the accounting policies used, carrying amounts, amounts recognized as an expense, write-downs, and the amount of any reversal of any write-downs recognized as a reduction in expenses. The new standard is effective for the Company's financial year beginning on January 1, 2008.

c) Capital Disclosures

In December 2006, the AcSB issued Section 1535, *Capital Disclosures*. This standard requires disclosure regarding what the Company defines as capital and its objectives, policy and processes for managing capital. In addition, disclosures are to include whether companies have complied with externally imposed capital requirements. This standard will be effective the Company's financial year beginning on January 1, 2008.

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d) Financial Instruments

In December 2006, the Canadian Accounting Standards Board (AcSB) issued two new Sections in relation to financial instruments: Section 3862, *Financial Instruments – Disclosures*, and Section 3863, *Financial Instruments – Presentation*. Both sections will be effective for the Company’s financial year beginning on January 1, 2008.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2007 include cash in different locations as follows:

Bank location	Currency	Amount	US\$ Equivalent
Canada	CAD	584,313	549,488
Hong Kong	HKD	124,753,034	15,955,913
China	RMB	153,185,019	20,125,276
Total			36,630,677

Cash and cash equivalents at December 31, 2006 include cash in different locations as follows:

Bank location	Currency	Amount	US\$ Equivalent
Canada	CAD	910,263	781,096
Hong Kong	HKD	60,002,542	7,714,789
China	RMB	51,866,540	6,645,449
Total			15,141,334

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, 2007.

5. SHORT TERM BANK DEPOSIT

Short term deposit of \$1,051,030 on June 30, 2007 (December 31, 2006: \$1,025,007) represents one-year term deposit with an interest rate of 2.25% per annum and a maturity date on April 1, 2008.

6. LOAN TO INVESTEE COMPANY

On March 15, 2007, the Company loaned an unsecured, interest bearing shareholder loan totalling \$919,652 (RMB 7,000,000) to Dazi PuXiong Copper Company Limited (“PuXiong”), in which GobiMin owns a 30% equity interest. PuXiong had paid off \$1,266,444 (RMB 10,000,000) that the Company loaned in 2006. The loan outstanding as at June 30, 2007 is due in three months with an effective interest rate of 6.435% per annum.

7. INVENTORIES

	June 30, 2007	December 31, 2006
Raw materials	\$ 718,358	\$ 517,233
Finished goods	915,242	1,487,828
	1,633,600	2,005,061

GobiMin Inc.
Notes to Consolidated Financial Statements (Unaudited)
June 30, 2007
(Expressed in United States Dollars)

8. MINERAL PROPERTIES

	Cost	Accumulated Amortization/ Written off	Net Book Value
<u>June 30, 2007</u>			
Leasehold land and buildings	\$ 8,022,468	\$(1,574,393)	\$ 6,448,075
Plant and machinery	4,364,559	(1,319,219)	3,045,340
Furniture, equipment and motor vehicles	700,946	(237,032)	463,914
Mineral rights	6,315,552	(3,395,267)	2,920,285
Construction in progress	1,647,706	-	1,647,706
Exploration costs	1,901,593	-	1,901,593
	22,952,824	(6,525,911)	16,426,913
<u>December 31, 2006</u>			
Leasehold land and buildings	6,730,920	(1,035,524)	5,695,396
Plant and machinery	4,058,278	(1,141,698)	2,916,580
Furniture, equipment and motor vehicles	658,176	(89,286)	568,890
Mineral rights	6,286,920	(3,082,368)	3,204,552
Construction in progress	2,345,659	-	2,345,659
Exploration costs	1,610,906	-	1,610,906
	21,690,859	(5,348,876)	16,341,983

From time to time, 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.

9. EQUITY INVESTMENT

Equity investment represents the Company's 30% equity interest in 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 \$1,707,925) in cash. The Company accounts for its investment on the equity basis, which is carried at cost, adjusted for the Company's proportionate share of the undistributed earnings and losses of PuXiong. During the three and six months ended June 30, 2007, the Company recorded \$261,212 (three months ended June 30, 2006: \$1,133) and \$290,011 (six months ended June 30, 2006: \$1,133), respectively, as equity loss on this investment.

10. INTEREST IN JOINT VENTURE

During 2006, GobiMin formed a new joint venture, Xinjiang Xinya Minerals Ltd. ("Xinjiang Xinya"), with Xinjiang Huaxin Minerals Ltd. ("Xinjiang Huaxin"). GobiMin and Xinjiang Huaxin each acquired a 50% interest in Xinjiang Xinya by injecting RMB 1 million cash (\$131,379) into the new joint venture as share capital. The joint venture is formed for the mining exploration and development in northwest China.

The Company adopted the proportionate consolidation method to account for its interest in Xinjiang Xinya. The Company's proportionate share of its interest in and results from the joint venture as at and for the three and six months ended June 30, 2007 are as follows:

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	June 30, 2007	December 31, 2006
Cash and cash equivalents	\$ 57,097	\$ 55,970
Intangible assets – exploration right	39,801	38,438
Other receivables	34,159	33,313
	131,057	127,721

	Three months ended June 30, 2007	Six months ended June 30, 2007
Other revenue	\$ 103	212
General and administration expenses	(60)	(119)
Net income	43	93
Net cash from operating activities	43	93
Net cash from financing activities	-	-
Net cash from investing activities	-	-
Effect on foreign exchange rate changes on cash	530	1,034

11. OTHER PAYABLES AND ACCRUED LIABILITIES

Other payables and accrued liabilities include construction payables of \$1,723,259 (December 31, 2006: \$2,554,082) as at June 30, 2007.

12. RELATED PARTY TRANSACTIONS

- a) \$181,075 of due from related parties pertains to loans to employees in the Chinese subsidiary of the Company for financial assistance related to home purchases. The loans have been granted to 19 employees since 2005 and 4 employees have repaid their loans due to their leaving. The balance of the loans at June 30, 2007 is \$181,075 (December 31, 2006: \$215,360). These loans are non-interest bearing and forgivable after eight years of service from the date of granting of the loan. Should the employee leave 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.
- b) \$591,205 of due from related parties pertains to amount receivable from the minority shareholder of Yakesi, the Chinese subsidiary of the Company, for funding new joint ventures projects that the Company plans to acquire. The amount due from the minority shareholder of Yakesi is unsecured, non-interest bearing and repayable on demand.
- c) \$85,291 (December 31, 2006: \$54,320) of 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 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.
- d) The Company has only one customer, Jinchuan. As at June 30, 2007, Jinchuan owned approximately 12% (December 31, 2006: 12%) of the total outstanding shares of the Company.

13. NON-CONTROLLING INTERESTS

Non-controlling interests represent the 3% equity interest in Yakesi and 7.1% equity interest in Jubao held by minority shareholders.

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14. DERIVATIVE FINANCIAL INSTRUMENTS

At June 30 2007, GobiMin had an open position on futures contracts in LME of short selling 60 tonnes of nickel at the price of \$49,500 per tonne and a margin deposit of \$1,496. These futures contracts are maturing at August 10, 2007. The unrealized gain on these futures contracts at June 30, 2007 was approximately \$790,500 and has been recorded in Other Revenue. During the three months ended June 30, 2007, the Company closed 60 tonnes of nickel futures selling contracts in LME that were open at the end of March 31, 2007. The realized loss was approximately \$960,000, of which \$587,401 was recorded as unrealized loss in the three months ended March 31, 2007 and the remaining loss of \$372,599 realized in the three months ended June 30, 2007 has been recognized in Other Operating Expenses.

15. 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, 2006	64,036,002	16,053,320
Shares issued for option exercise	649,000	971,403
Shares issued for warrant exercise	4,942,500	2,629,122
Shares issued for private placement	3,450,000	11,797,706
Shares issued costs for private placement		(893,070)
Balance, June 30, 2007	73,077,502	30,558,481

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, 2007 was 12,389,625.

Private Placement

On May 16, 2007, the Company closed a bought deal financing with an aggregate of 3,450,000 common shares at a price of \$3.42 (CAD\$ 3.75) per share, for aggregate proceeds of \$11,797,706 (CAD\$12,937,500). The agents received a cash commission of \$723,251 (CAD\$ 793,125) on the gross proceeds. The Company incurred \$169,819 (CAD\$ 186,225) for financial advisory fee, legal fee and listing fee, which were all recorded as share issue costs.

b) Stock options

On May 26, 2005, the Company adopted a resolution canceling all of its outstanding stock option plans and creating a new stock option plan to grant options to its employees, directors and officers to purchase common shares. As at June 30, 2007, a number of 5,700,000 (December 31, 2006: 5,700,000) common shares were reserved for issuance pursuant to the exercise of options to be granted under the plan.

A summary of the status of the Company's stock option as of June 30, 2007, and changes during the period is presented below:

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

	Six months ended June 30, 2007	
	Number of outstanding Options	Weighted average exercise price \$
At December 31, 2006	2,810,000	0.69
Issued at February 12, 2007	55,000	1.79
Exercised	(499,600)	0.68
At June 30, 2007	2,365,400	0.71

The following table summarizes the employee stock options outstanding and exercisable at June 30, 2007:

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	1,859,400	3.28	0.55	1,184,400	3.28	0.55
0.95	10,000	3.44	0.95	4,000	3.44	0.95
0.95	250,000	0.43	0.95	250,000	0.43	0.95
1.41	18,000	3.61	1.41	-	-	1.41
1.83	18,000	3.89	1.83	-	-	1.83
1.66	155,000	3.99	1.66	151,000	3.99	1.66
1.79	50,000	0.59	1.79	50,000	0.59	1.79
1.79	5,000	4.62	1.79	-	-	-
	2,365,400	2.98	0.71	1,639,400	2.93	0.71

On July 7, 2006, 149,400 agent options were issued to the agents of the private placement at the price of \$1.52 (CAD \$1.70). All the options were exercised during January 2007.

On October 1, 2006, 240,000 options were issued to CHF Investor Relations ("CHF") for its service provided. All the options granted to CHF were cancelled because of the termination of the investor relations service.

In this quarter, the Company incurred \$356,740 of stock-based compensation (Q2 2006: \$75,409), due to the recognition of unamortized expenses and incremental value from the acceleration of vesting of employee options.

During the six months ended June 30, 2007, the weighted average fair value of options granted amounted to \$0.56 per option. The Company determines fair value of the employee stock options using the Black-Scholes option pricing model. In determining the fair value of these employee stock options, the following assumptions were used:

Risk free interest rate:	4.0%
Expected life:	1 - 5 years
Expected volatility:	69.4%
Dividend yield:	0.5%

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c) Warrants	Six months ended June 30, 2007	
	Warrants	Weighted average exercise price
		\$
At December 31, 2006	5,005,000	0.52
Exercised	(4,942,500)	0.51
Expired	(62,500)	1.28
At June 30, 2007	-	-

d) **Basic and Diluted Earnings Per Share**

	Three months ended	
	June 30, 2007	June 30, 2006
Net earnings available to shareholders		
Basic and diluted	\$5,356,978	\$878,687
Weighted average shares outstanding		
Basic	71,246,783	56,608,294
Effect of dilutive stock options and warrants	1,860,147	7,213,193
Diluted	73,106,930	63,821,487
Earnings per share (basic)	\$0.075	\$0.016
Earnings per share (diluted)	\$0.073	\$0.014

	Six months ended	
	June 30, 2007	June 30, 2006
Net earnings available to shareholders		
Basic and diluted	\$9,962,008	\$1,156,870
Weighted average shares outstanding		
Basic	68,336,715	54,897,194
Effect of dilutive stock options and warrants	1,728,634	6,813,669
Diluted	70,065,349	61,710,863
Earnings per share (basic)	\$0.146	\$0.021
Earnings per share (diluted)	\$0.142	\$0.019

16. **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 laws 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.

17. COMMITMENTS

As at June 30, 2007, capital commitments that the Company had contracted for, but not provided for, amounted to \$4,307,594 (December 31, 2006: \$1,570,315). The commitments relate to NI43-101 compliance work on Yellow Mountain (Huangshan) site, shaft construction, equipments in the new mill and other maintenance work at the current facility.

18. ECONOMIC DEPENDENCE

The Company has only one customer over the period covered by these consolidated financial statements. The customer is Jinchuan (See note 12d). 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 and copper concentrates to other customers with smelter facilities in China.

19. 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.

20. SUBSEQUENT EVENTS

On August 2, 2007, GobiMin granted 1,397,000 options at an exercise price of \$3.39 (CAD\$3.60), among which 875,000 options exercisable until August 2, 2010 were granted to directors and 522,000 options exercisable until August 2, 2012 were granted to employees.

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(Incorporated in Canada under the Canada Business Corporations Act)

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The following discussion and analysis of the consolidated operating results and financial condition of GobiMin Inc. for the quarter ended June 30, 2007 should be read in conjunction with its consolidated financial statements for the quarter ended June 30, 2007 and GobiMin's audited consolidated financial statements for the year ended December 31, 2006. The financial information was prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This Management's Discussion and Analysis was prepared on August 24, 2007.

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., together with its subsidiaries, collectively referred to herein as the "Company" or "GobiMin", 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 Hami of the Xinjiang Uygur Autonomous Region of China.

GobiMin, through its subsidiaries, presently mines nickel and copper ore from two underground mines. Ore is processed through two mills totalling 1,600 tonne per day capacity 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. In the third quarter of 2006 and early 2007, GobiMin acquired an interest in one zinc project and three copper projects through joint ventures with local parties in Xinjiang, China. These projects are all at the exploration stage. The Company continues to pursue additional base metals opportunities.

Financial Highlights

During this quarter, the Company increased its production, maintained its low cost position and continued the development of its nickel/copper property Yellow Mountain while generating record profits and cash balance. The financial highlights in the second quarter of 2007 are:

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- Record quarterly revenue of \$9.8 million, an increase of 175% over the \$3.5 million in Q2 2006. Revenue of the first six months of 2007 reached \$20 million, exceeding the total revenue of the year of 2006.
- Gross margin was 72.8%, compared to 56.2% in Q2 2006.
- Record quarterly \$5.4 million net income, compared to \$0.9 million in Q2 2006, an increase of 510%.
- EBITDA for the quarter jumped 342% quarter over quarter to \$6.6 million.
- Basic earnings per share in this quarter increased to \$0.075 from \$0.016 in Q2 2006, despite a 26% increase in number of shares over the comparative period in last year.
- Cash profit margin increased to \$11.60 per pound of nickel compared to \$8.43 in Q1 2007 and \$3.91 in Q2 2006. Average realized price of nickel concentrate in this quarter was \$13.01 per pound.
- Cash position reached a record \$36.6 million or \$0.501 per share (a non-GAAP measure) while the Company remains debt free.
- Completion of a private placement of 3.45 million shares at C\$3.75 per share.
- Application for production development permits filed for its Yellow Mountain nickel / copper property.

Business Summary

Production Growth

Ore mined increased in this quarter to 73,623 tonnes from 50,687 tonnes in the same period of last year, reflecting the Company's annual production plan announced at the beginning of this year. The underground mining production is expected to continue to grow with 2 additional production shafts coming on stream at Yellow Mountain East Mine as planned for 2007 and 2008.

In 2006, the Company increased its milling capacity to accommodate anticipated growth in mining production output from 220,000 tonnes of ore in 2006 to over 400,000 tonnes for 2008.

The Company has started optimizing the current mining shafts at Yellow Mountain East Mine and Xiangshan Mine, by improving the underground operation efficiency and safety standards. The plan includes changing mining equipments, prolonging vertical shafts, upgrading the whole mining system and improving the ventilation system. Aiming to improve GobiMin's mining operation to a higher level, this plan will cover all the seven shafts at Yellow Mountain East Mine and Xiangshan Mine and expects to cost about \$3 million. Since the optimization process will have impact on current mining operations, the Company will gradually implement the plan through 2007 and 2008 so as to minimize the impact on ore production.

NI 43-101 Resource Estimate

During this quarter, GobiMin received a National Instrument 43-101 compliant resource estimate from Met-Chem Canada Inc. of Montreal ("Met-Chem") for its Yellow Mountain deposit. At 0.2% cut-off, Indicated Mineral Resources are estimated at 12 million tonnes averaging 0.44% nickel, 0.29% copper and 0.026% cobalt while Inferred Resources total 48 million tonnes

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averaging 0.42% nickel, 0.27% copper and 0.026% cobalt. The technical report of the resource estimate is filed with SEDAR and can also be found in the Company's website (<http://www.gobimin.com/i/pdf/YellowMtn-43-101Report-Jul2407.pdf>).

In addition, last year's drilling program showed some high grade intersections within the diorite rock formation at near-surface. This is an indication that the diorite rock is not a barren rock and may represent a potential drilling target. The new discovery of a second structural high grade contact in the diorite rock presents a new interpretation of the geology and provides potential to increase both the size and the grade of the deposit at near-surface.

As a result, GobiMin has recently started a 20,000 meters drilling campaign to:

- Focus on upper 500 meters depth mineralization for an earlier development at near-surface.
- Increase the Inferred Mineral Resource tonnage.

Key Economic Trends

Nickel

The main product sold by GobiMin is nickel concentrate, which accounts for 89% of total revenues. The price received for the nickel contained in the concentrate is calculated at a discount to the Chinese domestic nickel cathode price (which is correlated to the London Metal Exchange ("LME") nickel price). The discount reflects the smelter and refining charges as well as recovery loss to convert concentrate into nickel cathode. The average Chinese domestic cathode nickel price was approximately 104% of LME nickel price in YTD 2007 as shown in the price chart below which can also be found in GobiMin's website (www.gobimin.com):

The cash settlement price of nickel on the LME averaged \$21.79 per pound in the second quarter of 2007, compared to \$18.79 in the first quarter of 2007 and \$9.09 in the second quarter of 2006. The price since declined to \$11.58 on August 16, 2007. Management is of the view that the price for nickel will continue to be volatile but remain well above historical average prices.

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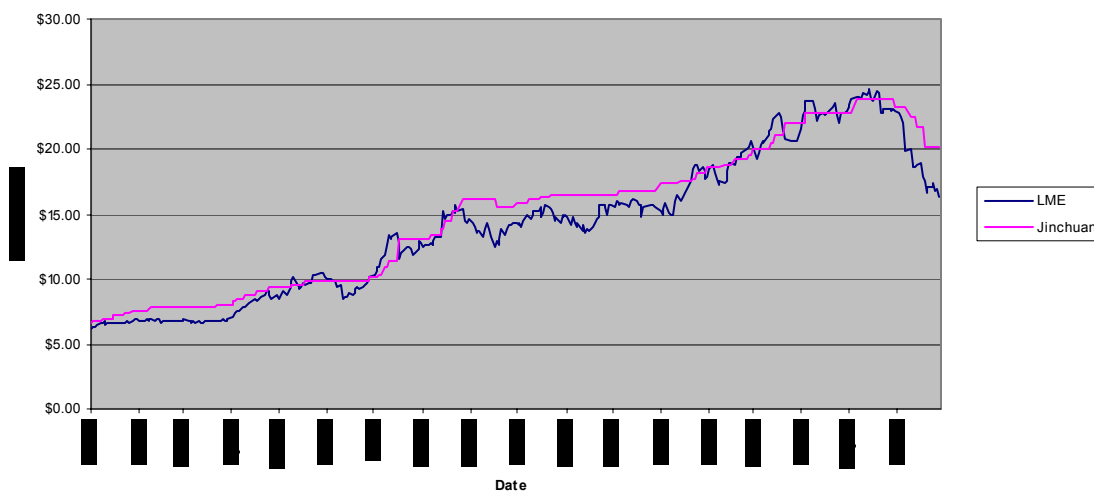
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**2006 - Q2 2007 Nickel Price
LME vs China Domestic Market**



Copper

Another product produced by GobiMin is copper concentrate, which accounts for approximately 11% of the total revenue in the second quarter. The price received for the copper contained in the concentrate is calculated at a discount to the Chinese domestic copper price (which is correlated to LME copper price). The discount reflects the smelter and refining charges as well as recovery loss to convert the concentrate into copper cathode. The cash settlement price of copper on the LME averaged \$3.73 per pound in the second quarter of 2007, compared to \$2.69 in the first quarter of 2007 and \$3.27 in the second quarter of 2006. Revenue from selling copper concentrates is treated as by product credits in the calculation of cash operating costs.

China Economy

Since GobiMin is producing and selling its nickel and copper concentrates within China, China economy condition is another key factor on the Company's business. During the second quarter of 2007, China GDP increased 11.3%, a record high for the past 12 years. In the view of the management, the stable and strong economy growth coupled with high nickel consumption structure in China manufacturing industry will continue to support the fundamentals of the increasing demand in the nickel and copper markets in China.

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, 2006. 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

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financial statements. The policies and estimates made by the Company that are considered to be most critical are described below.

Revenue Recognition

Revenue from the sale of nickel concentrate is recognized when risk and title passes to the customer, the price is fixed and determinable and collection of the proceeds is reasonably assured. The passing of title and risk occurs based on the terms of the off-take contract. The price is based on the formula in the off-take contract that includes average listed price of domestic nickel cathode price during a 20-day period and a price factor which depends on the nickel grade level in the concentrate.

Depreciation of Property, plant and equipment

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

Buildings: 4.75% - 33.3%

Leasehold improvement: 33.3%

Production equipment: 9.5% - 19%

Transportation equipment: 11.88% - 25%

Other equipment: 11.88% - 19%

For the new mill and shafts built in 2006, the Company used estimations of the buildings' service lives and residual value to calculate the depreciation expenses. Therefore buildings' depreciation rates ranged from 4.75% to 33.3%.

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

Asset retirement obligations

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

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

Equity Investment

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

Proportionate Consolidation

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

Derivative Financial Instruments

The Company recognizes derivative financial instruments on a marked-to-market basis. The Company has classified its investment in LME futures contracts as held for trading and therefore carries it at fair market value, with the unrealized gain or loss recorded in other revenue or expenses in the Consolidated Statements of Income and Retained Earnings. Margin deposits held by brokers for futures trading are separately disclosed in the Consolidated Balance Sheets.

Adoption of New Accounting Standards

Effective January 1, 2007, GobiMin adopted the new Canadian Institute of Chartered Accountants ("CICA") accounting standards related to Comprehensive Income (section 1530), Equity (3251), Financial Instruments Recognition and Measurement (section 3855), Financial Instruments – Disclosure and Presentation (section 3861) and Hedges (section 3865). This change in accounting policy has no effect on the consolidated financial statements for three months ended June 30, 2007 except to reclassify the foreign currency translation adjustment on self-sustaining operations to Other Comprehensive Income.

New Canadian Accounting Pronouncements

a) Accounting Changes

In July 2006, CICA revised Section 1506, "Accounting Changes", which now requires that: 1) a voluntary change in accounting principles can be made if, and only if, it is required by primary source of GAAP or the changes result in more reliable and relevant information, 2) changes in accounting policies are accompanied with disclosures of prior period amounts and justification for the change, and 3) for changes in estimates, the nature and amount of the change should be

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disclosed. The revised section is effective for the Company's financial year beginning on January 1, 2007.

b) Inventories

In June 2007, CICA issued Section 3031, "Inventories", which replaces Section 3030, "Inventories". Under the new section, inventories are required to be measured at the "lower of cost and net realizable value", which is different from the existing guidance of the "lower of cost and market". The new section contains guidance on the determination of cost and also requires the reversal of any write-downs previously recognized. Certain minimum disclosures are required, including the accounting policies used, carrying amounts, amounts recognized as an expense, write-downs, and the amount of any reversal of any write-downs recognized as a reduction in expenses. The new standard is effective for the Company's financial year beginning on January 1, 2008.

c) Capital Disclosures

In December 2006, the AcSB issued Section 1535, *Capital Disclosures*. This standard requires disclosure regarding what the Company defines as capital and its objectives, policy and processes for managing capital. In addition, disclosures are to include whether companies have complied with externally imposed capital requirements. This standard will be effective the Company's financial year beginning on January 1, 2008.

d) Financial Instruments

In December 2006, the Canadian Accounting Standards Board (AcSB) issued two new Sections in relation to financial instruments: Section 3862, *Financial Instruments – Disclosures*, and Section 3863, *Financial Instruments – Presentation*. Both sections will be effective for the Company's financial year beginning on January 1, 2008.

Internal Control

There were no changes in the Company's internal control over financial reporting during the three months ended June 30, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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Selected Quarterly Information

Selected quarterly information is provided as follows:

	For the quarter ended		For the six months ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Revenue	\$ 9,752,563	\$ 3,549,385	\$ 20,029,145	\$ 5,893,519
Net earnings	5,356,978	878,687	9,962,008	1,156,870
Basic earnings per share	0.075	0.016	0.146	0.021
Diluted earnings per share	0.073	0.014	0.142	0.019
Net cash from operating activities	5,528,591	1,110,666	12,193,761	1,286,677
Total assets	61,896,677	23,552,441	61,896,677	23,552,441
Weighted average number of shares outstanding	71,246,783	56,608,294	68,336,715	54,897,194
Diluted weighted average number of shares outstanding	73,106,930	63,821,487	70,065,349	61,710,863

For the quarter ended	December 31, September 30,		June 30,	March 31,
	2006	2006		
Revenue	\$ 7,519,732	\$ 6,174,557	\$ 3,549,385	\$ 2,344,135
Net earnings	2,399,860	2,794,450	878,687	278,183
Basic earnings per share	0.038	0.045	0.016	0.006
Diluted earnings per share	0.035	0.042	0.014	0.005
Net cash from operating activities	2,633,381	3,801,857	1,417,079	176,011
Total assets	38,137,959	34,518,021	23,552,441	21,793,901

Results of Operations

Revenues

The Company recorded in the second quarter revenues of \$9,752,563 compared to \$3,549,385 in Q2 2006. Revenue for nickel concentrates and for copper concentrates were \$8,622,881 and \$1,129,682 respectively, compared to \$2,931,728 and \$617,657 respectively, in the same quarter in 2006. The higher nickel revenue was mainly due to a large increase in realized nickel concentrate price and partially due to a 14% increase in volume of nickel concentrate sold.

Other revenues in Q2 2007 were \$1,029,635 (Q2 2006: \$102,589) and include \$790,500 unrealized gain of the Company's futures contracts in LME and \$239,135 in interest income.

In this quarter, the Company sold 660,000 pounds of nickel and 380,000 pounds of copper, compared to 580,000 pounds and 220,000 pounds respectively in the corresponding period of 2006. The plant processed 73,623 tonnes (Q2 2006: 50,687 tonnes) of ore with a nickel head grade of 0.48% (Q2 2006: 0.63%) and recoveries amounting to 82.56% (Q2 2006: 84.30%). The Company will continue monitoring market price fluctuation and review the operation cost from time to time to decide on the optimized grade that can maximize shareholders' long term value.

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Average realized price for nickel concentrate and copper concentrate in Q2 2007 was \$13.01 per pound and \$2.93 per pound respectively, compared to \$5.06 and \$2.74 respectively in Q2 2006. The realized prices the Company received are closely linked to the fluctuation of LME market, which is discussed in the section of Key Economic Trends.

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

Mining Operations	3 Months Ended June 30, 2007	3 Months Ended June 30, 2006
Ore (tonnes)		
Processed	73,623	50,687
Sold	75,688	49,520
Nickel grade of ore	0.48%	0.63%
Metallurgical recovery	82.56%	84.30%
Metal contained in concentrate ('000 pounds)		
Nickel	663	580
Copper	377	220
Metal contained in concentrate sold (\$)		
Nickel	\$8,622,881	\$2,931,728
Copper and others	\$1,129,682	\$617,657
Total Revenue	\$9,752,563	\$3,549,385
Average realized price of nickel contained in concentrate (per pound) ⁽¹⁾	\$13.01	\$5.06
Average realized price of copper contained in concentrate (per pound) ⁽¹⁾	\$2.93	\$2.74
Average cash cost per pound of nickel contained in concentrate, net of by-product credits ⁽²⁾	\$1.59	\$1.15
Average cash cost per tonne of ore, net of by-product credits ⁽²⁾	\$13.88	\$13.43

(1) Price before smelter and refining charges and recovery losses.

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

Cost of sales

Cost of sales amounted to \$1,937,898 in Q2 2007 compared to \$1,181,506 for the same period in 2006. Cost of sales includes the costs of mining, milling, haulage from mine sites to the mill and resource tax to the local government.

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Management continued to maintain a low operating cost structure as, quarter over quarter, cash cost per tonne of ore increased slightly to \$25.60 from \$23.86 despite additional exploitation costs incurred in respect of the mining optimization plan discussed above. Management considers cash cost per tonne of ore as its main benchmark in costing its production. Cash cost figure, a non-GAAP measure, represents the total of all cash costs directly attributable to the related mining and milling operations after the deduction of credits with respect to by-product sales. The Company produces separate nickel and copper concentrates. Disclosure of cash cost by the Company may not be directly comparable to other nickel producers and is only intended to provide investors with information about the cash generating capacity of the mining operations of the Company.

Cash margin for nickel concentrate rose to \$11.30 from \$3.91 in Q2 last year despite an increase in cash cost per pound of nickel concentrate due to the mining of lower grade ore during this quarter.

Selling and distribution expenses were \$242,830 in Q2 2007 versus \$101,229 in Q2 2006. The higher expense reflects higher volume and rate of concentrate shipped by rail and truck to the customer's smelter site.

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

	3 Months Ended		3 Months Ended	
	June 30, 2007		June 30, 2006	
	\$	\$/tonne	\$	\$/tonne
Cost of sales ⁽¹⁾	1,937,898	25.60	1,181,506	23.86
Selling and distribution cost	242,830	3.21	101,229	2.04
By-product credits:				
Copper, gold and silver	(1,129,682)	(14.93)	(617,657)	(12.47)
Cash operating cost	1,051,046	13.88	665,078	13.43

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

Other expenses

Depreciation expense increased to \$475,993 from \$270,369 in Q2 2006, reflecting the commencement of operation in new mine shafts and the new mill built in October 2006.

General and administrative expenses incurred by the Company in 2007 were \$1,222,656 compared to \$827,088 in 2006. The expense increase is mainly from increasing staff cost and amortization cost due to the operation expansion and increasing mining reimbursement fees and business development expenses from a larger revenue base.

In this quarter, the Company incurred \$356,740 of stock-based compensation (Q2 2006: \$75,409), due to the recognition of unamortized expenses and incremental value.

The \$261,212 (Q2 2006: \$1,133) equity loss in this quarter was caused by the operation loss of PuXiong Copper Company Limited ("PuXiong"), in which GobiMin owns 30% of equity investment. The loss can be explained by the fact that PuXiong was operating under its

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production capacity as the plant only started up in Q1 of 2007. Production is expected to ramp up to full capacity during the second half of 2007.

Earnings per share

Basic earnings per share for Q2 2007 increased to a record high of \$0.075 (Q2 2006: \$0.016) and diluted earnings per share were \$0.073 (Q2 2006: \$0.014) despite a 14% increase in shares over that period.

EBITDA

Earnings before interest income and expense, income taxes, stock-based compensation, write-off expense, depreciation and amortization ("EBITDA"), a non-GAAP performance measure, reached a record high of \$6.6 million in Q2 2007, compared to \$1.5 million in Q2 2006.

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

	Three months ended		Six months ended	
	June 30		June 30	
	2007	2006	2007	2006
Net earnings	\$ 5,356,978	\$ 878,687	\$ 9,962,008	\$ 1,156,870
Interest (income) expense	(239,135)	(99,850)	(303,957)	(138,513)
Income tax	344,182	270,212	1,037,164	421,463
Depreciation	475,993	270,369	948,497	511,241
Amortization in general and administration expenses	77,109	47,517	152,694	81,508
Stock based compensation	356,740	75,409	406,602	167,305
Write-off of mine construction cost	-	-	-	-
Non-controlling interest	210,809	46,341	382,621	73,767
EBITDA ⁽¹⁾	6,582,676	1,488,685	12,585,629	2,273,641
EBITDA per share ⁽²⁾	0.096	0.026	0.184	0.041

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

(2) Based on weighted average number of shares outstanding, a non-GAAP measure

Income tax

Xinjiang Yakesi Resources Co. Ltd. ("Yakesi"), a 97%-owned Chinese subsidiary of the Company, is subject to corporate income tax rate of 15% in 2007. Yakesi is eligible for an exemption from 3% regional tax rate and a 50% relief from the 30% state tax rate in China until 2010. The Company owns 92.9% interest of the other operating subsidiary, Hami Jubao Resources Development Limited ("Jubao"). According to the China Joint Venture Income Tax Act, Jubao will enjoy a two year income tax holiday starting 2007 and then be subject to corporate income tax rate of 15% in the next three years. China has introduced a new tax law effective at the beginning of 2008 to unify the application, scope, tax rate and tax deductions for

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both foreign enterprises and domestic enterprises. The new law will only be applicable to Yakesi and Jubao after the expiry of their current tax policy. 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 2007:

	June 30, 2007	December 31, 2006
Cash and cash equivalents	\$36,630,677	\$15,141,334
Working capital ⁽¹⁾	\$36,518,872	\$12,809,334
	Three Months ended June 30, 2007	Three Months ended June 30, 2006
Cash provided by operating activities	\$5,528,591	\$1,110,666
Cash used in investing activities	(\$1,231,571)	(\$2,835,607)
Cash provided by (used in) financing activities	\$10,362,701	\$183,773
	Six Months ended June 30, 2007	Six Months ended June 30, 2006
Cash provided by operating activities	\$12,193,761	\$1,286,677
Cash used in investing activities	(\$3,121,813)	(\$4,151,477)
Cash provided by (used in) financing activities	\$12,549,522	\$3,889,038

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

The Company's cash and cash equivalents are not exposed to repayment risks associated with asset-backed commercial paper market.

Operating activities

In the second quarter of 2007, cash provided from operating activities was \$5,528,591 compared to \$1,110,666 in Q2 2006. Cash flow from the operations was higher mainly from higher net profit realized in this quarter. The increased use of working capital, which decreased the operation cash flow by \$1.4 million, was aligned with the increased business activities. The YTD 2007 operation cash flow has reached \$0.18 per share (a non-GAAP measure). The Company expects to generate strong operation cash flow going forward.

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Financing activities

Financing activities generated net cash inflow of \$10,362,701 in Q2 2007. The Company received \$10.9 million net proceeds (after \$893,070 share issued costs) from the private placement of 3.45 million shares at C\$3.75 in May 2007 and paid 2006 annual dividend of \$760,775.

Investing activities

Investing activities utilized \$1,231,571 of cash in Q2 2007 compared to \$2,835,607 in Q2 2006. Investing activities were minimal in this quarter. The Company expects to incur approximately \$4.3 million in capital expenditures for the remaining of 2007, mainly relating to the exploration drillings in Yellow Mountain and mining shaft construction in Yellow Mountain East.

Balance Sheet

Cash

The Company had \$36,630,677 in cash and cash equivalents as at June 30, 2007 compared to \$15,141,334 as at December 31, 2006. The record cash position allows considerable financial and operational flexibility to fund the Company's projects and growth.

Share capital

As at June 30, 2007, the Company had 73.1 million common shares issued and outstanding. During this quarter, 3.45 million shares were issued for a private placement at the price of \$3.42 (CAD\$ 3.75) resulting in net proceeds of approximately \$10.9 million.

The Company had a total of 2,810,000 stock options outstanding as at December 31, 2006. During this quarter, 329,600 employee options were exercised. There is no warrant outstanding as at June 30, 2007. On August 2, 2007, GobiMin granted 1,397,000 options at an exercise price of \$3.39 (CAD\$3.60), among which 875,000 options exercisable until August 2, 2010 were granted to directors and 522,000 options exercisable until August 2, 2012 were granted to employees.

Dividends

The Company paid out 2006 annual dividend of CAD\$0.012, which was declared on April 11, 2007 according to the Company's dividend policy.

Contractual obligations and commitment

As at June 30, 2007, capital commitments that the Company had contracted for, but not provided for, amounted to \$4,307,594 (December 31, 2006: \$1,570,315). The contracts relate to NI 43-101 compliance work on Yellow Mountain (Huangshan) site, shaft construction, equipments in the new mill and other maintenance work at the current facility.

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Off-balance sheet arrangements

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

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. The details of the Company's risk factors are discussed in the Management's Discussion and Analysis of Financial Results for the year ended December 31, 2006, which are available at www.sedar.com and at GobiMin's website (www.gobimin.com).

Outlook

Based on the Company's 2007 YTD operation costs, the Company's break even for its cash cost of nickel in concentrate (a non-GAAP measure) is estimated to be approximately \$2.60. Therefore although the current nickel market price has widely fluctuated, the management is of the view that the Company should continue to generate strong operation cash flow and net earnings.

The Company has completed a feasibility study prepared by the Xinjiang Non-ferrous Design Institute for the Yellow Mountain nickel / copper property. The Company has filed the feasibility study and applied for the production development permits from government and expects receiving them in the coming months.

The Company started a drilling program to target promising shallow new zone that were identified in Yellow Mountain property during last year exploration. The current exploration program aims to expand the current resources.

Implementation of the optimization process at Yellow Mountain East Mine is under progress and will gradually affect works at the various mining shafts. Full year production is now projected to reach between 280,000 and 300,000 tonnes of ore, as compared to 220,000 tonnes produced in 2006. The ultimate objective of the optimization of the mining plan is to provide continuous production growth until 2010.

GobiMin is actively engaged in discussion with potential partners in the development of Yellow Mountain (aiming production in 2010) as well as forming joint ventures on exploring other quality base metal projects.