GobiMin Inc.

Consolidated Financial Statements
December 31, 2007 and 2006
(Expressed in United States Dollars except where otherwise noted)

AUDITORS' REPORT

To the Shareholders of
GobiMin Inc.

We have audited the consolidated balance sheets of **GobiMin Inc.** as at December 31, 2007 and 2006 and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Vancouver, Canada,
March 28, 2008.
(Except as to Note 26f which is as of April 10, 2008)

Chartered Accountants

GobiMin Inc.

Consolidated Balance Sheets

As at December 31, 2007 and 2006

(Expressed in United States Dollars)

	December 31, 2007	December 31, 2006
ASSETS	$	$
Current		
Cash and cash equivalents (Note 4)	45,624,936	15,141,334
Short term bank deposit (Note 5)	-	1,025,007
Margin deposit for futures trading	-	244,041
Accounts receivable	600,253	637,212
Prepayments and other receivables	2,051,637	598,367
Loan to investee company (Note 6)	958,372	256,252
Inventories (Note 7)	1,845,032	2,005,061
Total current assets	51,080,230	19,907,274
Mineral properties (Note 8)	28,028,839	16,341,983
Long term prepaids (Note 11)	7,231,180	-
Equity investments (Note 9)	3,034,774	1,673,342
Due from related parties (Note 15)	1,376,349	215,360
Total assets	90,751,372	38,137,959
LIABILITIES		
Current		
Accounts payable	882,860	792,739
Due to related parties (Note 15)	140,063	54,320
Other payables and accrued liabilities (Note 13)	6,872,902	4,674,480
Derivative financial instrument liabilities (Note 18)	-	422,412
Bank loan (Note 14)	10,952,821	-
Income tax payable (Note 21)	340,286	1,153,979
Total current liabilities	19,188,932	7,097,930
Future Income Tax Liability (Note 21)	78,051	-
Total liabilities	19,266,983	7,097,930
Non-controlling interests (Note 16)	1,677,393	531,403
Commitments (Note 24)		
SHAREHOLDERS' EQUITY		
Share capital (Note 22a)	31,195,252	16,053,320
Contributed surplus (Note 22b)	4,029,197	3,645,606
Reserves (Note 23)	6,144,537	2,765,919
Retained earnings	24,024,559	7,789,146
Accumulated other comprehensive income	4,413,451	254,635
Total shareholders' equity	69,806,996	30,508,626
Total liabilities and shareholders' equity	90,751,372	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
Years Ended December 31, 2007 and 2006
(Expressed in United States Dollars)

	2007	2006
	$	$
Revenue	38,539,884	19,587,808
Cost of sales	(8,933,764)	(4,914,701)
Depreciation	(2,037,189)	(1,069,997)
Selling and distribution cost	(669,990)	(609,899)
Gross Profit	26,898,941	12,993,211
Other revenue (Note 17)	2,219,118	438,993
General and administrative expenses	(4,686,560)	(3,335,814)
Stock based compensation (Note 22)	(1,098,217)	(718,416)
Equity profit (loss) in investment (Note 9)	(446,291)	7,540
Write-off of leasehold improvement (Note 8)	(44,340)	-
Other operating expenses (Note 18)	(348,727)	(938,680)
Earnings before interests, tax and non-controlling interests	22,493,924	8,446,834
Dilution gain (Note 19)	727,757	-
Interest expense	(16,699)	(27,568)
Earnings before tax and non-controlling interests	23,204,982	8,419,266
Income tax (Note 21)	(1,873,592)	(1,754,954)
Earnings before non-controlling interests	21,331,390	6,664,312
Non-controlling interests (Note 16)	(937,479)	(313,132)
Net earnings for the year	20,393,911	6,351,180
Basic earnings per share (Note 22e)	0.29	0.11
Diluted earnings per share (Note 22e)	0.28	0.10
Weighted average number of shares outstanding (Note 22e)	70,818,860	58,950,994
Diluted weighted average number of shares outstanding (Note 22e)	72,283,646	63,833,686

See accompanying notes to the Consolidated Financial Statements

GobiMin Inc.

Consolidated Statements of Comprehensive Income

(Expressed in United States Dollars)

	2007	2006
	$	$
Net income	**20,393,911**	6,351,180
Unrealized exchange gain on translation of self-sustaining foreign operations	**4,158,816**	234,351
Comprehensive income	**24,552,727**	6,585,531

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in United States Dollars)

	2007	2006
	$	$
Share Capital		
Balance at beginning of period	**16,053,320**	3,834,003
Issued for option exercise	**1,608,174**	241,189
Issued for warrant exercise	**2,629,122**	5,262,827
Issued for private placement	**10,904,636**	6,715,301
Balance at end of period	**31,195,252**	16,053,320
Contributed Surplus		
Balance at beginning of period	**3,645,606**	3,592,116
Options & warrants exercised and cancelled	**(714,626)**	(828,852)
Stock based compensation	**1,098,217**	718,416
Fair value of warrants from the private placement	**-**	163,926
Balance at end of period	**4,029,197**	3,645,606
Reserves		
Balance at beginning of period	**2,765,919**	1,547,278
Current period reserves (Note 23)	**3,378,618**	1,218,641
Balance at end of period	**6,144,537**	2,765,919
Retained Earnings		
Balance at beginning of period	**7,789,146**	2,918,451
Net income	**20,393,911**	6,351,180
Tax refund relating to capital transaction	**-**	253,939
Transfer to general reserve (Note 23)	**(3,378,618)**	(1,218,641)
Dividend paid (Note 20)	**(779,880)**	(515,783)
Balance at end of period	**24,024,559**	7,789,146
Accumulated other comprehensive income		
Balance at beginning of period	**254,635**	20,284
Other comprehensive income (Note 3)	**4,158,816**	234,351
Balance at end of period	**4,413,451**	254,635

See accompanying notes to the Consolidated Financial Statements

GobiMin Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2007 and 2006
(Expressed in United States Dollars)

	2007	2006
Cash flows from (used in) operating activities	$	$
Net earnings for the year	20,393,911	6,351,180
Adjustments for items not involving cash:		
- Depreciation	2,037,189	1,069,997
- Amortization in general and administrative expenses	326,510	198,696
- Stock based compensation	1,098,217	718,416
- Unrealized loss on forward contracts	-	423,000
- Write-off of leasehold improvement	44,340	-
- Equity (profit) loss in investment	446,291	(7,540)
- Dilution gain on issuing subsidiary's shares	(727,757)	-
- Gain on subsidiary's equity disposition	(992,734)	-
- Non-controlling interests	937,479	313,132
	23,563,446	9,066,881
Change in non-cash working capital items:		
- Accounts receivable	77,457	(623,604)
- Prepayments, deposits and other receivables	(1,354,635)	(255,942)
- Inventories	285,729	(689,297)
- Accounts payable	34,356	444,298
- Due to related parties	81,336	53,160
- Other payables and accrued liabilities	1,746,294	(501,452)
- Tax payable	(779,447)	643,697
Net cash from operating activities	23,654,536	8,137,741
Cash flows from (used in) financing activities:		
Shares issued for cash from warrant and option exercise	3,734,707	4,675,164
Shares issued for cash from private placement	11,797,706	7,371,639
Share issue cash costs	(893,070)	(492,412)
Cash contributed by minority shareholders	1,459,991	-
Repayment of promissory note	-	(2,352,027)
Bank loan	10,519,579	-
Loan to investee company	(656,894)	(250,779)
Dividend paid	(779,880)	(515,783)
Net cash from financing activities	25,182,139	8,435,802
Cash flows from (used in) investing activities		
Mineral properties	(12,083,970)	(8,512,486)
Change on construction payables	(543,919)	1,866,004
Due from related parties	(1,229,076)	-
Acquisition of equity interest from minority shareholder	(950,312)	-
Proceeds from disposition of equity interest of subsidiary	1,601,786	-
Tax refund on capital transaction	-	259,939
Short term bank deposit	1,051,958	(1,003,118)
Margin deposit for futures trading	243,330	(244,041)
Equity investments in joint ventures	(1,711,378)	(1,630,066)
Financing for employee benefits	29,020	(44,737)
Long term prepaids	(6,993,901)	-
Net cash used in investing activities	(20,586,462)	(9,308,505)

GobiMin Inc.
Consolidated Statements of Cash Flows - continued
Years Ended December 31, 2007 and 2006
(Expressed in United States Dollars)

	2007	2006
	$	$
Increase in cash and cash equivalents	28,250,213	7,265,038
Effect on foreign exchange rate changes on cash	2,233,389	(17,976)
Cash and cash equivalents at beginning of year	15,141,334	7,894,272
Cash and cash equivalents at end of year	45,624,936	15,141,334
Supplementary cash flow information:		
Interest received	763,928	364,668
Interest paid	(16,699)	(27,568)
Income tax paid	(2,728,957)	(1,111,257)

See accompanying notes to the Consolidated Financial Statements

1. NATURE OF OPERATIONS

GobiMin Inc. (formerly Goldsat Mining Inc.), 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 Co. Ltd ("Yakesi") and Hami Jubao Resources Co. Ltd ("Jubao"). The Company owns 93.55% (2006: 97%) of Yakesi and 95.16% (2006: 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 sold in China.

In 2006, GobiMin formed a joint venture, Xinjiang Xinya Minerals Ltd. ("Xinya"). The Company owns 50% equity interest in Xinya. The joint venture is engaged in exploration of zinc and copper projects in Xinjiang region. GobiMin also owns 30% equity interest in Dazi PuXiong Copper Company Limited ("PuXiong"), which is engaged in exploration, mining and milling of copper and zinc resources in Tibet, China.

In 2007, GobiMin formed four new joint ventures, Xinjiang Tongde Minerals Ltd ("Tongde"), Xinjiang Tongxing Minerals Ltd ("Tongxing"), Xinjiang Tongan Minerals Ltd ("Tongan") and Xinjiang Tianhong Minerals Ltd ("Tianhong"), to engage in exploration of nickel, copper, lead and zinc projects in Xinjiang region. GobiMin owns 40% in each of those four joint ventures. Starting Q4 2007, GobiMin holds 65% controlling interest in its newly formed subsidiary, PT. Gobi Sulawesi Resources ("PT Gobi"), to engage in nickel laterite exploration projects in Indonesia.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

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

a) Principles of Consolidation:

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

b) Foreign currency translation:

The Company's subsidiaries denominated in foreign currencies are translated using the current rate method. The assets and liabilities of foreign subsidiaries are translated into US Dollars at year-end exchange rates. Revenue and expenses are translated into US Dollars at the average exchange rates of the period. The resulting translation difference is included in the accumulated other comprehensive income account.

c) Cash and cash-equivalents:

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

d) Mineral properties:

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

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

Buildings: 4.75% - 33.3%
Leasehold improvement: 33.3%
Production equipment: 9.5% - 19%
Transportation equipment: 11.88% - 25%

Other equipment: 11.88% - 19%

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

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

Exploration costs are stated at cost less any impairment loss. It comprises the direct costs of exploration work on mineral properties prior to the development. Upon commencement of commercial production of mineral properties, exploration costs are amortized over the mine's estimated life using the straight-line method with nil residual value.

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

e) Inventories:

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

f) Income taxes:

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

g) Stock based compensation expense:

The Company has adopted CICA 3870 Stock-based Compensation and Other Stock-based Payments to account for the issuance of stock options to employees and non-employees. The fair value of stock options is estimated at the grant date using the Black-Scholes Option Pricing Model. This model requires the input of a number of assumptions, including expected dividend yields, expected stock price volatility, expected time until exercise and risk-free interest rates. Although the assumptions used reflect management's best estimates, they involve inherent uncertainties based on market conditions generally outside of the control of the Company. If other assumptions are used, stock option expense could be significantly impacted. As stock options are exercised, proceeds received on exercise are credited to share capital.

h) Revenue recognition:

Revenue from the sale of nickel concentrate is recognized when risk and title pass to the customer, the price is fixed and determinable and collection of the proceeds is reasonably assured. The passing of title and risk occurs based on the terms of the off-take contract. The price is based on the formula in the off-take contract that includes average listed price of the customer and the price factor decided by the grade level of concentrate.

i) Earnings per share:

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

j) Use of estimates:

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

k) Seasonality of operations:

The winter conditions in which the Company's subsidiaries operate, coupled with Chinese Spring Festival holidays, temporarily slow down the mineral ore concentration process. The quantities of finished goods produced for sale in winter are significantly lower than the capacity of the Company's facilities. The slow-down season is generally from January to early March of the following calendar year.

l) Asset retirement obligation:

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

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

m) Derivative Financial Instrument:

The Company recognizes derivative financial instruments on a marked-to-market basis. The Company has classified its investment in London Metal Exchange ("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. Margin deposits held by brokers for futures trading are separately disclosed in the Consolidated Balance Sheets.

n) Proportionate Consolidation:

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

o) Equity Investment:

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

p) Comparative Figures:

Certain comparative figures have been reclassified to conform to the presentation as at and for the year ended 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 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. Exchange gains and losses from foreign currency translation are recorded in shareholders' equity as accumulated other comprehensive income.

(Expressed in United States Dollars)

New Canadian Accounting Pronouncements

a) 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 will be effective for the Company's financial year beginning on January 1, 2008.

b) 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 for the Company's financial year beginning on January 1, 2008.

c) 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 December 31, 2007 include cash in different locations as follows:

Bank location	Currency	Amount	US$ Equivalent
Canada	CAD	797,831	807,405
Hong Kong	HKD	158,757,839	20,353,639
China	RMB	178,525,773	24,442,009
Indonesia	IDR	206,023,222	21,883
Total			45,624,936

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 December 31, 2007.

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5. SHORT TERM BANK DEPOSIT

Short-term bank deposit is zero as at December 31, 2007 while the $1,025,007 balance at the year-end of 2006 represents one-year term deposit with an interest rate of 2.25% per annum and a maturity date on July 23, 2007.

(Expressed in United States Dollars)

6. LOAN TO INVESTEE COMPANY

The Company loaned an unsecured, interest bearing shareholder loan totalling $656,894 (RMB 5,000,000) (2006: $1,266,444 or RMB 10,000,000) to PuXiong, in which GobiMin owns a 30% equity interest. The loan was due on September 30, 2007 with an interest rate of 6.435% per annum. The outstanding balance of the loan as at December 31, 2007 was $958,372 (RMB 7,000,000) (2006: $256,252 or RMB 2,000,000). The Company has obtained guarantee from the controlling shareholder of Puxiong which guaranteed a full repayment of the loan and interest in 2008.

7. INVENTORIES

	December 31, 2007	December 31, 2006
Raw materials	$ 727,439	$ 517,233
Finished goods	1,117,593	1,487,828
	1,845,032	2,005,061

8. MINERAL PROPERTIES

	Cost	Accumulated Amortization/ Written off	Net Book Value
December 31, 2007			
Leasehold land and buildings	9,624,915	(2,232,013)	7,392,902
Plant and machinery	5,030,379	(1,605,188)	3,425,191
Furniture, equipment and motor vehicles	765,687	(238,559)	527,128
Intangible asset	8,406,685	(3,778,055)	4,628,630
Construction in progress	8,220,368	-	8,220,368
Exploration costs	3,834,620	-	3,834,620
	35,882,654	(7,853,815)	28,028,839
December 31, 2006			
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
Intangible asset	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

During this year, the Company decided to move its Hong Kong office and therefore a cost of $44,340 for the previous office's leasehold improvement was written off.

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.

(Expressed in United States Dollars)

9. EQUITY INVESTMENTS

Equity investments represent the Company's equity interests in PuXiong, which was established in 2006, and four new joint ventures established in 2007.

During 2007, GobiMin, through its 100% owned subsidiary, Xinjiang Weifu Mining Limited ("Weifu"), participated in four new joint ventures, Tongde, Tongan, Tongxing and Tianhong, to explore nickel, copper, lead and zinc projects in Xinjiang region. The Company's equity interest in each of the four joint ventures is 40%. Total consideration of RMB 12,500,000 ($1,711,378) was paid in cash, being RMB2,500,000 ($342,275) in Tongde, RMB4,000,000 ($547,641) in Tongxing, RMB2,000,000 ($273,821) in Tongan and RMB4,000,000 ($547,641) in Tianhong.

The Company accounts for its investments on the equity basis, which is carried at cost, adjusted for the Company's proportionate share of the undistributed earnings and losses of all the above joint ventures. During the year ended December 31, 2007, the Company recorded $446,291 as equity loss (2006: $7,540 equity profit) on the investments.

10. BUSINESS ACQUISITIONS

During 2007, GobiMin, through Yakesi (93.55% (2006: 97%) owned subsidiary), acquired the remaining 5% minority interest in Jubao. After the acquisition, Yakesi owns 75% (2006: 70%) of Jubao and another 100% owned subsidiary of GobiMin, Alexis Investments Limited, owns the remaining 25% of Jubao. As at December 31, 2007, the Company's effective ownership interest in Jubao is 95.16% (2006: 92.9%).

The aggregate purchase price for acquiring the 5% minority interest is RMB 7,227,000 ($950,312) and it was paid in cash in 2007. This acquisition has been accounted for by the purchase method with the fair value of the consideration paid being allocated to the identifiable assets and liabilities as of June 30, 2007 as follows:

Assets acquired	**$**
Current assets	147,299
Mineral properties	1,017,860
Total assets acquired	1,165,159
Liabilities assumed	
Current liabilities	139,883
Future income tax liabilities	74,964
Fair value of net assets acquired	**950,312**
Total cash consideration paid	**950,312**

$663,963, the excess of the cash consideration paid over the fair value of Jubao's 5% net identifiable assets, was assigned to mineral properties. The purchase price allocation for this acquisition is preliminary and may be adjusted further as a result of obtaining additional information regarding preliminary estimates of fair value made at the date of purchase.

11. LONG-TERM PREPAIDS

Long-term prepaids as at December 31, 2007 consisted of deposits to purchase equipment and prepaids to contractors of Yellow Mountain Deposit.

(Expressed in United States Dollars)

12. INTEREST IN JOINT VENTURE

During 2006, GobiMin formed a joint venture, Xinya, with Xinjiang Huaxin Minerals Ltd (“Huaxin). GobiMin and Huaxin each acquired a 50% interest in Xinya by injecting RMB 1 million ($136,910) cash into the new joint venture as share capital. The joint venture is formed for the mining exploration and development in northwest China.

The Company adopts the proportionate consolidation method to account for its interest in Xinya. The Company’s proportionate share of its interest in and results from the joint venture as at and for the year ended December 31, 2007 are as follows:

	December 31, 2007	December 31, 2006
Cash and cash equivalents	$ 1,098,987	$ 55,970
Intangible assets – exploration right	46,611	38,438
Other receivables	51,136	33,313
Due to related parties	(1,061,054)	-
	135,680	127,721

	2007	2006
General and administration expenses	(765)	(397)
Net cash from operating activities	24,106	(33,710)
Net cash from financing activities	1,019,125	
Net cash used in investing activities	(8,173)	(38,438)
Effect on foreign exchange rate changes on cash	7,959	-

13. OTHER PAYABLES AND ACCRUED LIABILITIES

Other payables and accrued liabilities include construction payables of $2,160,206 (2006: $2,554,082) as at December 31, 2007.

14. BANK LOAN

In December 2007, the Company’s Chinese subsidiary, Yakesi, borrowed two one-year unsecured term loans from the local banks, totaling RMB 80,000,000 ($10,519,579). The loans are due in December 2008 at the annual interest rate of 7.47%.

15. RELATED PARTY TRANSACTIONS AND BALANCES

a) $1,061,054 of due from related parties pertains to receivables from the Company’s joint venture, Xinya, for financial support of its current exploration projects. The advance is unsecured and payable on demand.

b) $210,000 of due from related parties pertains to loans to the minority shareholders of the Company’s subsidiary, PT Gobi, for financial support of their equity investments in the subsidiary. The loans have no term and are non-interest bearing and collateralized with the equity interest in PT Gobi. The minority shareholders authorized PT Gobi to repay the Company with their portion of dividends payable by PT Gobi in the future.

c) $105,295 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 were granted to 19 employees. 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 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.

d) Due to related parties pertains to accounts payable to the minority shareholder of the Chinese subsidiary for the loading services provided and accounts payable to the minority shareholder of the Indonesia subsidiary for the exploration services provided. The balance of the accounts payable at December 31, 2007 is $140,063 (2006: $54,320). The transaction is measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

e) During 2007, Yakesi and Yatian Ltd ("Yatian"), a minority shareholder of Jubao, agreed to exchange equity interest to facilitate the proposed initial public offering of shares ("IPO") of Yakesi in China. Yakesi bought Yatian's 5% equity interest in Jubao at the cash consideration of $950,312 (see note 10). Yakesi issued 1.5% of its equity interest to Yatian for the cash consideration of $1,249,991 (see note 19). Yakesi and Yatian are related parties through a common director.

f) During 2007, the Company acquired 100% of the issued shares of Wreford Enterprises Limited ("Wreford") from Wreford's sole shareholder, Felipe Tan, who is also the Company's Chairmen, President and CEO. This transaction is to provide GobiMin a legal shell company for its future acquisitions of exploration projects in China in compliance with the Chinese regulations. At the date of acquisition, the only major asset of Wreford was its wholly owned subsidiary, Weifu, and the only liability is a $31,884.08 loan from shareholder. The Company paid $32,884.08 in cash for the acquisition of Wreford.

g) As at December 31, 2007, Jinchuan Group Ltd., a customer of the Company, owned approximately 11.8% (2006: 12.0%) of the total outstanding shares of the Company.

16. NON-CONTROLLING INTERESTS

Non-controlling interests represent the 6.45% (2006: 3%) equity interests in Yakesi, 4.84% (2006: 7.1%) equity interests in Jubao and 35% equity interest in PT Gobi held by minority shareholders.

17. OTHER REVENUE

The Company realized $2,219,118 (2006: $438,993) other revenue this year.

a) $297,642 of other revenue pertains to short term investment gain on China and Hong Kong stock markets. The Company had no investment position as at December 31, 2007.
b) $992,734 of other revenue pertains to the gain of capital restructuring transactions of the Company's Chinese subsidiary during 2007. The Company sold 2% of its interest in Yakesi to a local strategic investor at cash consideration of $1,601,786 and recognized a gain of $992,734.
c) The remaining of other revenue is mainly from interest income and sales of oil and materials to contractors for mining operation.

18. OTHER OPERATING EXPENSES

During 2007, GobiMin entered into futures contracts on short selling nickel in LME and closed all of them by the end of 2007. The realized loss was $248,048 (2006: $935,400) and recognized as Other Operating Expenses. The related liability was nil (2006: $422,412).

During 2007, the Company's Chinese subsidiary donated RMB1.1 million ($144,644) to the local Chinese government for supporting the recovery of the summer flood. The expenses have been recognized in Other Operating Expenses.

19. DILUTION GAIN

During 2007, Yakesi issued 1.5% of its outstanding shares to Yatian for the cash consideration of $1,249,991. Therefore, a dilution gain of $727,757 was recognized (see note 15e).

(Expressed in United States Dollars)

20. DIVIDENDS PAID

In May 2007, GobiMin paid its annual dividend of $779,880 (2006: $515,783) according to the Company's dividend policy and 2006 annual financial performance.

21. INCOME TAX

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

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

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

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

	2007	2006
Profit before tax	$23,204,982	$ 8,419,266
Statutory tax rates	36.12%	36.12%
Tax charged at statutory tax rates	$ 8,381,639	$ 3,041,039
Tax rate difference	(7,013,052)	(1,716,584)
Permanent difference	539,964	182,489
Loss expiry	75,524	135,260
Tax rate change	110,948	99,503
Other	(221,431)	13,247
Tax expense	$ 1,873,592	$ 1,754,954

Loss carryforwards and other temporary differences that give rise to future income tax assets as at December 31, 2007 and 2006 are as follows:

Future income tax assets	2007	2006
Canadian tax loss carryforwards	$727,671	$ 683,819
Unclaimed share issue costs	479,227	231,498
	1,206,898	915,317
Valuation allowance	(1,206,898)	(915,317)
Excess of accounting base over tax base relating mineral rights and properties	78,051	-
Future income tax liabilities	$ 78,051	$ -

(Expressed in United States Dollars)

At December 31, 2007, the Company had accumulated non-capital losses for Canadian income tax purpose of approximately $2,509,212 which will expire between 2008 and 2026.

22. SHARE CAPITAL, WARRANTS AND STOCK OPTIONS

a) Common Shares

	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	5,280,000	6,715,301
Shares issued for option exercise	265,000	241,189
Shares issued for warrant exercise	6,950,460	5,262,827
Balance, December 31, 2006	64,036,002	16,053,320
Shares issued for cash from private placement	3,450,000	10,904,636
Shares issued for option exercise	1,036,000	1,608,174
Shares issued for warrant exercise	4,942,500	2,629,122
Balance, December 31, 2007	73,464,502	31,195,252

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	(828,852)
Stock-based compensation expense	718,416
Balance, December 31, 2006	3,645,606
Fair value of warrants from the private placement	-
Options & warrants exercised and cancelled	(714,626)
Stock-based compensation expense	1,098,217
Balance, December 31, 2007	4,029,197

Private Placements

On January 6, 2006, the Company closed a private placement financing for $1,092,840 (CAD$1,276,000) consisting of 1,160,000 units at a price of $0.94 (CAD$1.10). Each unit consists of one common share and one-half of one common share purchase warrant, each purchase warrant exercisable into one common share of the Company at $1.28 (CAD$1.50) per share until January 31, 2007. The fair value of the warrants from the private placement of $163,926 (CAD$191,400) have been recognized in Contributed Surplus.

(Expressed in United States Dollars)

On July 7, 2006, the Company closed a private placement with an aggregate of 4,120,000 common shares at a price of $1.52 (CAD$1.70) per share, for aggregate proceeds of $6,278,799 (CAD$7,004,000). The agents received a cash commission of $313,239 (CAD$ 349,418) and were granted options to acquire an additional 149,400 common shares for a period of six months at a price of $1.52 (CAD$1.70). For this private placement, the Company incurred $179,173 (CAD$199,868) for financial advisory fee, legal fee and listing fee, which were all recorded as share issuance costs.

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.

Escrowed Shares

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

The total number of shares held in escrow at December 31, 2007 was 8,259,750.

c) Stock options

On May 26, 2005, the Company adopted a resolution canceling all of its outstanding stock option plans and creating a new stock option plan to grant options to its employees, directors and officers to purchase common shares. A number of 5,700,000 (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 plan as of December 31, 2007, and changes during the year is presented below:

	2007		2006	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
		$		$
Outstanding, beginning of year	2,810,000	0.60	2,985,000	0.60
Cancelled	(45,000)	1.82	(230,000)	0.94
Issued at February 7, 2006	-	-	135,000	1.41
Issued at May 19, 2006	-	-	30,000	1.83
Issued at July 4, 2006	-	-	155,000	1.66
Issued at February 12, 2007	55,000	1.79	-	-
Issued at August 2, 2007	1,397,000	3.61	-	-
Exercised	(886,600)	0.81	(265,000)	0.55
Outstanding, end of year	3,330,400	1.88	2,810,000	0.69

(Expressed in United States Dollars)

The following table summarizes the employee stock options outstanding and exercisable at December 31, 2007:

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	1,772,400	2.78	0.55	1,322,400	2.78	0.55
0.95	10,000	2.93	0.95	6,000	2.93	0.95
1.66	150,000	3.49	1.66	150,000	3.49	1.66
1.79	5,000	4.12	1.79	1,000	4.12	1.79
3.61	875,000	2.59	3.61	-	-	-
3.61	518,000	4.59	3.61	-	-	-
	3,330,400	3.05	1.88	1,479,400	2.85	0.67

In 2007, the weighted average fair value of options granted amounted to $2.13 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:

	2007	2006
Risk free interest rate:	4.0%	3.8-4.4%
Expected life:	1 - 5 years	0.5 – 5 years
Expected volatility:	90%	39.2 – 69.4%
Dividend yield:	0 - 0.5%	0 – 0.61%

d) Warrants

	2007		2006	
	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
		$		$
Outstanding, beginning of year	5,005,000	0.52	11,375,460	0.55
Issued at January 6, 2006	-	-	580,000	1.28
Expired	(62,500)	1.28	-	-
Exercised	(4,942,500)	0.51	(6,950,460)	0.64
Outstanding, end of year	-	-	5,005,000	0.52

(Expressed in United States Dollars)

e) Basic and Diluted Earnings Per Share

	Year ended December 31, 2007	Year ended December 31, 2006
Net earnings available to shareholders		
Basic and diluted	$20,393,911	$6,351,180
Weighted average shares outstanding		
Basic	70,818,860	58,950,994
Effect of dilutive stock options and warrants	1,464,786	4,797,084
Diluted	72,283,646	63,833,686
Earnings per share (basic)	$0.29	$0.11
Earnings per share (diluted)	$0.28	$0.10

23. RESERVES

Pursuant to the relevant laws and regulations in China, $3,378,618 (2006: $1,218,641), 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.

24. COMMITMENTS

As at December 31, 2007, capital commitments that the Company had contracted for, but not provided for, amounted to $24,969,599 (2006: $1,570,315). The commitments relate to development work on Yellow Mountain (Huangshan) site, shaft construction, further exploration and other maintenance work at the mill. The Company has approximately $25,905 monthly office rental expense in its Hong Kong and Canada offices.

25. 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, except for a very limited number of mining rights and office equipments acquired in Indonesia. All of the Company's revenues are derived from Chinese sources.

The Company has only two customers over the period covered by these consolidated financial statements. The Company is able to locate and secure other customers should the condition require.

26. SUBSEQUENT EVENTS

a. On October 15, 2007, the Company announced a proposed IPO of shares of Yakesi, targeted for middle of 2008, on the Shenzhen Stock Exchange in China. On February 5, 2008, Yakesi achieved a major milestone in the IPO process by obtaining the registration as a joint stock company and has completed the series of pre-IPO transactions announced. Yakesi has entered into a 3-month period of tutoring offered by the sponsor to its directors and officers. At the end of the tutoring period, the tutoring results will be submitted for approval by China Securities Regulatory Commission.

b. On February 6, 2008, GobiMin announced that it intended to begin a normal course issuer bid to repurchase some of its common shares on the TSX Venture Exchange. The Company intends to repurchase up to

3,673,225 common shares, representing approximately 5% of the then common shares outstanding. Purchases are expected to be made in accordance with applicable regulations over a maximum period of 12 months ending January 31, 2009. In the first quarter of 2008, a total of 296,100 common shares were repurchased for an aggregate gross proceeds of CAD$740,250 ($740,250). All shares purchased are returned to treasury for cancellation.

c. In the first quarter of 2008, 45,000 outstanding employee options were exercised and GobiMin received CAD$28,800 ($28,800) in cash accordingly.

d. In the first quarter of 2008, a total of 65,000 agent options were granted to consultants for financial advisory and investor relation services provided.

e. In the first quarter of 2008, the Company's subsidiary in China obtained an approval from the China tax authority regarding RMB 4,965,882 ($642,089) tax refund for the subsidiary's reinvestment of retained earnings as its share capital. This tax refund was made pursuant to China Foreign Investment Enterprises and Foreign Enterprises Income Tax Law.

f. On April 10, 2008, GobiMin declared 2007 annual dividend of CAD$0.03 ($0.03) per share. The dividend is to be payable on June 5, 2008 to shareholders of record on May 15, 2008.

GobiMin Inc.

(Incorporated in Canada under the Canada Business Corporations Act)

Management's Discussion and Analysis of Financial Results

For the year ended December 31, 2007

(Expressed in United States Dollars except where otherwise noted)

GobiMin Inc.
Management's Discussion and Analysis of Financial Results
For the year ended December 31, 2007
(Expressed in United States Dollars)
April 10, 2008

The following discussion and analysis of the consolidated operating results and financial condition of GobiMin Inc. for the year ended December 31, 2007 should be read in conjunction with GobiMin's audited consolidated financial statements for the year ended December 31, 2007 and 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 April 10, 2008.

Certain statements included in this discussion constitute forward-looking statements. Such forward-looking statements can often, but not always, be identified by the use of words such as "can", "could", "believe", "propose", "anticipate", "intend", "consider", "estimate", "expect", or other variations of such expressions, or forward-looking statements may declare that certain measures, events or results "can", "could" or "will" be taken or occur or be attained. Such forward-looking statements involve known and unknown risks and uncertainties as well as other factors that could cause actual results, performances or achievements of the Company to differ materially from the future results, performances or achievements implied or suggested in such forward-looking statements. Such risks, uncertainties and other factors include but are not limited to the risk factors discussed under the heading "Risk Factors" below. Accordingly, shareholders are cautioned not to put undue reliance on forward-looking statements. These forward-looking statements are made as of the date of this discussion and the Company disclaims any obligations to update any forward-looking statements in order to account for any events or circumstances that might occur after the date that such forward-looking statements were established.

1. Corporate Overview

GobiMin Inc., together with its subsidiaries, collectively referred to herein as the "Company" or "GobiMin", is engaged principally in the exploration, development and mining of mineral properties in the People's Republic of China ("China"). The Company's major base metals projects are located in Hami of the Xinjiang Uygur Autonomous Region of China ("Xinjiang").

GobiMin, through its subsidiaries, presently mines nickel and copper ore from Yellow Mountain East Mine and Xiangshan Mine. Ore is processed through two mills totalling 1,600 tonnes per day capacity to produce nickel and copper concentrates, which are then sold to smelters in China. The Company mined and processed approximately 330,000 tonnes of ore in 2007.

After receiving the development permit from local government at the end of 2007, GobiMin started pre-development of the Yellow Mountain Deposit, a property located nearby the two producing mines. According to the National Instrument ("NI") 43-101 technical report, the Yellow Mountain Deposit contains 113 million pounds of nickel and 73 million pounds of copper.

Supported by internal operating cash flow from the producing mines, GobiMin continues to pursue additional base metals opportunities. Currently the Company has equity interests in five joint ventures situated mostly in the Xinjiang region. These joint ventures target nickel, copper, lead and zinc. GobiMin also has a new joint venture in Indonesia to explore nickel laterite in Indonesia.

(Expressed in United States Dollars)

2. Financial Highlights

During 2007, the Company generated record revenue and profits by increasing production and maintaining a low cost structure. The financial highlights in 2007 are:

	Year ended December 31, 2007	Year ended December 31, 2006	Increase on yearly basis
Revenue	$38.5 million	$19.6 million	96.8%
Net earnings	$20.4 million	$6.4 million	221%
EBITDA(1)	$26.0 million	$10.0 million	161%
Gross Margin	69.8%	66.3%	5.3%
Basic earnings per share	$0.29	$0.11	167%
Diluted earnings per share	$0.28	$0.10	183%
EBITDA per share(1)	$0.37	$0.17	117%
Cash and cash equivalents	$46 million	$15 million	201%
Cash and cash equivalents per share(1)	$0.62	$0.24	158%
Cash cost per tonne of ore, after by-product credits(1)	$14.04	$13.07	7.4%
Annual dividend per share	$0.03	$0.012	150%

(1) As non-GAAP measurements, EBITDA, EBITDA per share, Cash and cash equivalents per share and Cash cost per tonne of ore do not comply with GAAP and, therefore, the amounts presented in the above table may not be comparable to similar data presented by other companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

3. Business Summary and Development

In its 2006 annual report, the Company set ambitious targets for 2007:

- Increase production by 50%
- Complete NI 43-101 compliant mineral resources estimate for Yellow Mountain Deposit
- Improve efficiency of mines and mills
- Expand into new base metal projects to spur continuous growth.

Not only had the Company met all the above objectives, the management has succeeded at record pace to complete 2 major milestones which will catapult the Company into a significant mining company in China:

- Obtained government permits to start building the Yellow Mountain Deposit
- Started process for the initial public offering of its subsidiary in China ("China IPO").

(a) <u>Production Growth</u>

Despite a slowdown of its production due to the implementation of the mine optimization program, the Company was able to catch up in the fourth quarter with the ambitious annual ore production target. It mined and processed approximately 330,000 tonnes in the whole year compared to 220,000 tonne production in 2006.

Started in Q2 2007, the optimization program is to improve the underground operations' efficiency and safety standards. The program included changing mining equipment, prolonging vertical shafts, upgrading the whole mining system and improving the ventilation system. Most of the program was completed in 2007 and the remaining work should be finished in the first half of 2008.

With the benefit of the optimization program and the added capacity of two new shafts in 2008, the Company has a mining plan to continuously increase ore production until 2009 from the existing mines.

(b) Progress at Yellow Mountain Deposit

During the year, GobiMin received a NI 43-101 compliant resource estimate from Met-Chem Canada Inc. of Montreal 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 averaging 0.42% nickel, 0.27% copper and 0.026% cobalt. The numbers clearly confirm the Chinese historical resources estimate in both the scope and the size. 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)

Subsequent to the 19,000-meter diamond drilling program in 2006, the Company completed another 19,220 meters over 38 drill holes in 2007. The drilling results confirmed the continuity of the main ore body and extended the known mineralization to the west by nearly 300 meters towards the surface. This reveals the potential of expanding the resource tonnage and opportunity to implement early development of the near-surface ore body.

After obtaining development permit from local government in September 2007, GobiMin has initiated the development works. GobiMin has also obtained commitments from local government to provide key infrastructures including water, electricity power and road, which will be partially funded by the Company. GobiMin is in active negotiation with local engineering consultants and contractors for the planning, designing and construction of the mine site and mill, which is estimated to have a capacity of 3,500 to 4,000 tonnes per day.

(c) Exploration Projects

During 2007, GobiMin formed four new joint ventures with subsidiaries of Xinjiang Bureau of Geology and Mineral Resources ("Xinjiang Bureau"). By combining GobiMin's project development expertise with Xinjiang Bureau's considerable mining property portfolio, the new joint ventures aim to acquire quality projects in Xinjiang. The joint ventures have already obtained over 25 exploration licenses of copper, nickel, lead and zinc projects all over Xinjiang region and will apply for further exploration licenses in 2008. Most of the projects are at early exploration stage and the joint ventures have completed approximately 10,000 meters exploration drilling during 2007. GobiMin's investment as a 40% equity interest in each joint venture totals RMB 12,500,000 ($1,711,378).

GobiMin also acquired 65% equity interest at a capital investment cost of $390,000 in a joint venture in Indonesia to explore nickel laterite. The venture has four exploration projects covering an area of 26,836 hectares. The estimated total investment in this new nickel laterite project will amount to about $2,400,000.

(d) China IPO

In October 2007, GobiMin announced that its Chinese subsidiary, Xinjiang Yakesi Resources Co. Ltd. ("Yakesi"), plans to apply for IPO on Shenzhen Stock Exchange in China. Yakesi intends to issue approximately 25% of its shares to the Chinese public. Net proceeds will be used mainly to fund the development of Yellow Mountain Deposit. This proposed China IPO will improve the Company's financial position and enhance its business profile in China as GobiMin aims to participate in the growing mergers and acquisitions in the industry.

During the fourth quarter of 2007, the Company completed a series of capital restructuring transactions to facilitate the proposed China IPO.

(i) Yakesi and Yatian Ltd ("Yatian") agreed to exchange equity interests at fair value to facilitate the proposed China IPO. Yakesi bought Yatian's 5% equity interest in another Chinese subsidiary of the Company, Hami Jubao Resources Co. Ltd ("Jubao") at the cash consideration of $950,312 and Yakesi issued 1.5% of its outstanding shares to Yatian at the cash consideration of $1,249,991. The new shares issued generated a share dilution gain of $727,757.

(ii) The Company sold 2% of its interest in Yakesi to a local strategic investor at cash consideration of $1,601,786 and recognized a gain of $992,734.

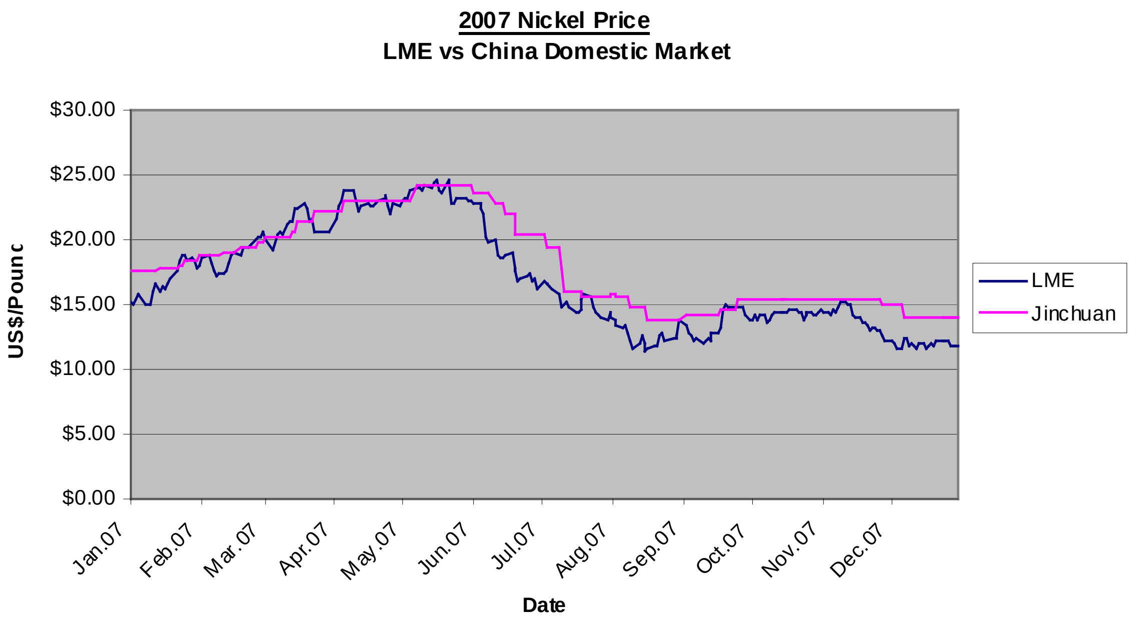
(iii) The Company acquired all the issued shares of Wreford Enterprises Limited ("Wreford"), the major asset of which is a wholly owned subsidiary, Xinjiang Weifu Mining Limited ("Weifu"). Weifu is a foreign invested enterprise incorporated in China and qualified as an immediately available holding company for the exploration joint ventures in China. After the acquisition, all exploration projects in China will be carried on by the Company through Weifu while the mining operation is under Yakesi. Once the exploration project is completed, it is intended that GobiMin will form new joint venture with Yakesi to develop the project and put it into production subject to the then applicable laws and regulations.

4. Key Economic Trends

(a) Nickel

The main product sold by GobiMin is nickel concentrate, which accounts for 88% of total revenues in this year. The price received by the Company for the nickel contained in the concentrate is calculated at a discount to the Chinese domestic nickel cathode price (which is generally correlated to the London Metal Exchange ("LME") nickel price). The discount reflects the smelter and refining charges as well as recovery loss to convert concentrate into nickel cathode. The average Chinese domestic cathode nickel price was approximately 107% of LME nickel price in 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 $16.55 per pound in 2007, with a high of $24.54 and a low of $11.26, compared to an average of $11.02 in 2006. The price was $13.52 on March 31, 2008.



(b) Copper

Another product produced by GobiMin is copper concentrate, which accounts for approximately 12% of the total revenue in this year. The price received by the Company 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 $3.50 per pound 2007, compared to $3.05 in 2006. Revenue from selling copper concentrates is treated as by-product credits in the calculation of cash operating costs.

(c) 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. China economy has been consistently growing and the growth will continue in the foreseeable future. China's GDP increased average 10.6% per year in the past five years. During 2007, China's GDP increased by 11.4%, among which the fixed asset investments increased by 24.8%. In the view of the management, the strong economy growth is generating high metal consumption in China and will continue to support the fundamentals of the increasing demand in nickel and copper.

5. Critical Accounting Policies and Estimates

The Company's accounting policies are described in Note 2 to the audited consolidated financial statements for the year ended December 31, 2007. 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.

(a) 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 the customer and the price factor decided by the grade level of concentrate.

(b) 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.

Exploration costs are stated at cost less any impairment loss. It comprises the direct costs of exploration work on mineral properties prior to the development. Upon commencement of commercial production of mineral properties, exploration costs are amortized over the mine's estimated life using the straight-line method with nil residual value.

(c) Asset Retirement Obligations

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

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

(d) Equity Investment

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

(e) Proportionate Consolidation

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

(f) 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.

6. 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 the year ended December 31, 2007 except to reclassify the cumulative translation adjustments on self-sustaining operations to Accumulated Other Comprehensive Income.

New Canadian Accounting Pronouncements

(a) 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.

(b) 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 for the Company's financial year beginning on January 1, 2008.

(c) 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.

7. Internal Control

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

(Expressed in United States Dollars)

8. Selected Quarterly Information

Selected quarterly information is provided as follows:

For the quarter ended	December 31, 2007	September 30, 2007	June 30, 2007	March 31, 2007
Revenue	$ 8,570,412	$ 9,940,327	$ 9,752,563	$ 10,276,582
Net earnings	4,843,994	5,587,909	5,356,978	4,605,030
Basic earnings per share	0.067	0.076	0.075	0.070
Diluted earnings per share	0.065	0.075	0.073	0.069
Cash and cash equivalents	45,624,936	39,959,503	36,630,677	22,144,099
Total assets	90,751,372	69,047,946	61,896,677	44,617,219

For the quarter ended	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 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
Cash and cash equivalents	15,141,334	15,015,135	9,024,138	10,498,318
Total assets	38,137,959	34,518,021	23,552,441	21,793,901

9. Results of Operations

(a) Revenues

The Company recorded in 2007 revenues of $38,539,884 compared to $19,587,808 in 2006. Revenue for nickel concentrate and copper concentrate were $33,911,624 and $4,628,260 respectively, compared to $16,730,272 and $2,857,536 respectively in 2006. The higher nickel revenue was mainly due to larger production volume and higher realized nickel price on a year over year basis.

Other revenues in 2007 were $2,219,118 (2006: $438,993) and include $992,734 gain from the sale by the Company of a 2% equity interest in Yakesi and $297,642 realized gain on short-term investments. The remaining balance was mainly from interest income.

In this year, the Company sold 3,262,000 pounds of nickel and 1,616,000 pounds of copper, compared to 2,554,000 pounds and 1,313,000 pounds respectively in 2006. The mills processed 328,148 tonnes (2006: 213,920 tonnes) of ore with a nickel head grade of 0.495% (2006: 0.67%) and recoveries amounting to 84.3% (2006: 84.6%). By lowering the cut-off grade, the Company can now easily mine larger sections of the mining room, increase ore volume and hence produce higher metal volume.

Average realized price for nickel concentrate and copper concentrate in 2007 was $10.4 per pound and $2.77 per pound respectively, compared to $6.55 and $2.14 respectively in 2006.

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

Mining Operations	**12 Months Ended December 31, 2007**	**12 Months Ended December 31, 2006**
Ore (tonnes)		
Processed	328,148	213,920
Sold	354,232	204,117
Nickel grade of ore	0.495%	0.67%
Metallurgical recovery	84.3%	84.6%
Metal contained in concentrate ('000 pounds)		
Nickel	3,262	2,554
Copper	1,616	1,313
Metal contained in concentrate sold ($)		
Nickel	$33,911,624	$16,730,272
Copper and others	$4,628,260	$2,857,536
Total Revenue	$38,539,884	$19,587,808
Average realized price of nickel contained in concentrate (per pound)	$10.40	$6.55
Average realized price of copper contained in concentrate (per pound)	$2.77	$2.14
Average cash cost per pound of nickel contained in concentrate, net of by-product credits (1)	$1.53	$1.04
Average cash cost per tonne of ore, net of by-product credits (1)	$14.04	$13.07

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

(b) Cost of sales

Cost of sales amounted to $8,933,764 ($25.22 per tonne of ore) in 2007 compared to $4,914,701 ($24.08 per tonne of ore) 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. The cost per tonne of ore increased due to the inflation of labour and materials and increase of resource tax. In the view of the management, the total operation cost is well controlled and maintained at low level compared to peers in this industry.

The selling and distribution cost was $1.89 per tonne of ore, decreasing from $2.99 a year ago. This cost is incurred for the rail and truck transportation of concentrates to the customers' smelter sites. The cost is lower as a customer agreed to pay the transportation costs. By-product credit was lowered from previous $14 to $13.07 in current year, due to mining lower grade ores. Overall the cash operating cost was $14.04 per tonne of ore, increasing by $0.97.

(Expressed in United States Dollars)

The cash cost per pound of nickel increased to $1.53 from $1.04 in 2006 because the average nickel grade was down to 0.495% from 0.67%. Cash margin for nickel concentrate was $8.87 in 2007 compared to $5.51 of last year despite an increase in cash cost per pound of nickel.

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.

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

	12 Months Ended December 31, 2007		**12 Months Ended December 31, 2006**	
	$	$/tonne	$	$/tonne
Cost of sales (1)	8,933,764	25.22	4,914,701	24.08
Selling and distribution cost	669,990	1.89	609,899	2.99
By-product credits:				
Copper, gold and silver	(4,628,260)	(13.07)	(2,857,536)	(14.00)
Cash operating cost	4,975,494	14.04	2,667,064	13.07

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

(c) Other expenses

Depreciation expense increased to $2,037,189 from $1,069,997 in 2006, reflecting the commencement of operation in new mine shafts, optimization work of current production sites and the new mill built in October 2006.

General and administrative expenses incurred in this year were $4,686,560 compared to $3,335,814 in 2006, as a result of increased staff cost, consulting fees, and amortization cost due to the operation expansion. The development of Yellow Mountain Deposit and the launching of the China IPO required more staff and consulting work than in previous year.

In 2007, the Company granted 1,397,000 options to its directors and employees at an exercise price of $3.61, vested in several schedules over the next five years. The amortized portion of total stock based compensation in 2007 increased to $1,098,217 (2006: $718,416) accordingly.

The $446,291 equity loss in 2007 was mainly caused by the operation loss of Dazi PuXiong Copper Company Limited ("PuXiong"), in which GobiMin owns 30% of equity interest. PuXiong was still operating below its production capacity due to power shortage. In 2007 the Company invested in four joint ventures with its Chinese partners to engage in nickel, copper, lead and zinc exploration projects in Xinjiang region. Registrations of those joint ventures were completed in December 2007 and there were minimum equity loss incurred.

(Expressed in United States Dollars)

The $348,727 other operating expenses were mainly $248,048 realized loss from LME future contracts and $144,644 donation to the local Chinese government for supporting the recovery of the flood in the summer of 2007. The Company did not have any open future contracts at the end of 2007 and does not expect any in 2008.

(d) Earnings per share

With the strong net earnings, basic earnings per share for 2007 increased to a record high of $0.29 (2006: $0.11) and diluted earnings per share were $0.28 (2006: $0.10) despite a 15% increase in the number of shares over the year.

(e) EBITDA

In 2007, 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 $26 million, compared to $10 million in 2006.

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

	12 months ended December 31	
	2007	**2006**
Net earnings	$ 20,393,911	$ 6,351,180
Interest income	(708,190)	(429,597)
Income tax	1,873,592	1,754,954
Depreciation	2,037,189	1,069,997
Amortization in general and administration expenses	326,510	198,696
Stock based compensation	1,098,217	718,416
Write-off of leasehold improvement	44,340	-
Non-controlling interest	937,479	313,132
EBITDA (1)	26,003,048	9,976,778
EBITDA per share (2)	0.37	0.17

(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

(f) Income tax

Yakesi, a 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 also owns 95.16% interest of the other operating subsidiary,Jubao . Jubao enjoys a two-year income tax holiday starting from 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 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.

(Expressed in United States Dollars)

(g) Share dilution gain

During 2007, Yakesi issued 1.5% of its outstanding shares to Yatian for the cash consideration of RMB 9,130,000 ($1,249,991). Yakesi and Yatian are related parties with one common director. Therefore the controlling shareholder of Yakesi, Alexis Resources Ltd, recognized a dilution gain of $727,757.

(h) Annual dividend

According to the Company's dividend policy and 2007 annual financial performance, the Company declared an annual dividend of CAD$0.03 ($0.03) per share on April 10, 2008. The dividend is payable on June 5, 2008 to shareholders of record on May 15, 2008.

10. Liquidity and Capital Resources

The following table summarizes the Company's consolidated cash flows and cash on hand for the year ended December 31, 2007:

	December 31, 2007	**December 31, 2006**
Cash and cash equivalents	$45,624,936	$15,141,334
Working capital [(1)]	$31,891,298	$12,809,334

	12 Months ended December 31, 2007	**12 Months ended December 31, 2006**
Net Cash from operating activities	$23,654,536	$8,137,741
Cash used in investing activities	($20,586,462)	($9,308,505)
Cash provided by financing activities	$25,182,139	$8,435,802

(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.

(a) <u>Operating activities</u>

In 2007, net cash from operating activities was $23,654,536 compared to $8,137,741 in 2006. Cash flow from the operations was higher mainly from higher net profit realized and non-cash expenses including depreciation, stock based compensation and non-controlling interest incurred in this year.

(b) Financing activities

Financing activities generated cash flow of $25,182,139 (2006: $8,435,802) in 2007. In May 2007, the Company raised $11,797,706 gross proceeds by issuing 3,450,000 shares in a private placement. In December 2007, the Company borrowed two bank loans from the local Chinese banks totalling RMB 80,000,000 ($10,952,821) for the Yellow Mountain Deposit development. The Company received $3,734,707 cash from warrant and option exercise, RMB 9,130,000 ($1,249,991) from shares issued by Yakesi, and RMB 11,700,000 ($1,601,876) from selling 2% interest in Yakesi to a third party during 2007.

(c) Investing activities

Investing activities utilized $20,586,462 of cash in 2007 compared to $9,308,505 in 2006. The Company spent approximately $12 million (including $7 million in the form of deposits for equipment and prepayment to contractors) in capital expenditures for Yellow Mountain Deposit development, including the mine design, shaft sinking, building infrastructure and purchasing equipments. Other investments include $2 million for exploration work, $5 million for new shafts construction and optimization work on Yellow Mountain East Mine, $1.8 million equity investment in joint ventures, and $1 million in acquisition of Jubao's equity interest from the minority shareholder.

11. Balance Sheet

(a) Cash

The Company had $45,624,936 in cash and cash equivalents as at December 31, 2007 compared to $15,141,334 as at December 31, 2006. The management expects consistent cash balance increase supported by the increasing profitable operation.

(b) Bank Loan

In December 2007, the Company's Chinese subsidiary, Yakesi, borrowed two one-year unsecured term loans from the local banks, totaling RMB 80,000,000 ($10,952,821). The loans are due in December 2008 at the annual interest rate of 7.47%. The loans are mainly used to support development of Yellow Mountain Deposit.

(c) Share Capital

As at December 31, 2007, the Company had 73,464,502 common shares issued and outstanding. During this year, 3,450,000 common shares were issued under a private placement while 4,942,500 and 886,600 common shares were issued respectively for the exercise of warrants and options by directors and employees.

On August 2, 2007, GobiMin granted 1,397,000 options at an exercise price of $3.61 (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.

12. Contractual obligations and commitment

As at December 31, 2007, capital commitments that the Company had contracted for, but not provided for, amounted to $24,969,599 (December 31, 2006: $1,570,315). The commitments increased significantly as the Yellow Mountain Deposit is in development stage following the receipt of production permits. $18.7 million is committed to pay to the contractors for the sinking of the shafts. $1.6 million relates to participation in funding along with local government for water and electricity supply and other facilities. $1.5 million will be spent for the mine design. The other commitments relate to shaft construction and development work on Yellow Mountain East Mine, continuous exploration in Yellow Mountain Deposit, equipments in the new mill and refurbishing work of the old mill.

13. Off-balance sheet arrangements

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

14. Fourth Quarter 2007 Review

For the three months ended December 31, 2007, the Company reported net earnings of $4,843,994 (Q4 2006: $2,399,860) on revenue of $8,570,412 (Q4 2006: $7,519,732). In prior years, the Company suspended the processing of the ore during the winter months. Winter is generally from mid-November to early March in Hami. In the fourth quarter of 2007, the Company improved the working process of the two mills and successfully continued production in winter.

General and administrative expenses totaled $1,726,563 (Q4 2006: $1,120,921) in the fourth quarter of 2007. In general, the Company has been ramping up personnel for the development of the Yellow Mountain Deposit. The increase in expenses is mainly from increasing payroll rates and head counts, higher consulting fees for the Yellow Mountain Deposit and the China IPO and higher resource fees to local government. The Company also recorded a non-cash expense of $415,004 (Q4 2006: $480,319) for stock based compensation, mainly from allocation of new employee options granted on August 2, 2007.

15. Risk factors

The mining business conducted by the Company is subject to a number of risks, including those outlined below. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in the forward-looking statements relating to the Company. Readers should also be aware that there are particular risks of doing business in China, some of which are outlined below.

(a) Metal prices

The profitability of the Company may be significantly affected by changes in the market price of nickel and copper. Future serious price declines of nickel could cause commercial production to be impracticable. Metal prices fluctuate on a daily basis and are affected by numerous factors beyond the control of the Company. Interest rates, inflation, exchange rates and world supply of mineral commodities can all cause fluctuations in the market prices for these metals. Such external economic factors are in turn influenced by changes in international economic growth patterns and political developments.

(b) Currency risks

The Company's operating expenses and revenues from operations are in RMB, the main currency used by the Company. Currently, the RMB is linked to the US dollar by exchange rates managed through China's central bank. Accordingly, exchange rate fluctuations with the RMB may adversely affect the Company's financial position and operating results. In the last year, the RMB has been appreciating against the US dollar. The Company does not currently engage in foreign currency hedging activities.

Under current regulations, there is no restriction on foreign exchange conversion of the RMB on the current account, although any foreign exchange transaction on the capital account is subject to prior approval from the State Administration of Foreign Exchange ("SAFE") or review by the payment bank in accordance with regulations issued by SAFE. However, even on the current account the RMB is not a freely convertible currency. Foreign invested enterprises in China are allowed to repatriate profit to their foreign parents or pay outstanding current account obligations in foreign exchange but must present the proper documentation to a designated foreign exchange bank in order to do so. There is no guarantee that foreign exchange control policies will not be changed so as to require government approval to convert RMB into foreign currency on the current account. These limitations could affect the ability of the Company to obtain foreign exchange through debt or equity financing, or to obtain foreign exchange for capital expenditures.

(c) Exploration, development and operating risks

The exploration and development of mineral deposits involves significant financial risks over a significant period of time, which even with a combination of careful evaluation, experience and knowledge may not be eliminated. Few properties that are explored are ultimately developed into producing mines. Major expenditures may be required to establish mineral reserves through drilling, to develop metallurgical processes and to develop the mining and processing facilities and infrastructure at any site chosen for mining. No assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economic viability of a mineral deposit depends on many factors, including size, grade, cost of operations, metal prices, cost of processing equipment, continuing access to smelter facilities on acceptable terms, government regulations, land tenure, and environmental protection. The exact effect of these factors cannot be measured but the combinations of these factors may impact the success of the Company's mineral exploration, development and acquisition activities. Even after the commencement of mining operations, such operations may be subject to risks and hazards such as environmental hazards, industrial accidents, cave-ins, rock bursts, unusual or unexpected geological formations, ground control problems and flooding. The occurrence of any of the foregoing could result in damage to or destruction of mineral properties and production facilities, personal injuries, environmental damage, delays or interruptions of production, increases in production costs, monetary losses, legal liability and adverse government action.

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

The Company's mines and properties are generally located in Hami region, a sector which has in the past experienced seismic activity of six to seven on the Richter scale. Therefore, planning for mines and infrastructures must consider seismicity in the design.

The development of the Yellow Mountain Deposit has inherent risks associated to any project of that scale. The Company may not have sufficient technical or financial resources to complete that project. Costs over-runs are common in mining projects and pose a risk for the Company.

(d) Uncertainty of ore reserve and resource estimates

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

(e) Capital requirements

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

(f) Risks relating to conducting business in China

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

(g) Dependence on Key Managerial Employee

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

(h) Competition

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

16. Outlook

(a) China IPO

Yakesi has completed the series of pre-IPO transactions mentioned in the Company's news release on October 15, 2007. In March 2008, Yakesi entered into a 3-month period of tutoring offered by the sponsor relating to compliance and listing requirements in China. At the end of the tutoring period, the tutoring results will be submitted for approval to Chinese Securities Regulatory Commission ("CSRC") when the IPO application can be submitted. As there are many companies queued up for IPO processing with CSRC, the China IPO may be delayed to the third or fourth quarter of 2008.

(b) Yellow Mountain Deposit

The Company expects to complete the development plan and design of Yellow Mountain Deposit in the first half of 2008, based on Chinese feasibility studies. In the meantime, the Company has started cooperation programs with local governments to ensure water, electricity and other key infrastructure facilities are in place for the development. Exploration work will continue to focus on expanding the resource tonnage and the feasibility study of early development of near-surface lenses.

(c) Exploration projects

GobiMin is actively engaged in working on newly acquired exploration projects through joint ventures. The joint ventures will continue to acquire new exploration rights and plan to complete exploration drillings for some of the projects.

(d) Operations of first quarter of 2008

In January 2008, the worst winter weather for half a century across China stranded millions of people as highways, railways and airports were paralyzed. This is even more dramatic as it coincided with the Chinese New Year when workers return to their homes and families in other provinces. This is the most important holiday for our staff and the weather disrupted the employees' travel plans both in their way out and in their return. In the process the Company lost 20 working days in the first quarter of 2008. The production and the earning in the quarter have been impacted accordingly. It is expected that the net profit will be substantially reduced compared to the first quarter of 2007. The production has returned to normal since the end of March 2008. The management expects to be able to catch up with the lost production in the remaining quarters and still plan to end up with higher production in 2008 compared to 2007.