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

Condensed Interim Financial Statements (Unaudited)

June 30, 2011
(Expressed in United States Dollars except where otherwise noted)

Notice to readers:

The financial statements and the accompanying notes thereto contained in this report have been prepared by the management and have not been reviewed or audited by the Company’s external auditor.

GobiMin Inc.

Condensed Interim Statement of Financial Position (Unaudited)
June 30, 2011
(Expressed in United States Dollars)

	June 30, 2011	December 31, 2010	January 1, 2010
	$	$	$
ASSETS			
Current			
Cash and cash equivalents, and time deposit (Note 5)	**39,808,289**	37,442,778	77,851,902
Silver bullion (Note 6)	**-**	9,549,403	-
Prepayments, deposits and other receivables (Note 7)	**19,312,872**	19,206,004	6,827,929
Amount due from an investee company (Note 8)	**5,243,493**	3,631,270	39,200
Amount due from a related party (Note 9 (d))	**15,173,745**	15,173,745	-
Total current assets	**79,538,399**	85,003,200	84,719,031
Non-current			
Property, plant and equipment (Note 10)	**5,882,037**	5,860,376	627,670
Equity investments (Note 11)	**7,576,134**	7,617,133	2,903,460
Available-for-sale financial assets (Note 12)	**216,975**	223,174	-
Other financial assets (Note 13)	**16,550,914**	16,548,801	-
Amount due from an investee company (Note 8)	**1,981,691**	1,981,691	-
Amount due from related parties (Note 9)	**1,931,035**	1,893,564	1,572,148
Total non-current assets	**34,138,786**	34,124,739	5,103,278
Total assets	**113,677,185**	119,127,939	89,822,309
LIABILITIES			
Current			
Other payables and accrued liabilities (Note 14)	**27,412,299**	28,229,706	964,150
Deferred gain on disposal of equity investments (Note 14)	**5,682,689**	5,682,689	-
Total current liabilities	**33,094,988**	33,912,395	964,150
Total liabilities	**33,094,988**	33,912,395	964,150
Commitments (Note 15)			
SHAREHOLDERS' EQUITY			
Share capital (Note 16(a))	**26,445,414**	28,874,192	29,267,506
Contributed surplus (Note16(c))	**3,704,913**	3,744,717	5,857,898
Reserves (Note 17)	**7,666**	7,666	7,666
Retained earnings	**46,585,990**	48,751,294	52,462,914
Accumulated other comprehensive income (Note 18)	**1,562,102**	1,561,563	-
Equity attributable to shareholders of the Company	**78,306,085**	82,939,432	87,595,984
Non-controlling interests (Note 19)	**2,276,112**	2,276,112	1,262,175
Total shareholders' equity	**80,582,197**	85,215,544	88,858,159
Total liabilities and shareholders' equity	**113,677,185**	119,127,939	89,822,309

The accompanying notes form an integral part of these Financial Statements.

Signed on behalf of the Board of Directors of the Company on August 15, 2011 by:

(Signed)	(Signed)
Felipe Tan	**Hubert Marleau**
Director	Director

GobiMin Inc.

Condensed Interim Statement of Comprehensive Loss (Unaudited)
For the quarter ended June 30, 2011
(Expressed in United States Dollars)

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	**Six Months Ended June 30, 2011**	Six Months Ended June 30, 2010
	$	$	**$**	$
Revenue	**-**	-	**-**	-
Cost of sales	**-**	-	**-**	-
Depreciation	**-**	-	**-**	-
Selling and distribution cost	**-**	-	**-**	-
Gross profit	**-**	-	**-**	-
Other revenue and gains (Note 20)	**232,311**	65,080	**376,796**	128,959
General and administrative expenses	**(1,060,210)**	(748,752)	**(1,842,390)**	(1,495,293)
Stock based compensation (Note 16(c))	**(52,459)**	(45,002)	**(108,695)**	(90,599)
Impairment loss in available-for-sale financial assets (Note 12)	**(5,890)**	-	**(6,199)**	-
Equity gain / (loss) in investment (Note 11)	**19,174**	14,226	**(40,998)**	35,177
Operating loss	**(867,074)**	(714,448)	**(1,621,486)**	(1,421,756)
Exchange (loss) / gain	**(41,041)**	565,901	**(50,758)**	51,693
Losses before tax and non-controlling interests	**(908,115)**	(148,547)	**(1,672,244)**	(1,370,063)
Income tax	**-**	-	**-**	-
Losses before non-controlling interests	**(908,115)**	(148,547)	**(1,672,244)**	(1,370,063)
Non-controlling interests (Note 19)	**-**	-	**-**	-
Net losses for the period	**(908,115)**	(148,547)	**(1,672,244)**	(1,370,063)
Other comprehensive income, net of tax				
Foreign currency translation differences	**-**	(547,931)	**539**	(86,423)
Comprehensive loss for the period	**(908,115)**	(696,478)	**(1,671,705)**	(1,456,486)
Net losses per share (Note 16(f))				
Basic	**(0.014)**	(0.002)	**(0.026)**	(0.020)
Diluted	**(0.014)**	(0.002)	**(0.026)**	(0.020)
Weighted average number of shares outstanding (Note 16(f))	**Share**	Share	**Share**	Share
Basic	**63,568,386**	68,108,379	**64,580,047**	68,190,993
Diluted	**63,568,386**	68,482,659	**64,580,047**	68,579,917

The accompanying notes form an integral part of these Financial Statements.

GobiMin Inc.
Condensed Interim Statement of Changes in Equity (Unaudited)
For the quarter ended June 30, 2011
(Expressed in United States Dollars)

	Share Capital	Contributed Surplus	Reserve	Retained Earnings	Accumulated Other Comprehensive Income	Non-Controlling Interests	Total Equity
	$	$	$	$	$	$	$
Balance as at January 1, 2010	29,267,506	5,857,898	7,666	52,462,914	-	1,262,175	88,858,159
Net losses for the period	-	-	-	(1,370,063)	-	-	(1,370,063)
Dividend paid	-	-	-	(833,629)	-	-	(833,629)
Share buy-back	(365,605)	-	-	-	-	-	(365,605)
Options exercised	29,741	(8,537)	-	-	-	-	21,204
Options cancelled	-	(27,018)	-	27,018	-	-	-
Stock based compensation	-	90,598	-	-	-	-	90,598
Other comprehensive loss	-	-	-	-	(86,423)	-	(86,423)
Balance as at June 30, 2010	**28,931,642**	**5,912,941**	**7,666**	**50,286,240**	**(86,423)**	**1,262,175**	**86,314,241**
Balance as at January 1, 2011	28,874,192	3,744,717	7,666	48,751,294	1,561,563	2,276,112	85,215,544
Net losses for the period	-	-	-	(1,672,244)	-	-	(1,672,244)
Dividend paid	-	-	-	(641,006)	-	-	(641,006)
Share buy-back (Note 16(a))	(2,428,778)	-	-	-	-	-	(2,428,778)
Options cancelled (Note 16(c))	-	(148,499)	-	147,946	-	-	(553)
Stock based compensation (Note 16(c))	-	108,695	-	-	-	-	108,695
Other comprehensive income (Note 18)	-	-	-	-	539	-	539
Balance as at June 30, 2011	**26,445,414**	**3,704,913**	**7,666**	**46,585,990**	**1,562,102**	**2,276,112**	**80,582,197**

The accompanying notes form an integral part of these Financial Statements.

GobiMin Inc.

Condensed Interim Statement of Cash Flows (Unaudited)
For the quarter ended June 30, 2011
(Expressed in United States Dollars)

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	**Six Months Ended June 30, 2011**	Six Months Ended June 30, 2010
	$	$	**$**	$
Cash flows used in operating activities				
Net losses for the period	**(908,115)**	(148,547)	**(1,672,244)**	(1,370,063)
Adjustments for items not involving cash:				
- Amortization in general and administrative expenses	**89,012**	56,867	**179,749**	113,176
- Stock based compensation	**52,459**	45,002	**108,695**	90,599
- Exchange loss / (gain)	**41,041**	(565,901)	**50,758**	(51,693)
- Pre-operation deferred asset expensed	**315,606**	-	**509,391**	-
- Impairment loss in available-for-sale financial assets (Note 12)	**5,890**	-	**6,199**	-
- Equity (gain) / loss in investment (Note 11)	**(19,174)**	(14,226)	**40,998**	(35,177)
	(423,281)	(626,805)	**(776,454)**	(1,253,158)
Change in non-cash working capital items:				
- Prepayments, deposits and other receivables	**(604,284)**	(285,559)	**(667,028)**	(201,837)
- Amount due from related parties	**(19,312)**	(117,261)	**(37,471)**	(117,261)
- Other payables and accrued liabilities	**(365,653)**	680,243	**(817,407)**	391,646
- Amount due to an investee company	**-**	(29,586)	**-**	-
Net cash used in operating activities	**(1,412,530)**	(378,968)	**(2,298,360)**	(1,180,610)
Cash flows used in financing activities				
Shares issued for cash from option exercise	**-**	-	**-**	21,204
Options cancelled	**-**	-	**(553)**	-
Share buy-back (Note 16(d))	**(1,657,003)**	(365,605)	**(2,428,779)**	(365,605)
Loan to an investee company	**-**	-	**-**	(1,914,294)
Loan to a related party	**-**	-	**-**	(14,657,686)
Net cash used in financing activities	**(1,657,003)**	(365,605)	**(2,429,332)**	(16,916,381)
Cash flows from/(used in) investing activities				
Purchase of property, plant and equipment	**(181,726)**	(321,776)	**(201,410)**	(1,023,608)
Dividend paid	**(641,006)**	(833,629)	**(641,006)**	(833,629)
Dividend received from an investee company	**-**	-	**-**	39,200
Proceeds from redemption of silver bullion	**-**	-	**9,549,402**	-
Amount due from an investee company	**18,683,092**	(3,652,562)	**(1,612,223)**	(3,652,562)
Acquisition of equity investment	**-**	-	**-**	(6,880,318)
Maturity of time deposit	**-**	5,000,000	**-**	5,000,000
Net cash from/(used in) investing activities	**17,860,360**	192,033	**7,094,763**	(7,350,917)
Increase/(decrease) in cash and cash equivalents	**14,790,827**	(552,540)	**2,367,071**	(25,447,908)
Effect of foreign exchange rate changes on cash	**-**	(387,204)	**(1,560)**	(404,530)
Cash and cash equivalents at beginning of period	**25,017,462**	48,437,711	**37,442,778**	73,350,405
Cash and cash equivalents at end of period	**39,808,289**	47,497,967	**39,808,289**	47,497,967
Supplementary cash flow information				
Interest received	**173,013**	64,642	**84,977**	118,604

The accompanying notes form an integral part of these Financial Statements.

1. CORPORATE INFORMATION

GobiMin Inc. (the "Company" or "GobiMin") is a limited liability company incorporated in Canada under the Canada Business Corporations Act. It is listed on the TSX Venture Exchange, having the symbol GMN-V, as a Tier 2 mining issuer. Its registered office is situated at Suite 1250, 120 Adelaide Street West, Toronto, Ontario M5H 1T1, Canada.

The Company together with its subsidiaries (collectively the "Group") is engaged in the development, exploration and exploitation of mineral properties, mainly in the Xinjiang Uygur Autonomous Region ("Xinjiang") of the People's Republic of China ("China").

2. BASIS OF PRESENTATION

a. Statement of compliance

These financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting and International Financial Reporting Standards ("IFRS") 1, using accounting policies consistent with IFRS as issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC). The accounting policies followed in these financial statements are the same as those applied in the interim financial statements for the period ended March 31, 2011.

The impacts of the transition from Canadian Generally Accepted Accounting Principles ("Canadian GAAP") to IFRS on the financial position, financial performance and cash flows of the Company and its subsidiaries are explained in note 26. It also provides reconciliations of equity and total comprehensive income for the corresponding comparative periods and at the date of transition under Canadian GAAP and IFRS.

These condensed interim financial statements should be read in conjunction with the Company's 2010 audited financial statements.

b. Basis of measurement

The condensed interim financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial assets.

c. Functional and presentation currency

The functional and presentation currency of the Company is U.S. dollars.

d. Principles of consolidation

The condensed interim financial statements include the accounts of the Company and all of its subsidiaries, as well as its investments in associates and its share of the earnings of associates accounted for by the equity method. All significant intercompany transactions and balances have been eliminated.

e. Use of estimates and judgments

The preparation of the condensed interim financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the amounts reported in these condensed financial statements and notes. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring management to make estimates include valuation of available-for-sale financial assets, other financial assets, rehabilitation provision and stock based compensation expense, and the determination of estimated useful lives of property, plant and equipment and mine development assets.

3. SIGNIFICANT ACCOUNTING POLICIES

a. <u>Basis of Consolidation</u>

(i) Subsidiaries:

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights currently exercisable are taken into account. The financial statements of subsidiaries are included in the condensed interim financial statements from the date that control commences until the date that control ceases.

(ii) Associated companies:

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity, but can also arise if the Company holds less than 20 percent of an entity if the Company has the power to be actively involved and influential in policy decisions affecting the entity.

Investments in associates are accounted for using the equity method and are recognized initially at cost. Investment of the Group includes goodwill identified on acquisition, net of any accumulated impairment losses. The condensed interim financial statements include the share of the income and expenses and equity movements of equity accounted investees from the date that significant influence or joint control commences until the date that it ceases.

b. <u>Foreign currency translation</u>

Foreign currency accounts are translated into U.S. dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into U.S. dollars by the use of the average exchange rates of the year.

At the year-end date, unsettled monetary assets and liabilities are translated into U.S. dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net income.

Exchange gains and losses arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in net income.

Exchange gains and losses on non-monetary available-for-sale financial assets form part of the overall gain or loss recognized in respect of that financial instrument.

Non-monetary assets and liabilities that are measured at historical cost are translated into U.S. dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated.

Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into U.S dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset and liability has been recognized.

c. Cash and cash equivalents

Cash and cash equivalents consists of cash, demand deposits and highly-liquid short term investments with an initial term of 90 days or less.

d. Property, plant and equipment

(i) Pre-exploration costs:

Pre-exploration costs are expensed in the period in which they are incurred.

(ii) Mineral property acquisition and mine development costs:

The Company may hold interests in mineral property in various forms, including prospecting licenses, exploration and exploitation concessions, mineral leases and surface rights. The Company capitalizes payments made in the process of acquiring legal title to these properties.

Property acquisition and mine development costs are recorded at cost. Pre-production expenditures are capitalized until the commencement of production. Mine development costs incurred to expand operating capacity, develop new ore bodies or develop mine areas in advance of current production are capitalized as mineral assets. Mine development costs related to current period production are charged to operations as incurred. Interest on financing attributable to mine development is capitalized to mineral assets while construction and development activities at the property are in progress. When the property is placed into production, those capitalized costs are included in the calculation of the amortization of mineral assets. Mineral assets are amortized on a straight-line basis over the shorter of the estimated useful life of the asset or the life of the mine.

(iii) Exploration expenditures:

Exploration expenditures on non-producing properties, including drilling and related costs, identified as having development potential, as evidenced by a positive economic analysis of the project, are treated as mineral assets and capitalized. Expenditures incurred on deposits contiguous with a known deposit which has undergone a positive economic analysis are treated as mineral assets and capitalized. Exploration expenditures on properties prior to the establishment of a positive economic analysis are expensed in the period in which they are incurred. Drilling costs incurred during the production phase for operational ore control are charged to operations as incurred.

(iv) Other Property, plant and equipment:

Other property, plant and equipment is stated at cost less accumulated amortization and accumulated impairment losses. Cost includes all expenditures that are directly attributable to the acquisition of the asset. Borrowing costs on qualifying assets are capitalized until the asset is capable of carrying out its intended use. Other property, plant and equipment is amortized on a straight-line basis over the estimated useful life of the asset with an estimated residual value of 0 - 5%. The annual depreciation or amortization rates are as follows:

Leasehold land & buildings: 4.75%

Leasehold improvement: 19% - 33.3%
Computer hardware & equipment: 19% - 33.33%
Motor vehicles & transportation equipment: 19% - 25%
Furniture, fixture and equipment: 9.5% - 33.33%

(v) Subsequent costs:

The cost of replacing part of an item within mineral asset, property, plant and equipment is recognized when the cost is incurred and it is probable that the future economic benefits will flow to the Company, and the costs can be measured reliably. The carrying amount of the part that has been replaced is expensed. Routine repairs and maintenance are expensed as incurred.

(vi) Impairment:

The carrying values of property, plant and equipment are reviewed for indications of impairment at each reporting date. An impairment loss would be recognized when the carrying amount of an asset exceeds the estimated recoverable amount of the assets. The amount of the impairment loss is calculated by the excess of the assets carrying value over its recoverable amount.

(vii) Reversal of impairment:

An impairment loss is reversed if there is indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

e. Income taxes

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in income or loss except to the extent that it relates to items recognized directly in shareholders' equity.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to income tax payable in respect of previous years.

Deferred income tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting income nor taxable income. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred income tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

f. Employee benefits

(i) Defined contribution plans:

A defined contribution plan is a pension plan under which the Company pays contributions into a separate entity. Contributions to defined contribution plans, including the employee pension schemes established in Canada, Hong Kong and the PRC, are expensed as incurred. Contributions are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions, where applicable.

(ii) Stock based compensation expense:

The Company applies a fair value method of accounting to all stock based compensation granted to employees. The estimated fair value of the stock options granted is determined using the Black- Scholes option pricing model, and is amortized to income on a straight-line basis over the period in which the related services are rendered, which is usually the vesting period, or as applicable, over the period to the date an employee is eligible to retire, whichever is shorter.

g. Revenue recognition

Interest income from financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount.

Rental income is recognized on a straight line basis over the term of the lease.

Dividend income is recognized when the right to receive payment is established.

h. 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.

i. Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

All the mine sites of the Group 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 rehabilitation 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 rehabilitation provision.

j. Financial instruments

Financial assets and financial liabilities, including derivatives, are recognized when the Company becomes a party to the contractual provisions of the financial instrument. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial assets and liabilities.

Financial assets and financial liabilities held-for-trading are measured at fair value with changes in those fair values recognized in earnings. Loans and receivables, and other financial liabilities are measured at amortized cost and are amortized using the effective interest method. Available-for-sale financial assets, designated based on the criteria that management does not hold these for the purposes of trading, are presented as investments and measured at cost less any identified impairment loss as they are unlisted investments and the fair value of which cannot be reliably measured.

The Company has made the following classifications:

(i) Cash and cash equivalents, time deposits and convertible bonds are classified as "assets held-for-trading" and are measured at fair value.

(ii) The 8% indirect unlisted equity interest in the Yanxi Copper Property is classified as "available-for-sale" and is measured at cost less impairment, if any.

(iii) The listed debentures are classified as "held-to-maturity" and are measured at amortized cost.

(iv) Prepayments, deposits and other receivables, amount due from related parties and investee company, loan to a related party are classified as "loans and receivables" and are recorded at amortized cost, which upon their initial measurement is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest method.

(v) Other payables and accrued liabilities are classified as "other financial liabilities" and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest method.

Transaction costs are included in the initial carrying amount of all financial instruments.

k. Silver bullion

Silver bullion is classified as other asset and its value as at December 31, 2010 is stated at the future committed price.

l. Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

m. Dividends

Dividends proposed or declared after the reporting date are not recognized as a liability in the statement of financial position.

n. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

The Company as lessee

Assets held under finance leases - are recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is recognized as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are expensed directly.

Rentals payable under operating leases - are expensed on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

o. Related Parties

For the purposes of these financial statements, a party is considered to be related to the Company if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Company or exercise significant influence over the Company in making financial and operating policy decisions, or has joint control over the Company;

(ii) the Company and the party are subject to common control;

(iii) the party is an associate of the Company or a joint venture in which the Company is a venturer;

(iv) the party is a member of key management personnel of the Company or the Company's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(Expressed in United States Dollars)

4. FUTURE CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

At the date of authorization of these condensed financial statements, the following standards and interpretations were issued but not yet effective.

Conceptual Framework for Financial Reporting	Issued	Effective Date
IFRS 1 - First-time Adoption of International Financial Reporting Standards - Amendments regarding "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters" to provide guidance for entities emerging from severe hyperinflation and to provide relief for first-time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRSs.	December 2010	Annual periods beginning on or after July 1, 2011
IFRS 7 - Financial Instruments: Disclosures - Amendments to enhance the disclosure requirements for transfers of financial assets that result in derecognition.	October 2010	Annual periods beginning on or after July 1, 2011
IFRS 9 - Financial Instruments: Amendments to provide guidance on the classification and reclassification of financial liabilities, their measurement and the presentation of gains and losses on financial liabilities designated at fair value through profit and loss.	October 2010	Annual periods beginning on or after January 1, 2013
IAS 12 - Income Taxes - Amendments regarding Deferred Tax: Recovery of Underlying Assets to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model.	December 2010	Annual periods beginning on or after July 1, 2012
IFRS 10 - Consolidated Financial Statements: This standard replaces the current IAS 27 Consolidated and Separate Financial Statements. The standard identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company.	May 2011	Annual periods beginning on or after January 1, 2013
IFRS 12 - Disclosure of Interests in Other Entities: This standard requires disclosures relating to an entity's interests in subsidiaries.	May 2011	Annual periods beginning on or after January 1, 2013
IFRS 13 - Fair Value Measurements: This standard defines fair value, provides guidance on its determination and introduces consistent requirements for disclosures on fair value measurements.	May 2011	Annual periods beginning on or after January 1, 2013
Amendments to IAS 1 - Presentation of Items of Other Comprehensive Income: The amendment provides guidance on the presentation of items contained in other comprehensive income ("OCI") and their classification within OCI.	May 2011	Annual periods beginning on or after January 1, 2013

(Expressed in United States Dollars)

5. CASH AND CASH EQUIVALENTS AND TIME DEPOSIT

As at June 30, 2011:

Location	Denominated Currency	Amount	US$ Equivalent
Canada	CAD	160,105	161,135
Hong Kong	HKD	258,110,161	33,218,811
China	RMB	42,364,906	6,428,343
Total			**39,808,289**

As at December 31, 2010:

Location	Denominated Currency	Amount	US$ Equivalent
Canada	CAD	267,621	269,343
Hong Kong	HKD	276,860,901	35,632,034
China	RMB	10,158,344	1,541,401
Total			**37,442,778**

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 the respective reporting date.

6. SILVER BULLION

The silver bullion represents the repayment from China Precision Material Limited ("China Precision"), in which the Company holds a 49% equity share holding, of loans made during the year ended December 31, 2010 and was covered by a fixed future redemption commitment from China Precision for the same amount at which the silver bullion was transferred to the Company.

During the quarter ended March 31, 2011, the silver bullion was redeemed by China Precision at the same amount.

7. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

As at June 30, 2011, other than the prepayment of expenses and rental deposits, the balance of prepayments, deposits and other receivables are mainly contributed by the following deposits and receivables.

On September 15, 2009, the Company entered into an agreement to participate in the development of the Sawayaerdun Gold Project by forming a joint venture, Xinjiang Tongyuan Minerals Ltd. ("Tongyuan") in which GobiMin owned a 70% equity interest. As at June 30, 2011, $6,069,498 (RMB40,000,000) has been paid by Tongyuan as deposit for obtaining the exploration and mining license of Sawayaerdun Gold Property (see note 15).

Pursuant to the share transfer agreement dated July 14, 2010, GobiMin disposed of a 32% equity interest in the Yanxi Copper Property on July 22, 2010, while retaining an 8% indirect unlisted equity interest in the Yanxi Copper Property. The Company shall receive the remaining balance of the consideration in the form of convertible bonds of $11,454,311 (HKD89,000,000) upon fulfilment of the various conditions set out in the share transfer agreement and the supplemental agreement thereof and the successful granting of the mining licence for the Yanxi Copper Property. Such remaining convertible bonds to be received are classified as other receivables (see also note 14).

8. AMOUNT DUE FROM AN INVESTEE COMPANY

The current portion of amount due from an investee company of $5,243,493 represents an advance to China Precision in which the Company has an equity interest of 49%. Such amount is unsecured, bears interest at the rate of 2% per annum and without fixed repayment terms.

The non-current portion of the amount due from an investee company is the unsecured, non-interest bearing shareholder loan totaling $1,981,691 (RMB13,060,000) advanced to Faithful Million Limited, in which GobiMin owns an indirect equity interest of 49%. The loan was arranged to finance the development of the Balikun Coal Project in Xinjiang.

9. AMOUNT DUE FROM RELATED PARTIES

a) Amount due from related parties of $401,012 (December 31, 2010: $401,012) pertains to receivables from Xinjiang Tongxing Minerals Ltd. ("Tongxing") for Chinese exploration services on its exploration projects.

b) Amount due from related parties of $1,210,464 (December 31, 2010: $1,172,993) pertains to receivables from minority shareholders of Tongyuan for Chinese exploration services on its current exploration projects.

c) Tongyuan has paid a deposit of $319,559 (December 31, 2010: $319,559) to its minority shareholders for exploration services to the Sawayaerdun Gold Project.

d) The Company advanced an interest bearing loan (the "Loan") totaling $15,173,745 (RMB100,000,000) to a minority shareholder of the Company's investee companies, Xinjiang Ruide Minerals Ltd. and Balikun Yinxin Minerals Investments Ltd. ("Balikun Yinxin"), pursuant to the agreements in respect of the acquisition of the indirect equity interest of 24.49% in the Balikun Coal Project in Xinjiang. The Loan is secured against a pledge of the equity interests of a mining company which owns a nickel-copper project in Hami, Xinjiang. Pursuant to the said agreements, a second installment of the acquisition consideration of $15,173,745 (RMB100,000,000) is payable to the vendor upon receipt of an approval from National Development & Reform Commission ("NDRC Approval") to be obtained by Balikun Yinxin on or before September 30, 2011. Upon receipt of the NDRC Approval, the payment of the second installment will be settled by offsetting with the Loan.

The transactions with related parties are measured at the exchange amount, which is the amount of consideration established and agreed by the parties. Except for item (d), the balances with related parties are unsecured, non-interest bearing and without fixed repayment term.

(Expressed in United States Dollars)

10. PROPERTY, PLANT AND EQUIPMENT

	Mineral assets	Leasehold land & building	Leasehold improvements	Furniture, fixture & equipment	Computer hardware & equipment	Motor vehicles	Total
Cost:	$	$	$	$	$	$	$
Balance at January 1, 2010	-	-	128,853	34,294	20,474	830,945	1,014,566
Exchange differences	-	-	66	86	580	22,726	23,458
Additions	2,176,257	2,967,993	14,501	313,777	27,174	-	5,499,702
Disposals	-	-	(6,748)	(12,375)	(4,897)	(43,025)	(67,045)
Balance at December 31, 2010	**2,176,257**	**2,967,993**	**136,672**	**335,782**	**43,331**	**810,646**	**6,470,681**
Additions	-	136,564	30,347	32,839	1,660	-	201,410
Balance at June 30, 2011	**2,176,257**	**3,104,557**	**167,019**	**368,621**	**44,991**	**810,646**	**6,672,091**
Depreciation and impairment losses:							
Balance at January 1, 2010	-	-	(70,418)	(20,188)	(3,145)	(293,145)	(386,896)
Exchange differences	-	-	106	71	(65)	(6,378)	(6,266)
Depreciation for the year	-	(70,484)	(41,023)	(27,342)	(8,718)	(127,227)	(274,794)
Disposals	-	-	6,820	7,509	2,448	40,874	57,651
Balance at December 31, 2010	**-**	**(70,484)**	**(104,515)**	**(39,950)**	**(9,480)**	**(385,876)**	**(610,305)**
Depreciation for the period	-	(71,622)	(17,435)	(24,984)	(4,139)	(61,569)	(179,749)
Balance at June 30, 2011	**-**	**(142,106)**	**(121,950)**	**(64,934)**	**(13,619)**	**(447,445)**	**(790,054)**
Carrying amounts:							
At January 1, 2010	**-**	**-**	**58,435**	**14,106**	**17,329**	**537,800**	**627,670**
At December 31, 2010	**2,176,257**	**2,897,509**	**32,157**	**295,832**	**33,851**	**424,770**	**5,860,376**
At June 30, 2011	**2,176,257**	**2,962,451**	**45,069**	**303,687**	**31,372**	**363,201**	**5,882,037**

11. EQUITY INVESTMENTS

Equity investments represent the Company's equity interests of

(1) 40% - 50% in each of the four joint ventures for exploration of nickel, copper, gold, lead and zinc projects in Xinjiang, China;

(2) 49% in China Precision which is engaged in metal trading, predominately silver; and

(3) 49% in Hami Coal Corporation ("Hami Coal") for the development of the Balikun Coal Project in Xinjiang, China. Please also see note 9(d) for the second installment of consideration of $15,173,745 (RMB100,000,000) payable for the Balikun Coal Project.

GobiMin formerly owned a 40% indirect equity interest in Tongxing which is engaged in exploration and development of the Yanxi Copper Property. GobiMin has completed the disposal of a 32% equity interest in the

Yanxi Copper Property on July 22, 2010, retaining an 8% indirect unlisted equity interest which is classified as available-for-sale financial assets as mentioned in note 12 (see also note 14).

The Company accounts for its investments on 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 six months and three months ended June 30, 2011, the Company recorded a $40,998 equity loss and $19,174 equity gain respectively (six months and three months ended June 30, 2010: $35,177 and $14,226 equity gain respectively) in the investments. It mainly resulted from the equity loss in Hami Coal of $280,313 netted off against the equity gain in China Precision of $251,423 for the six months ended June 30, 2011.

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Company formerly owned a 40% indirect equity interest in Tongxing which is engaged in the exploration and development of the Yanxi Copper Property. The Company has completed the disposal of a 32% equity interest in the Yanxi Copper Property on July 22, 2010 and the remaining 8% indirect unlisted equity interest in Tongxing is classified as available-for-sale financial assets. Since the equity interest in Tongxing does not have a quoted market price in an active market and its fair value cannot be reliably measured, it is measured at cost less any identified impairment loss (see also note 14).

During the six months and three months ended June 30, 2011, the Company recorded a $6,199 and $5,890 equity loss respectively (June 30, 2010: $Nil) in the available-for-sale financial assets.

13. OTHER FINANCIAL ASSETS

Part of these financial assets represents the convertible bonds of $14.2 million (HKD110,000,000) issued by China Daye Non-Ferrous Metals Mining Limited ("China Daye") as partial payment of the consideration for the disposal of the 32% equity interest in the Yanxi Copper Property as mentioned in note 14. The convertible bonds are stated at $15,721,494 (HKD122,156,012) as at December 31, 2010 based on their fair value as determined by an independent professional valuator. The directors estimate that there is no significant change in the fair value of the convertible bonds as at June 30, 2011.

The remaining balance of $0.8 million represents the held-to-maturity listed debentures held by the Company.

14. DEFERRED GAIN ON DISPOSAL OF EQUITY INVESTMENTS AND OTHER PAYABLES AND ACCRUED LIABILITIES

Pursuant to the share transfer agreement dated July 14, 2010 and the supplemental agreement dated December 30, 2010, GobiMin disposed of a 32% equity interest in the Yanxi Copper Property on July 22, 2010 while retaining an 8% indirect unlisted equity interest. The Company received the cash consideration of $7,722,007 (HKD60,000,000) and the first lot of convertible bonds of $14,157,014 (HKD110,000,000). The application for mining license of the Yanxi Copper Property is in the process. After the mining license of the Yanxi Copper Property is granted, the Company shall receive the final lot of convertible bonds. Pursuant to the said agreements, should the mining license not be granted by August 31, 2011, the Company guarantees to refund to the buyer all the consideration received and in return, the buyer shall transfer the interest in the Yanxi Copper Property back to the Company.

The deferred gain on disposal of the 32% equity interest in the Yanxi Copper Property of $5.7 million represents the cash received of $7.7 million, convertible bonds received of $14.2 million, convertible bonds receivable of

(Expressed in United States Dollars)

$11.5 million, netted off against the share of assets as at June 21, 2010 of $0.9 million and those payables and accrued liabilities as follows:

Other Payables and Accrued Liabilities

As at June 30, 2011, the balance of other payables and accrued liabilities are mainly contributed by the payable for the mining license fee, tax, stamp duty and related payments of $26.8 million arising on the disposal of the Yanxi Copper Property.

15. COMMITMENTS

As at June 30, 2011, there are capital commitments of approximately $1,924,906 (December 31, 2010: $1,284,997) that the Group had contracted, but not provided for.

On September 10, 2009, the wholly owned subsidiary of GobiMin, Xinjiang Weifu Mining Limited, entered into an agreement with Xinjiang Baodi Mining Company and a subsidiary of Brigade No. 2 of Xinjiang Bureau of Geology and Mineral Resources to form a joint venture company, Tongyuan, for the development of the Sawayaerdun Gold Project in Xinjiang, China. GobiMin agreed to invest $7,328,844 (RMB50,000,000) in cash to Tongyuan for its 70% equity interest. The consideration for acquiring the exploration and mining license of the Sawayaerdun Gold Property is $6,669,247 (RMB45,500,000) and Tongyuan has paid a deposit of $6,069,498 (RMB40,000,000) as at June 30, 2011. The remaining commitment of $834,556 (RMB5,500,000) will be paid based on the progress on the transfer of the exploration and mining licenses to Tongyuan.

On April 7, 2010, Tongyuan entered into an agreement for exploration service relating to the Sawayaerdun Gold Project. The contracted amount is $674,254 (RMB4,600,000) and Tongyuan has paid a deposit of $319,559 (RMB2,106,000) as at June 30, 2011. The remaining commitment is $378,433 (RMB2,494,000).

As at June 30, 2011, the Company has approximately $711,917 (December 31, 2010: $72,008) remaining commitment in the operating leases of its Hong Kong, China and Canada offices.

16. SHARE CAPITAL AND STOCK OPTIONS

a. Common Shares

	Number	Amount
Authorized:		$
Unlimited number of common shares		
Issued and outstanding:		
Balance at January 1, 2010	68,257,302	29,267,506
Shares issued for options exercise	1,046,400	1,064,910
Shares bought back and cancelled	(3,412,865)	(1,458,224)
Balance at December 31, 2010	65,890,837	28,874,192
Shares issued for options exercise	**-**	**-**
Shares bought back and cancelled	**(2,978,500)**	**(2,428,778)**
Balance at June 30, 2011	**62,912,337**	**26,445,414**

(Expressed in United States Dollars)

b. Preferred Shares

GobiMin did not issue or authorize any preferred share.

c. Contributed Surplus

	$
Balance at January 1, 2010	5,857,898
Charge from share buy-back	(62,749)
Options exercised	(412,825)
Stock based compensation expense	315,902
Options cancelled	(1,953,509)
Balance at December 31, 2010	3,744,717
Stock based compensation expense	**108,695**
Options cancelled	**(148,499)**
Balance at June 30, 2011	**3,704,913**

d. Normal Course Issuer Bid

On January 4, 2011, GobiMin announced that it intended to renew its normal course issuer bid to repurchase up to an additional 3,294,541 common shares, representing approximately 5% of the then common shares outstanding. Purchases are made in accordance with applicable regulations over a maximum period of 12 months ending January 31, 2012. During the six months ended June 30, 2011, a total of 2,978,500 common shares were repurchased for an aggregate cost of $2,428,778 (CAD2,413,250). All shares repurchased are returned to treasury for cancellation.

e. Stock Options

On May 26, 2005, the Company adopted a resolution cancelling 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 6,700,000 (2010: 6,700,000) common shares were reserved for issuance pursuant to the exercise of options to be granted under the plan.

Status of the outstanding employee stock option and changes during the period:

	Six months ended June 30, 2011		Six months ended June 30, 2010	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
		$		$
Outstanding, beginning of period	**2,519,400**	**1.14**	3,256,400	1.76
Forfeited	**(153,400)**	**1.64**	(37,000)	1.20
Exercised	**-**		(25,000)	0.71
Outstanding, end of period	**2,366,000**	**1.10**	3,194,400	1.78

(Expressed in United States Dollars)

Summary of the employee stock options outstanding and exercisable at June 30, 2011:

Exercise Price	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
CAD	$		(Years)	$		(Years)	$
3.60	3.61	196,000	1.09	3.61	156,800	1.09	3.61
1.10	1.06	770,000	0.17	1.06	770,000	0.17	1.06
1.10	1.06	99,000	2.17	1.06	59,400	2.17	1.06
0.79	0.76	1,000,000	2.00	0.76	300,000	2.00	0.76
0.79	0.76	301,000	4.00	0.76	60,200	4.00	0.76
		2,366,000	1.59	1.10	1,346,400	0.94	1.27

Stock Based Compensation

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:

	June 30, 2011
Risk free interest rate:	1.01%
Expected life:	1-5 years
Expected volatility:	48%
Dividend yield:	0-1%

f. Basic and Diluted Losses Per Share

	Three months ended June 30, 2011	Three months ended June 30, 2010
Net losses available to shareholders		
Basic and diluted	**(908,115)**	($148,547)
Weighted average number of shares outstanding		
Basic	**63,568,386**	68,108,379
Effect of dilutive stock options	**-**	374,280
Diluted	**63,568,386**	68,482,659
Losses per share (basic)	**($0.014)**	($0.002)
Losses per share (diluted)	**($0.014)**	($0.002)

(Expressed in United States Dollars)

	Six months ended June 30, 2011	Six months ended June 30, 2010
Net losses available to shareholders		
Basic and diluted	**(1,672,244)**	($1,370,063)
Weighted average number of shares outstanding		
Basic	**64,580,047**	68,190,993
Effect of dilutive stock options	**-**	388,924
Diluted	**64,580,047**	68,579,917
Losses per share (basic)	**($0.026)**	($0.020)
Losses per share (diluted)	**($0.026)**	($0.020)

17. RESERVES

There was no movement in reserves for the six months ended June 30, 2011.

18. ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income represents net unrealized exchange gain on translation of self-sustaining foreign operations.

19. NON-CONTROLLING INTERESTS

Non-controlling interests represent the 30% equity interest in Tongyuan held by minority shareholders.

20. OTHER REVENUE AND GAINS

The Company recognized $232,311 (Q2 2010: $65,080) other revenue and gains this quarter, of which $173,013 (Q2 2010: $64,642) represents interest income and $59,298 (Q2 2010: $Nil) represents rental income from the office building in Xinjiang.

21. SEGMENTED INFORMATION

The Company conducted its business as a single operating segment, being the development, exploration and exploitation of mineral properties. It has no material operation after the disposal of the two operating subsidiaries in February 2009. All mineral property interests and capital assets were located in China. Before the disposal, all of the Company’s revenues were derived from China sources and the Company had only one customer during the period covered by the related consolidated financial statements.

22. FINANCIAL INSTRUMENTS

All financial instruments are classified into a defined category, namely, held-to-maturity investments, held-for-trading financial assets or financial liabilities, loans and receivables, available-for-sale financial assets, and other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

(Expressed in United States Dollars)

	June 30, 2011	December 31, 2010
	$	$
Held-for-trading (a)	**55,529,783**	53,164,272
Loans and receivables (b)	**43,642,836**	43,024,304
Held-to-maturity (c)	**829,420**	827,307
Available-for-sale (d)	**216,975**	223,174
Other financial liabilities (e)	**27,412,299**	28,229,706

(a) Cash and cash equivalents and convertible bonds received are measured at fair value.
(b) Amount due from an investee company, amount due from related parties, loan to a related party, prepayments, deposits and other receivables are measured at amortized cost.
(c) The listed debentures are measured at amortized cost.
(d) The 8% indirect unlisted equity interest in the Yanxi Copper Property is measured at cost less impairment losses, if any.
(e) Other payables and accrued liabilities are measured at amortized cost.

Fair value of financial instruments

The fair value of financial instruments represents the amounts that would have been received from or paid to counterparties to settle these instruments. The carrying amount of all financial instruments classified as current approximates their fair value because of the short maturities and normal trade terms of these instruments. The fair value of other financial instruments disclosed in the financial statements are based on the Company's best estimates using present value, quoted market prices and other valuation techniques that are significantly affected by the assumptions used concerning the amounts and timing of estimated cash flows and discount rates which reflect varying degrees of risk.

Risks arising from financial instruments and risk management

The Company is exposed to various types of market risks, including changes in foreign exchange rates, and interest rates in the normal course of business. The Company's overall risk management program focuses on mitigating these risks on a cost-effective basis. The Group's policy is to use derivatives only for managing existing financial exposures but not for trading or speculative purpose.

Exchange Rate Risk

The Company generates revenues and incurs expenditures primarily in Canada, Hong Kong and China and is exposed to risk from changes in foreign currency rates. In addition, the Company holds financial assets and liabilities in foreign currencies that expose the Company to foreign exchange risks. A significant change in the currency exchange rates between the U.S. dollars relative to the Hong Kong dollars, RMB as well as Canadian dollars could have an effect on the Company's financial position and cash flows. The Company has not hedged its exposure to currency fluctuations.

Many foreign currency exchange transactions involving RMB, including foreign exchange transactions under the Company's capital account, are subject to foreign exchange controls and require the approval of the PRC State Administration of Foreign Exchange. Developments relating to the PRC's economy and actions taken by the PRC government could cause future foreign exchange rates to vary significantly from current or historical rates. The Company cannot predict nor give any assurance of its future stability. Future fluctuations in exchange rates may adversely affect the value, translated or converted into U.S. dollars of the Company's net assets, net profits and any declared dividends. The Company cannot give any assurance that any future movements in the exchange rates of RMB against the U.S. dollars and other foreign currencies will not adversely affect its results of operations, financial condition and cash flows.

As at June 30, 2011 with other variables unchanged, a 1% strengthening (weakening) of the Chinese RMB against the Canadian dollar would have increased (decreased) net income and other comprehensive income both by $0.13 million.

Credit Risk

The Company is exposed to credit risk with respect to cash equivalents, other receivables, amounts due from investee companies, loan to a related party, amounts due from related parties and other financial assets. Save for the convertible bonds and held-to-maturity listed debentures which are stated at its fair value and amortized cost respectively, the carrying amount of these assets included on the balance sheet represents the maximum credit exposure. There is a concentration of credit risk arising from the convertible bonds received on disposal of the Yanxi Copper Property and the amount due from a related party which are stated at $15,721,494 and $15,173,745 respectively as at June 30, 2011. Management believes that the risk of credit loss on the convertible bonds and the loan to the related party is minimal as the issuer of the convertible bonds is a Hong Kong listed company and the loan to the related party is fully secured by an equity pledge. The cash equivalents are call deposits at banks. None of the cash equivalents were in asset backed commercial paper products. The Company has deposited the cash equivalents in banks that meet minimum requirements for quality and liquidity as stipulated by the Company's Board of Directors. Management believes the risk of loss to be remote.

Liquidity Risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting obligations associated with financial liabilities. As at June 30, 2011, the Company was holding cash and cash equivalents of $39,808,289. The Company has determined that the cash and cash equivalents from previous financings will be more than sufficient to fund its requirements for investments in working capital and capital assets. The total $27,412,299 financial liabilities are due within one year.

Interest Risk

As the Company has no significant variable interest-bearing assets and liabilities, the Company's income and operating cash flows are substantially independent of changes in market interest rate.

Financial instrument

The fair value hierarchy under by IFRS 7 "Financial Instruments – Disclosures" establishes three levels to classify the inputs to valuation techniques used to measure fair value. The fair value hierarchy is as follows:

Level 1 - Quoted (unadjusted) prices for identical assets or liabilities in active markets.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including:

- ♦ Quoted prices for similar assets/liabilities in active markets;
- ♦ Quoted prices for identical or similar assets in non-active markets (few transactions, limited information, non-current prices, high variability over time);
- ♦ Inputs other than quoted prices that are observable for the asset/liability (e.g interest rates, yield curves, volatilities, default rates, etc.); and
- ♦ Inputs that are derived principally from or corroborated by other observable market data.

Level 3 - Unobservable inputs that cannot be corroborated by observable market data.

(Expressed in United States Dollars)

The Company's financial assets are measured at fair value as follows:

	Fair Value Measurements at Reporting Date Using			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
June 30, 2011				
Cash and cash equivalent	39,808,289	-	-	39,808,289
Convertible bonds	-	-	15,721,494	15,721,494
	39,808,289	-	15,721,494	55,529,783
December 31, 2010				
Cash and cash equivalent	37,442,778	-	-	37,442,778
Convertible bonds	-	-	15,721,494	15,721,494
	37,442,778	-	15,721,494	53,164,272

23. CAPITAL MANAGEMENT

The Company's objectives of capital management are intended to safeguard the entity's ability to support the Company's normal operating requirement on an ongoing basis, continue the development, exploration and exploitation of its mineral properties, and support any expansionary plans. The capital of the Company amounted to $78,306,085 consists of the items included in shareholders' equity. The Board of Directors does not establish a quantitative return on capital criteria for management but promotes year-over-year sustainable earnings growth targets. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

The Company is not subject to externally imposed capital requirements.

24. ECONOMIC DEPENDENCE

The Company conducts its business as a single operating segment, being the development, exploration and exploitation of mineral properties. All mineral property interests and capital assets are located in China.

25. RELATED PARTY TRANSACTIONS

a. Key management compensation

The remuneration of key management and directors for the six months ended June 30, 2011 is as follows:

	June 30, 2011	June 30, 2010
	$	$
Short-term benefits and director fees	**248,641**	225,658
Stock based payments	**68,497**	52,187
	317,138	277,845

b. Rental income

The rental income from related parties for the six months ended June 30, 2011 is as follows:

(Expressed in United States Dollars)

Lessee	Relationship	June 30, 2011 $	June 30, 2010 $
Xinjiang Tongxing Minerals Ltd.	Available-for-sale financial assets	**15,174**	3,793
Xinjiang Tian Mu Resources Co. Ltd.	Common director and shareholder	**12,139**	12,139
		27,313	15,932

c. Advances to other related parties

Advance made by the Company to related parties at the quarter end were disclosed as amount due from investee companies and related parties in notes 8 and 9. Other than the aforementioned, there were no other significant related party transactions requiring disclosure in the financial statements.

26. IFRS TRANSITION FROM PREVIOUS CANADIAN GAAP

The Company's condensed financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS. The Company has prepared its opening IFRS statement of financial position by applying existing IFRS standards in effect at the release of these condensed financial statements. However, the opening IFRS statement of financial position and the December 31, 2010 comparative statement of financial position presented in condensed financial statements for the year ending December 31, 2011 may differ from those presented at this time if there are changes to IFRS standards that require retroactive adjustment.

As stated in note 2, these financial statements are prepared in accordance with IFRS. The accounting policies in note 3 have been applied in preparing the condensed interim financial statements for the period ended June 30, 2011, the comparative information presented in these condensed financial statements for the year ended December 31, 2010 and in preparation of an opening IFRS statement of financial position at January 1, 2010.

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in condensed financial statements prepared in accordance with previous Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Company's financial position, financial performance, and cash flows is set out below.

IFRS 1 First-time Adoption of International Financial Reporting Standards sets forth guidance for the initial adoption of IFRS. Under IFRS 1, the standards are applied retrospectively at the transitional statement of financial position date with all adjustments to assets and liabilities charged or credited to retained earnings unless certain exemptions are applied. The Company has applied the following exemptions to its opening statement of financial position as at January 1, 2010:

a. Business Combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 Business Combinations retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has utilized this election and has therefore applied IFRS 3 only to business combinations that occurred on or after January 1, 2010.

The Company's 50% interest in Xinjiang Xinya Minerals Limited (without controlling power) was recorded by proportionate consolidation in the Company's consolidated financial statements under Canadian GAAP. However, under IFRS 3, the assets and liabilities acquired should be recorded at fair value to the extent of the acquirer's percentage ownership of the acquired entity, as equity investments.

An exemption under IFRS 1 makes it possible to avoid restatement of business combinations that took place prior to the date of transition to IFRS. The Company has decided not to restate business combinations that took place prior to January 1, 2010 and there is no impact on the shareholders' equity. The expected impact on opening figures is the re-classification of certain assets and current liabilities to long term investments. The Company will apply IFRS 3 prospectively for business combinations occurring after January 1, 2010.

b. Share-based Payment Transactions

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 Share-based Payment to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the latter of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to options that vested prior to January 1, 2010, which have been accounted for in accordance with Canadian GAAP. The effect of applying IFRS 2 to unvested options at the transition date was to reduce retained earnings by $0.3 million as at January 1, 2010, with an offsetting adjustment to contributed surplus and accumulative other comprehensive income.

Under IFRS
- Each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches.
- Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods.

Under Canadian GAAP
- The fair value of stock based awards with graded vesting are calculated as one grant and the resulting fair value is recognized on a straight-line basis over the vesting period.
- Forfeitures of awards are recognized as they occur.

As a result of the different calculation method of amortization period, the effect of applying IFRS 2 was to increase the stock based compensation expense in the earlier stage of the vesting period while lowering the relevant expenses in the later stage. The impact to the Company for the year ended December 31, 2010 was insignificant as most of the share option fair value were amortized as of December 31, 2009.

For cancelled or forfeited options, no transaction is required under Canadian GAAP while the fair value of cancelled or forfeited options are required to be reversed from contributed surplus to retained earnings under IFRS.

For the year ended December 31, 2010, the Company recorded cancelled or forfeited share options in the amount of $2.0 million.

c. Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under the previous GAAP applied, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of January 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

d. Accounting for exploration expenditures on properties prior to the establishment of a positive economic analysis

Both Canadian GAAP and IFRS allow the choice of capitalizing or expensing exploration costs. The Company's policy under Canadian GAAP has been to capitalize all exploration costs. Management planned to consider the option to capitalize exploration costs except for those exploration expenditures on properties prior to the establishment of a positive economic analysis. Under IFRS, those exploration expenditures are expensed in the period they are incurred.

The impact of such a change would be that greater amounts will be expensed. As this change must be applied on a retroactive basis, amounts previously capitalized under Canadian GAAP will be written off and charged to deficit as at January 1, 2010. This adjustment is expected to decrease shareholders' equity by $0.6 million.

e. Cumulative Translation Differences

IFRS 1 allows that the cumulative translation differences for all foreign operations be deemed zero at the date of transition to IFRS, with future gains or losses on subsequent disposal of any foreign operations to exclude translation differences arising from periods prior to the date of transition to IFRS. The Company will make this election and deem all cumulative translation differences to be zero on transition to IFRS as at January 1, 2010 and absorbed the previously accumulated cumulative translation balance into retained earnings.

f. Presentation of Property, Plant and Equipment

IFRS requires that significant parts of an asset be depreciated separately and that depreciation commences when the asset is available for use. There will be no impact on shareholders' equity.

IFRS also permits property, plant and equipment to be measured using the fair value model or the historical cost model. The Company is not planning on adopting the fair value measurement model for its property, plant and equipment but will continue to measure at amortized cost.

g. Non-controlling interests

Under Canadian GAAP, non-controlling interests were presented between liabilities and equity. IFRS requires presentation of non-controlling interests within the equity section of the balance sheet.

h. Goodwill and intangible assets

Goodwill and intangible assets under IFRS will be measured using the cost model, based on the recoverable assets amount which is the greater of value in use and fair value less costs to sell. The recoverable amount calculated under IFRS approximates the Canadian GAAP carrying value at December 31, 2009 and therefore no adjustment is required at transition.

At each reporting date, the Company is required to review goodwill and intangible assets for indicators of impairment or reversals of impairment. In the event that certain conditions have been met, the Company would be required to reverse the impairment charge or a portion thereof.

i. Available-for-Sale Financial Assets

Under IFRS, foreign exchange amounts arising from translation of the assets are recorded in net income.

Under Canadian GAAP, foreign exchange amounts arising from translation of the assets are recorded in other comprehensive income.

j. Presentation

The presentation in accordance with IFRS differs from the presentation in accordance with Canadian GAAP.

IFRS employs a conceptual framework that is similar to Canadian GAAP. However, significant differences exist in certain matters of recognition, measurement and disclosure. While adoption of IFRS has not changed the Company's actual cash flows, it has resulted in changes to the Company's reported financial position and results of operations. In order to allow the users of the financial statements to better understand these changes, the Company's Canadian GAAP Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash Flows for the year ended December 31, 2010 have been reconciled to IFRS, with the resulting differences explained.

(Expressed in United States Dollars)

(1) Reconciliation of statement of financial position as at January 1, 2010

	Reference to note 26	Canadian GAAP	IFRS Adjustment	IFRS
ASSETS		$	$	$
Current				
Cash and cash equivalents and time deposit	a	78,350,405	(498,503)	77,851,902
Prepayments, deposits and other receivables	a	6,638,779	189,150	6,827,929
Dividend receivable from an investee company		39,200	-	39,200
Total current assets		85,028,384	(309,353)	84,719,031
Non-current				
Properties, plant and equipment	a,d	1,127,567	(499,897)	627,670
Equity investments	a,d	2,675,844	227,616	2,903,460
Amount due from related parties		1,572,148	-	1,572,148
Total non-current assets		5,375,559	(272,281)	5,103,278
Total assets		**90,403,943**	**(581,634)**	**89,822,309**
LIABILITIES				
Current				
Other payables and accrued liabilities	a	968,798	(4,648)	964,150
Total current liabilities		968,798	(4,648)	964,150
Total liabilities		**968,798**	**(4,648)**	**964,150**
SHAREHOLDERS' EQUITY				
Share capital		29,267,506	-	29,267,506
Contributed surplus	b	5,604,073	253,825	5,857,898
Reserves		7,666	-	7,666
Retained earnings	b,d,e	50,638,277	1,824,637	52,462,914
Accumulated other comprehensive income	b,e	2,655,448	(2,655,448)	-
Equity attributable to shareholders of the Company		**88,172,970**	**(576,986)**	**87,595,984**
Non-controlling interests	g	1,262,175	-	1,262,175
Total shareholders' equity		**89,435,145**	**(576,986)**	**88,858,159**
Total liabilities and shareholders' equity		**90,403,943**	**(581,634)**	**89,822,309**

(Expressed in United States Dollars)

(2) Reconciliation of statement of financial position as at June 30, 2010

	Reference to note 26	Canadian GAAP	IFRS Adjustment	IFRS
ASSETS		$	$	$
Current				
Cash and cash equivalents and time deposit	a	47,993,399	(495,432)	47,497,967
Prepayments, deposits and other receivables	a,d	6,851,905	(246,117)	6,605,788
Amount due from an investee company		3,652,562	-	3,652,562
Total current assets		58,497,866	(741,549)	57,756,317
Non-current				
Properties, plant and equipment	a,d	2,037,999	11,713	2,049,712
Equity investments	a,d	9,576,721	236,765	9,813,486
Loan to an investee company		1,914,294	-	1,914,294
Amount due from related parties		1,688,675	-	1,688,675
Loan to a related party		14,657,686	-	14,657,686
Total non-current assets		29,875,375	248,478	30,123,853
Total assets		**88,373,241**	**(493,071)**	**87,880,170**
LIABILITIES				
Current				
Other payables and accrued liabilities	a	1,389,013	176,916	1,565,929
Total current liabilities		1,389,013	176,916	1,565,929
Total liabilities		**1,389,013**	**176,916**	**1,565,930**
SHAREHOLDERS' EQUITY				
Share capital	b	28,931,562	80	28,931,642
Contributed surplus	b	5,747,909	165,032	5,912,941
Reserves		7,666	-	7,666
Retained earnings	b,d,e	48,465,891	1,820,349	50,286,240
Accumulated other comprehensive income	b,e	2,569,025	(2,655,448)	(86,423)
Equity attributable to shareholders of the Company		**85,722,053**	**(669,987)**	**85,052,066**
Non-controlling interests	g	1,262,175	-	1,262,175
Total shareholders' equity		**86,984,228**	**(669,987)**	**86,314,241**
Total liabilities and shareholders' equity		**88,373,241**	**(493,071)**	**87,880,170**

(Expressed in United States Dollars)

(3) Reconciliation of statement of financial position as at December 31, 2010

	Reference to note 26	Canadian GAAP	IFRS Adjustment	IFRS
ASSETS		$	$	$
Current				
Cash and cash equivalents	a	37,959,529	(516,751)	37,442,778
Silver bullion		9,549,403	-	9,549,403
Prepayments, deposits and other receivables	a,d	21,041,394	(1,835,390)	19,206,004
Amount due from an investee company		3,631,270	-	3,631,270
Amount due from a related party		15,173,745	-	15,173,745
Total current assets		87,355,341	(2,352,141)	85,003,200
Non-current				
Properties, plant and equipment	a,d	4,667,886	1,192,490	5,860,376
Equity investments	a,d	8,210,447	(593,314)	7,617,133
Available-for-sale financial assets		223,174	-	223,174
Other financial assets		16,548,801	-	16,548,801
Amount due from an investee company		1,981,691	-	1,981,691
Amount due from related parties		1,893,564	-	1,893,564
Total non-current assets		33,525,563	599,176	34,124,739
Total assets		**120,880,904**	**(1,752,965)**	**119,127,939**
LIABILITIES				
Current				
Other payables and accrued liabilities	a	28,046,514	183,192	28,229,706
Deferred gain on disposal of equity investments		5,682,689	-	5,682,689
Total current liabilities		33,729,203	183,192	33,912,395
Total liabilities		**33,729,203**	**183,192**	**33,912,395**
SHAREHOLDERS' EQUITY				
Share capital	b	28,857,226	16,966	28,874,192
Contributed surplus	b	5,506,759	(1,762,042)	3,744,717
Reserves		7,666	-	7,666
Retained earnings	b,d,e	46,266,614	2,484,680	48,751,294
Accumulated other comprehensive income	b,e,	4,237,324	(2,675,761)	1,561,563
Equity attributable to shareholders of the Company		**84,875,589**	**(1,936,157)**	**82,939,432**
Non-controlling interests	g	2,276,112	-	2,276,112
Total shareholders' equity		**87,151,701**	**(1,936,157)**	**85,215,544**
Total liabilities and shareholders' equity		**120,880,904**	**(1,752,965)**	**119,127,939**

(Expressed in United States Dollars)

(4) Reconciliation of statement of comprehensive income for the six months ended June 30, 2010

	Reference to note 26	Canadian GAAP	IFRS Adjustment	IFRS
		$	$	$
Revenue		-	-	-
Cost of Sales		-	-	-
Depreciation		-	-	-
Selling and distribution cost		-	-	-
Gross loss		-	-	-
Other revenue and gains		128,959	-	128,959
General and administrative expenses	d	(1,387,674)	(107,619)	(1,495,293)
Stock based compensation	b	(152,294)	61,695	(90,599)
Equity gain in investment	d	20,559	14,618	35,177
Operating loss		**(1,390,450)**	**(31,306)**	**(1,421,756)**
Exchange gain		51,693	-	51,693
Losses before tax and non-controlling interests		**(1,338,757)**	**(31,306)**	**(1,370,063)**
Income tax		-	-	-
Losses before non-controlling interests		**(1,338,757)**	**(31,306)**	**(1,370,063)**
Non-controlling interest		-	-	-
Net losses for the period		**(1,338,757)**	**(31,306)**	**(1,370,063)**
Other comprehensive income, net of tax				
Foreign currency translation differences		(86,423)	-	(86,423)
Comprehensive loss for the period		**(1,425,180)**	**(31,306)**	**(1,456,486)**

(Expressed in United States Dollars)

(5) Reconciliation of statement of comprehensive income for the year ended December 31, 2010

	Reference to note 26	Canadian GAAP	IFRS Adjustment	IFRS
		$	$	$
Revenue		-	-	-
Cost of Sales		-	-	-
Depreciation		-	-	-
Selling and distribution cost		-	-	-
Gross loss		-	-	-
Other revenue and gains		406,515	-	406,515
General and administrative expenses	d	(3,440,917)	(509,459)	(3,950,376)
Stock based compensation	b	(361,294)	45,392	(315,902)
Equity (loss) / gain in investment	d	(305,233)	(829,399)	(1,134,632)
Operating loss		**(3,700,929)**	**(1,293,466)**	**(4,994,395)**
Gain on deregistration / disposal of subsidiaries		142,102	-	142,102
Fair value gain on other financial assets		1,564,480	-	1,564,480
Exchange loss		(288,716)	-	(288,716)
Losses before tax and non-controlling interests		**(2,283,063)**	**(1,293,466)**	**(3,576,529)**
Income tax		-	-	-
Losses before non-controlling interests		**(2,283,063)**	**(1,293,466)**	**(3,576,529)**
Non-controlling interest		-	-	-
Net losses for the year		**(2,283,063)**	**(1,293,466)**	**(3,576,529)**
Other comprehensive income, net of tax				
Foreign currency translation differences		1,581,876	(20,313)	1,561,563
Comprehensive loss for the year		**(701,187)**	**(1,313,779)**	**(2,014,966)**

27. EVENTS AFTER THE REPORTING DATE

For the period from 1 July 2011 to 15 August, 2011, a total of 115,000 common shares were repurchased under the normal course issuer bid, at an aggregate cost of $74,731 (CAD74,253). All shares repurchased will be returned to treasury for cancellation.

GobiMin Inc.

Incorporated in Canada under the Canada Business Corporations Act

Management's Discussion and Analysis of Financial Results

For the quarter ended June 30, 2011
(Expressed in United States Dollars except where otherwise noted)

The following discussion and analysis of the condensed operating results and financial condition of GobiMin Inc. for the quarter ended June 30, 2011 should be read in conjunction with its interim condensed financial statements for the quarter ended June 30, 2011 prepared in accordance with International Financial Reporting Standards ("IFRS") and its audited condensed financial statements for the year ended December 31, 2010 prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

This Management's Discussion and Analysis was prepared on August 15, 2011. Additional information relating to the Company is available on the SEDAR website at www.sedar.com under GobiMin Inc.

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. (the "Company" or "GobiMin"), together with its subsidiaries (collectively referred to herein as the "Group"), is engaged in the development, exploration and exploitation of mineral properties, mainly in the Xinjiang Uygur Autonomous Region ("Xinjiang") of the People's Republic of China ("China").

The mineral properties include the Sawayaerdun Gold Project, the Balikun Coal Project and four base metals exploration projects for nickel, copper, gold, lead and zinc in Xinjiang. The projects are respectively under the process of drillings, constructions, conducting pre-survey and exploration works.

In addition to the mineral properties, the Company also holds an equity interest of 49% in a silver operation.

2. Highlights

(a) Corporate Highlights

- ✧ The Sawayaerdun Gold Project has completed 95% of its drilling target and continues to proceed further drilling aiming to maximize the project potential
- ✧ Paid annual dividend of $0.01 per share in May 2011
- ✧ Continuing the exploration of other mineral projects in Xinjiang, China
- ✧ Actively searching for high quality exploration and mining projects

(Expressed in United States Dollars)

(b) Financial Highlights

	3 months ended June 30, 2011	12 months ended December 31, 2010	3 months ended June 30, 2010
Cash and cash equivalents and time deposit	**$40 million**	$37 million	$48 million
Cash and cash equivalents and time deposit per share(1)	**$0.63**	$0.57	$0.71
Working capital	**$46.4 million**	$51.1 million	$57.1 million
Total assets	**$113.7 million**	$119.1 million	$88.3 million
Net losses	**($0.9 million)**	($3.6 million)	($0.1 million)
LBITDA (1)	**($0.9 million)**	($4.8 million)	($0.1 million)
Basic and diluted losses per share	**($0.014)**	($0.053)	($0.002)
LBITDA per share(1)	**($0.015)**	($0.071)	($0.002)

(1) As non-IFRS measurements, LBITDA, LBITDA per share and Cash and cash equivalents and time deposit per share do not comply with IFRS 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 IFRS.

3. Business Summary and Development

(a) Gold Project in Xinjiang

In 2009, the Company, through a wholly owned subsidiary, formed a joint venture company, namely Xinjiang Tongyuan Minerals Ltd. ("Tongyuan"), with Xinjiang Baodi Mining Company ("Baodi") and a subsidiary of Brigade No. 2 of Xinjiang Bureau of Geology and Mineral Resources ("Brigade No. 2") to develop and operate the Sawayaerdun Gold Project in Xinjiang, China. GobiMin owns a 70% equity interest in Tongyuan while Baodi and Brigade No. 2 each own a 15% interest. Tongyuan has obtained the related mining license.

The Sawayaerdun Gold Project is located 200 km northwest of the city of Kashi, western Xinjiang, China and lies within the Tian Shan Gold Belt, which is one of the most promising gold belts in China. Gold mineralization is contained within fine-grained clastic metasedimentary rocks of Devonian age. The portion of Zone IV with most drilling works done appears to be the thickest portion of the zone and therefore may represent a flexure or dilation zone within the F3 fault that contains Zone IV.

According to the NI 43-101 technical report prepared by Wardrop a Tetra Tech Company in March 2011 (which can be viewed at www.sedar.com), at a lower grade threshold of 0.5 grams/tonne gold, Zone IV is estimated to contain Indicated resources of about 34 million tonnes with an average grade of 1.3 grams/tonne gold (about 1,380,000 oz gold) and Inferred resources of about 13.5 million tonnes with an average grade of approximately 1.0 grams/tonne gold (about 424,800 oz gold).

Despite that the Company has only started the 2011 exploration program in April as a result of the difficult winter working conditions, it has mostly caught up with the planned drilling schedule. Until the end of June 2011, about 9,400 meters of drilling has been completed, which is ahead of the planned schedule. Further drilling programs in the Zone IV and Zone I have been planned for the second half of 2011. GobiMin has been conducting the testing during the drilling programs and will retain a Competent Person for reviewing and updating the resource estimate according to NI 43-101 standards after laboratory results of the drill cores. Until

June 30, 2011, the capital expenditure of approximately $11.73 million (RMB75 million) has been invested since GobiMin's acquisition of the Gold Project in September 2009 and capital expenditure of approximately $610,000 (RMB3.9 million) has been incurred during the period from March 1, 2011 to June 30, 2011.

On the other hand, due to the limited storage capacity of the temporary dynamite depot, the progress of the adit exploration was delayed and approximately 50% of the planned work cannot be completed on schedule. The construction and application to the government for a formal dynamite depot is in progress, and the adit exploration delay should be resolved after the formal dynamite depot is completed. Floatation and metallurgical testing are in progress.

(b) <u>Coal Project in Xinjiang</u>

GobiMin owns an indirect equity interest of 24.49% in the Balikun Coal Project in Xinjiang, China and participates in its management and operations. GobiMin and its partner jointly have a controlling interest in the project through Xinjiang Ruide Mining Limited ("Xinjiang Ruide"). According to a NI 43-101 Mineral Resource estimate prepared by Scott Wilson Ltd. in February 2010, the Balikun Coal Project hosts 38 million tonnes of coal in Measured Resources and 50 million tonnes in Indicated Resources. The construction works necessary to facilitate the future mining operation are in progress.

Considering the delays in getting the approval from National Development & Reform Commission on the Balikun Coal Project, the Company is negotiating with the interested parties to dispose of its interest in the Coal Project.

(c) <u>Silver Operation</u>

GobiMin holds an equity interest of 49% in China Precision Material Limited ("China Precision") which engages in metal trading and processing, predominantly in silver. The positions are hedged and China Precision is not exposed to market price movements. China Precision has developed a downstream silver business by establishing a small processing workshop in Hong Kong in August 2010 for processing the silver and refining the lower grade silver into bars and granules with 99.99% purity for sale to industrial customers. To increase product variety and profit contribution, GobiMin will continue to source and explore new potential business opportunities in this sector.

The Company has made advances to China Precision from time to time solely to finance its silver inventory depending on economic and market conditions. As at June 30, 2011, amounts due from China Precision to the Company amounted to $5.2 million while China Precision has a silver stock of 7.6 tonnes with a market value of $8.3 million.

For the three months ended June 30, 2011, the Company recorded an equity gain of $150,378 (March 31, 2011: $101,045) from its investment in China Precision.

In addition, the Company recorded interest income of $109,740 through advancement of funding to China Precision for the three months ended June 30, 2011 (three months ended March 31, 2011: $61,474).

(d) <u>Base Metal Exploration Projects in Xinjiang</u>

(i) Four Exploration Joint Ventures

GobiMin currently owns equity interests in four exploration joint ventures in Xinjiang, China for nickel, copper, gold, lead and zinc. GobiMin has been exploring several copper projects which show good indications of copper mineralization. Some exploration licenses will be relinquished by not applying for renewal or in negotiation of selling to third parties due to not having good prospect. GobiMin will continue to conduct pre-survey and exploration to identify potential mineralization through these exploration joint ventures.

(ii) Yanxi Copper Property

GobiMin formerly owned a 40% indirect equity interest in another joint venture, Xinjiang Tongxing Minerals Limited ("Tongxing"), which is engaged in exploration and development of the Yanxi Copper Property in Xinjiang, China. The Company entered into a Share Transfer Agreement on July 14, 2010 regarding the disposal of 80% of its equity interest in Tongxing. The transaction was completed on July 22, 2010 and GobiMin has received all the cash consideration and the first lot of convertible bonds. GobiMin currently retains an 8% indirect unlisted equity interest in the Yanxi Copper Property.

The Company has entered into a supplemental agreement with the buyer on December 30, 2010 to extend the deadline for obtaining the mining license of the Yanxi Copper Property (the "Yanxi Mining Licence") from December 31, 2010 to August 31, 2011. According to the supplemental agreement, the consideration to be received upon obtaining the Yanxi Mining Licence is reduced by HKD21,000,000 to HKD259,000,000 due to the construction of a railway across the Yanxi Copper Property that has a negative impact on the minable quantity. The amount of HKD21,000,000 will be deducted from the second and final lot of convertible bonds (the "Non-delivered CB"). In addition to applying for Yanxi Mining Licence, the Company will also be responsible for applying for a mining licence (the "New Mining Licence") for an area which is adjacent to the Yanxi Copper Property (the "New Area"). The New Mining Licence should be obtained on or before June 30, 2014. The Company will be entitled to receive the Non-delivered CB and an additional consideration in cash based on the resource estimate of the New Area, subject to a maximum of HKD106,000,000, of which 50% will be paid upon the Company providing the resources estimate report and the remaining 50% will be used to settle the licensing fee of the New Area with the balance paid to the Company upon obtaining the New Mining Licence. The final and total consideration for the disposal of the 80% indirect equity interest in Tongxing will accordingly be capped to HKD365,000,000. Based on the reduced consideration of $33.4 million (HKD259,000,000), the Company shall have an estimated deferred gain of $5.7 million for its disposal of the 32% equity interest in Tongxing, netting off the amount payable for the mining license fee, tax, stamp duty and related payments of $26.8 million.

The application of the Yanxi Mining License is at the final stage and GobiMin is liaising with relevant government departments to facilitate the application to meet the deadline.

(e) <u>Normal Course Issuer Bid</u>

On January 4, 2011, GobiMin announced its intention to renew its normal course issuer bid to repurchase up to an additional 3,294,541 common shares for a further year. The normal course issuer bid will expire on January 31, 2012. During the quarter ended June 30, 2011, a total of 2,053,000 common shares were repurchased at an aggregate cost of $1,657,003 (CAD1,646,408), for a total of 3,093,500 common shares at an average price of CAD0.797 from January up to August 15, 2011. All shares repurchased were returned to treasury for cancellation. Management believes that the repurchase by the Company of its own shares can maximize shareholder value and is in the best interest of the Company and its shareholders.

A copy of the related Notice of Intention to Make a Normal Course Issuer Bid for 2011 shall be provided to shareholders upon receipt of written request to the Company at its registered office.

(f) <u>Working Capital</u>

As at June 30, 2011, the Company has a working capital of $46.4 million (December 31, 2010: $51.1 million), after netting off its current liabilities of $33.1 million (December 31, 2010: $33.9 million).

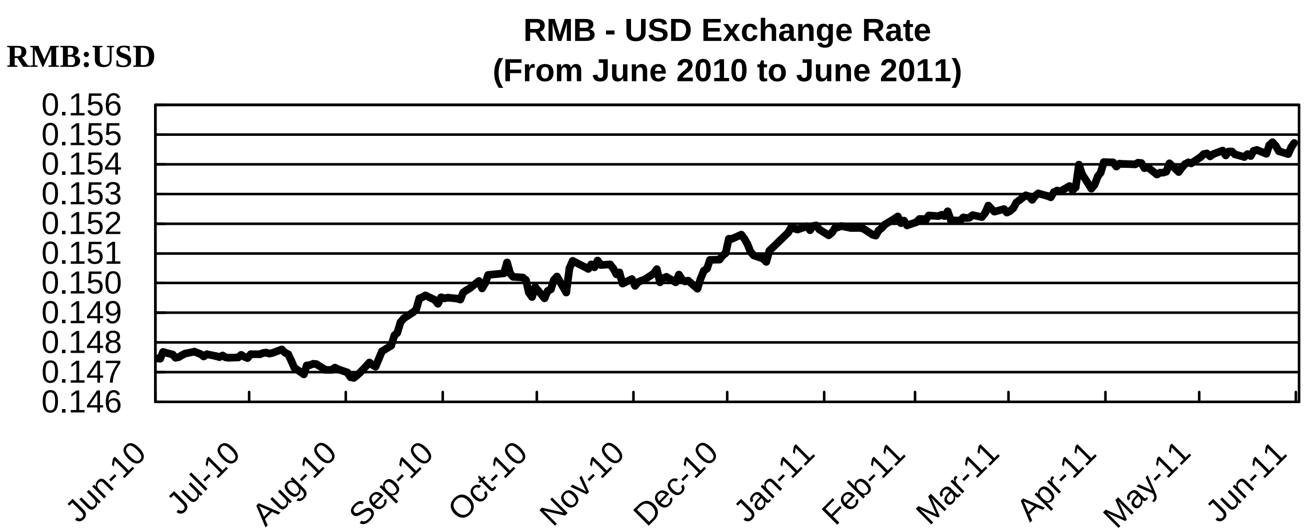
In addition to the $39.8 million cash and cash equivalents, the Company owns the convertible bonds of $14.2 million (HKD110,000,000) issued by China Daye Non-Ferrous Metals Mining Limited ("China Daye") as partial payment of the consideration for the disposal of the 32% equity interest in the Yanxi Copper Property and another lot of convertible bonds $11.4 million (HKD89,000,000) are receivable upon obtaining the mining licence of the Yanxi Copper Property. According to the terms of the convertible bonds, the Company has the right to convert the bonds into ordinary shares of China Daye any time up to July 22, 2012, or if not converted, to have its principal amount together with interest repaid on July 22, 2012. The received convertible bond was recorded as non-current asset while the convertible bond receivable was recorded as current asset, both of which would be liquidated into cash and cash equivalents at the discretion of the management subject to the market conditions.

Other than financing the silver stocking of China Precision and the construction costs of the Sawayaerdun Gold Project, there is no significant cash outflow expected for the remainder of the fiscal year. The working capital is sufficient to support the growth in the existing projects and operations.

4. Key Economic Trends

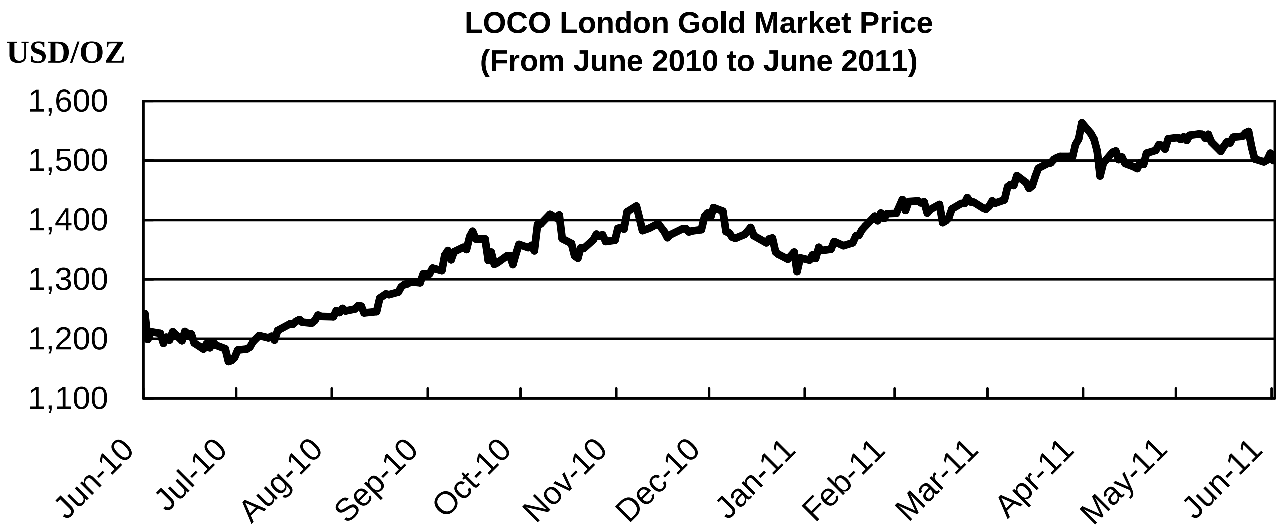
(a) China Economy

Since GobiMin's operations are mostly conducted in China, the condition of the Chinese economy is a key factor on the Company's business. The currency fluctuation will have an impact on the Company's cost structure as the Company reports in U.S. dollars. For the quarter ended June 30, 2011, the Chinese currency Renminbi ("RMB") appreciated by 1.43% against the U.S. dollar comparing with the exchange rate on March 31, 2011.



(b) Gold Market

Although the Sawayaerdun Gold Project is at the exploration stage, the gold market price has an influence on the project value. For the quarter ended June 30, 2011, the gold price has increased by around 4.75% against the price on March 31, 2011.



5. Critical Accounting Policies and Estimates

The Company's significant accounting policies are described in Note 3 to the condensed interim financial statements for the quarter ended June 30, 2011. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported results. Changes to these estimates could materially impact the condensed financial statements. The policies and estimates made by the Company that are considered to be most critical are described below.

(a) Revenue Recognition

Interest income from financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income is recognized on a straight line basis over the term of the lease.

Dividend income is recognized when the right to receive payment is established.

(b) Mineral Assets, Exploration Expenditures and Pre-exploration Costs

Mineral assets in various forms, including prospecting licenses, exploration and exploitation concessions, mineral leases and surface rights are capitalized as mineral assets since acquiring legal title to these properties.

Exploration expenditures on non-producing properties, including drilling and related costs, identified as having development potential, as evidenced by a positive economic analysis of the project, are treated as mineral assets and capitalized. Expenditures incurred on deposits contiguous with a known deposit which has undergone a positive economic analysis are treated as mineral assets and capitalized. Exploration expenditures on properties prior to the establishment of a positive economic analysis are expensed in the period in which they are incurred. Drilling costs incurred during the production phase for operational ore control are charged to operations as incurred.

Pre-exploration costs are expensed in the period in which they are incurred.

(c) Depreciation of Other Property, Plant and Equipment

Other property, plant and equipment is stated at cost less accumulated amortization and accumulated impairment losses. Cost includes all expenditures that are directly attributable to the acquisition of the asset. Borrowing costs on qualifying assets are capitalized until the asset is capable of carrying out its intended use. Other property, plant and equipment is amortized on a straight-line basis over the estimated useful life of the asset with an estimated residual value of 0-5%. The annual depreciation or amortization rates are as follows:

Leasehold land & buildings: 4.75%
Leasehold improvement: 19% - 33.3%
Furniture, fixture and equipment: 9.5% - 33.33%
Computer hardware & equipment: 19% - 33.33%
Motor vehicles & transportation equipment: 19% - 25%

(d) Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

All the mine sites of the Group 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 rehabilitation 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 rehabilitation provision.

(e) 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 and reserves.

(f) Financial Instruments

Financial assets and financial liabilities, including derivatives, are recognized when the Company becomes a party to the contractual provisions of the financial instrument. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial assets and liabilities.

Financial assets and financial liabilities held-for-trading are measured at fair value with changes in those fair values recognized in earnings. Loans and receivables, and other financial liabilities are measured at amortized cost and are amortized using the effective interest method. Available-for-sale financial assets, designated based on the criteria that management does not hold these for the purposes of trading, are presented as investments and measured at cost less any identified impairment loss as they are unlisted investments and the fair value of which cannot be reliably measured.

(g) Related Parties

For the purposes of these financial statements, a party is considered to be related to the Company if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Company or exercise significant influence over the Company in making financial and operating policy decisions, or has joint control over the Company;

(ii) the Company and the party are subject to common control;

(iii) the party is an associate of the Company or a joint venture in which the Company is a venturer;

(iv) the party is a member of key management personnel of the Company or the Company's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

6. New Accounting Standards

A. IFRS Transition from previous Canadian GAAP

The Company's condensed financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS. The Company has prepared its opening IFRS statement of financial position by applying existing IFRS standards in effect at the release of these condensed financial statements. However, the opening IFRS statement of financial position and the December 31, 2010 comparative statement of financial position presented in condensed financial statements for the year ending December 31, 2011 may differ from those presented at this time if there are changes to IFRS standards that require retroactive adjustment.

IFRS has been applied in preparing the condensed financial statements for this quarter as well as for the period ended June 30, 2010 and December 31, 2010, the comparative information presented in these condensed financial statements for the year ended December 31, 2010 and an opening IFRS statement of financial position at January 1, 2010.

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in condensed financial statements prepared in accordance with previous Canadian generally accepted accounting principles ("Canadian GAAP").

IFRS 1 First-time Adoption of International Financial Reporting Standards sets forth guidance for the initial adoption of IFRS. Under IFRS 1, the standards are applied retrospectively at the transitional statement of financial position date with all adjustments to assets and liabilities charged or credited to retained earnings unless certain exemptions are applied.

The main impacts of the transition from previous Canadian GAAP to IFRS on the Company's financial position, financial performance, and cash flows are set out below.

(a) Business Combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 Business Combinations retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has utilized this election and has therefore applied IFRS 3 only to business combinations that occurred on or after January 1, 2010.

The Company's 50% interest in Xinjiang Xinya Minerals Limited (without controlling power) was recorded by proportionate consolidation in the Company's condensed financial statements under Canadian GAAP. However, under IFRS 3, the assets and liabilities acquired should be recorded by a fair value to the extent of the acquirer's percentage ownership of the acquired entity as equity investments.

An exemption under IFRS 1 makes it possible to avoid restatement of business combinations that took place prior to the date of transition to IFRS. The Company has decided not to restate business combinations that took place prior to January 1, 2010 and there is no impact on the shareholders' equity. The expected impact on opening figures is the re-classification of certain assets and current liabilities to long term investments. The Company will apply IFRS 3 prospectively for business combinations occurring after January 1, 2010.

(b) Share-based Payment Transactions

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 Share-based Payment to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the latter of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to options that vested prior to January 1, 2010, which have been accounted for in accordance with Canadian GAAP. The effect of applying IFRS 2 to unvested options at the transition date was to reduce retained earnings by $0.3 million as at January 1, 2010, with an offsetting adjustment to contributed surplus and accumulative other comprehensive income.

(c) Accounting for exploration expenditures on properties prior to the establishment of a positive economic analysis

Both Canadian GAAP and IFRS allow the choice of capitalizing or expensing exploration costs. The Company's policy under Canadian GAAP has been to capitalize all exploration costs. Management planned to consider the option to capitalize exploration costs except for those exploration expenditures on properties prior to the establishment of a positive economic analysis. Under IFRS, those exploration expenditures are expensed in the period they are incurred.

The impact of such a change would be that greater amounts will be expensed. As this change must be applied on a retroactive basis, amounts previously capitalized under Canadian GAAP will be written off and charged to deficit as at January 1, 2010. This adjustment is expected to decrease shareholders' equity by $0.6 million.

(d) Cumulative Translation Differences

IFRS 1 allows that the cumulative translation differences for all foreign operations be deemed zero at the date of transition to IFRS, with future gains or losses on subsequent disposal of any foreign operations to exclude translation differences arising from periods prior to the date of transition to IFRS. The Company will make this election and deem all cumulative translation differences to be zero on transition to IFRS as at January 1, 2010 and absorbed the previously accumulated cumulative translation balance of $2.7 millions into retained earnings.

B. <u>Future Changes in Significant Accounting Policies</u>

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt these standards when they become effective.

(a) IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 was issued in October 2010. This standard is the first step in the process to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classifying and measuring assets and liabilities, which may affect the Company's accounting for its financial assets. The standard is not applicable until January 1, 2013 but is available for early adoption. The Company is currently evaluating the impact of adoption of this new standard on its condensed financial statements.

(b) IFRS 7 Financial Instruments: Disclosure

IFRS 7 was issued in October 2010. This standard introduces amendments to enhance the disclosure requirements for transfers of financial assets that result in derecognition. The standard is not applicable until July 1, 2011. The Company is currently evaluating the impact of adoption of this new standard on its condensed financial statements.

(c) IAS 12 Income Taxes

IAS 12 was issued in December 2010. This standard introduces amendments regarding Deferred Tax and provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. The standard is not applicable until July 1, 2012. The Company is currently evaluating the impact of adoption of this new standard on its condensed financial statements.

(d) IFRS 10 Consolidated Financial Statements

This standard replaces the current IAS 27 Consolidated and Separate Financial Statements. The standard identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The Company will start the application of IFRS 10 in the financial statements effective from January 1, 2013. The Company does not expect any impact to the financial statements as a result of adopting this Standard.

(Expressed in United States Dollars)

(e) IFRS 12 Disclosure of Interests in Other Entities

This standard requires disclosures relating to an entity's interests in subsidiaries. The Company will start the application of IFRS 12 in the financial statements effective from January 1, 2013. The Company does not expect any impact to the financial statements as a result of adopting this Standard.

(f) IFRS 13 Fair Value Measurements

This standard defines fair value, provides guidance on its determination and introduces consistent requirements for disclosures on fair value measurements. The Company will start the application of IFRS 13 in the financial statements effective from January 1, 2013. The Company shall evaluate its impact on the financial statements.

(g) Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendment provides guidance on the presentation of items contained in other comprehensive income ("OCI") and their classification within OCI. The Company will start the application of this amendment in the financial statements effective from January 1, 2013. The Company does not expect any impact to the financial statements as a result of adopting this Standard.

7. Selected Quarterly Information

For the quarter ended	**June 30, 2011**	March 31, 2011	December 31, 2010	September 30, 2010
	$	$	$	$
Revenue	**-**	-	-	-
Net losses	**(908,115)**	(764,129)	(1,390,544)	(815,922)
Basic losses per share	**(0.014)**	(0.012)	(0.021)	(0.012)
Diluted losses per share	**(0.014)**	(0.012)	(0.021)	(0.012)
Cash and cash equivalents and time deposit	**39,808,289**	25,017,462	37,442,778	46,085,867
Total assets	**113,677,185**	117,196,502	119,127,939	122,051,423

For the quarter ended	June 30, 2010	March 31, 2010	December 31, 2009	September 30, 2009
	$	$	$	$
Revenue	-	-	-	-
Net losses	(148,547)	(1,221,516)	(7,378,103)	(790,924)
Basic losses per share	(0.002)	(0.018)	(0.107)	(0.012)
Diluted losses per share	(0.002)	(0.018)	(0.107)	(0.011)
Cash and cash equivalents and time deposit	47,497,967	52,941,866	78,350,405	75,676,346
Total assets	87,880,171	89,080,867	90,403,943	89,599,209

**2009 quarterly financial information was prepared in accordance with Canadian GAAP. Net earnings and earnings per share prepared in accordance with Canadian GAAP for 2009 would not be significantly different from those would have been reported under IFRS.*

(Expressed in United States Dollars)

8. Results of Operations

(a) Revenues

No revenue (Q2 2010: $Nil) from operations has been recorded in this quarter.

Other revenue and gains in this quarter were $232,311 (Q2 2010: $65,080) including $173,013 (Q2 2010: $64,642) interest income and $59,298 (Q2 2010: $Nil) rental income from the office building in Xinjiang.

(b) Other expenses

General and administrative expenses incurred in this quarter were $1,060,210 (Q2 2010: $748,752). The increase in expenses in this quarter mainly represent the compensation payment for the casualty reported at the site of the Gold Project and the increased construction work and expenses incurred for the Gold Project. Other expenses mainly include office rental, staff cost and legal and professional fees.

The amortized portion of the total stock based compensation in Q2 2011 amounted to $52,459 (Q2 2010: $45,002).

(c) Losses per share

The basic and diluted losses per share for this quarter were $0.014 (Q2 2010: $0.002).

(d) LBITDA

In this quarter, the losses before interest income and expense, income taxes, stock based compensation, depreciation and amortization ("LBITDA"), a non-IFRS performance measure, were $939,657 as compared to $111,320 in Q2 2010. The following table presents the calculation of LBITDA for the period indicated:

For the three months ended	**June 30, 2011**	June 30, 2010
	$	$
Net losses	**(908,115)**	(148,547)
Interest income	**(173,013)**	(64,642)
Amortization in general and administration expenses	**89,012**	56,867
Stock based compensation	**52,459**	45,002
LBITDA [(1)]	**(939,657)**	(111,320)
LBITDA per share [(2)]	**(0.015)**	(0.002)

(1) *As non-IFRS measurements, LBITDA and LBITDA per share do not comply with IFRS 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 IFRS.*
(2) *Based on weighted average number of shares outstanding, a non-IFRS measure*

(e) Annual dividend

On April 19, 2011, the Company declared an annual dividend of $0.01(CAD0.01) per share for 2010 in accordance with the Company's dividend policy. The dividend was paid on May 25, 2011 to shareholders of record on May 12, 2011.

(Expressed in United States Dollars)

9. Liquidity and Capital Resources

The following table summarizes the Company's condensed cash flows and cash on hand for the quarter ended June 30, 2011:

As at	**June 30, 2011**	December 31, 2010
	$	$
Cash and cash equivalents and time deposit	**39,808,289**	37,442,778
Working capital (1)	**46,443,411**	51,090,805

For the three months ended	**June 30, 2011**	June 30, 2010
	$	$
Net Cash used in operating activities	**(1,412,530)**	(378,968)
Net Cash used in financing activities	**(1,657,003)**	(365,605)
Net Cash from investing activities	**17,860,360**	192,033

For the six months ended	**June 30, 2011**	June 30, 2010
	$	$
Net Cash used in operating activities	**(2,298,360)**	(1,180,610)
Net Cash used in financing activities	**(2,429,332)**	(16,916,381)
Net Cash from/(used in) investing activities	**7,094,763**	(7,350,917)

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

(a) Operating activities

In this quarter, net cash used in operating activities was $1,412,530 (Q2 2010: $378,968), mainly representing the deposit paid and settlement of other payables of the Gold Project where there is no such payment in the same period last year.

(b) Financing activities

Financing activities used cash flow of $1,657,003 in this quarter (Q2 2010: $365,605) which represents the payment for share buy-back of $1,657,003 (Q2 2010: $365,605).

(c) Investing activities

The cash inflow from investing activities was $17,860,360 in this quarter compared to a net cash inflow of $192,033 in Q2 2010. The cash inflow in the current period mainly represents the repayment from China Precision of $18,683,092, while the cash inflow from financing activities in the second quarter of 2010 was mainly attributable from the maturity of a $5,000,000 time deposit in May 2010 netting off the advance to China Precision for its silver operation of $3,652,562.

10. Statement of Financial Position

(a) Cash

The Company had $39.8 million in cash and cash equivalents and time deposit as at June 30, 2011 compared to $37.4 million as at December 31, 2010. The increase of $2.4 million was mainly the cash inflow of $9.5 million from the release of silver bullion to China Precision, net of the cash outflow for the silver operation of $1.6 million, share buy-back of $2.4 million, payment of dividend of $0.6 million and office expenses of $2.2 million.

(b) <u>Deferred gain on disposal of equity investments & other payables and accrued liabilities</u>

Pursuant to the share transfer agreement dated July 14, 2010 and supplemental agreement dated December 30, 2010, a 80% equity interest in the Yanxi Copper Property was disposed to China Daye on July 22, 2010 for a total consideration of $33,333,333 (HKD259,000,000). Among the equity interest disposed, 32% was held by GobiMin and the remaining 48% was held by two local partners. After the disposal, the Company retains an 8% indirect unlisted equity interest. The Company has received the cash consideration of $7,722,007 (HKD60,000,000) and the first lot of convertible bonds of $14,157,014 (HKD110,000,000). The application for the mining license of the Yanxi Copper Property is in the process. After the mining license of the Yanxi Copper Property is granted, the Company shall receive the final lot of convertible bonds. Pursuant to the said agreements, should the mining license not be granted by August 31, 2011, the Company guarantees to refund to the buyer all the consideration received and in return, the buyer shall transfer the interest in Yanxi Copper Property back to the Company.

The deferred gain on disposal of the 32% equity interest in the Yanxi Copper Property of $5.7 million represents the cash received of $7.7 million, convertible bonds received of $14.2 million (which was classified as other financial assets), convertible bonds receivable of $11.5 million (which was classified under prepayment, deposits and other receivables), netting off the share of assets as at June 21, 2010 of $0.9 million and other payables and accrued liabilities for mining license fee, tax, stamp duty and related payments of $26.8 million.

(c) <u>Other Financial Assets</u>

Part of these financial assets represents the convertible bonds of $14.2 million (HKD110,000,000) issued by China Daye as partial consideration for the disposal of the equity interest in the Yanxi Copper Property as mentioned in note 3(d)(ii). The convertible bonds are stated at $15,721,494 (HKD122,156,012) as at year ended December 31, 2010 based on their fair value as determined by an independent professional valuator. The directors estimate that there is no significant change in the fair value of the convertible bonds as at June 30, 2011.

The remaining balance of $0.8 million represents the held-to-maturity listed debenture held by the Company as at June 30, 2011.

(d) <u>Other Payables and Accrued Liabilities</u>

As at June 30, 2011, the balance of other payables and accrued liabilities are mainly composed of the payables for the mining license fee, tax, stamp duty and related payments of $26.8 million arising on the disposal of the Yanxi Copper Property.

(e) <u>Share Capital</u>

As at June 30, 2011, the Company had 62,912,337 common shares issued and outstanding. During this quarter, 2,053,000 common shares were bought back and cancelled.

11. Related Party Transactions

During the six months ended June 30, 2011, the Company entered into the following transactions with related parties:

a) Stock-based compensation expenses of $68,497 (six months ended June 30, 2010: $52,187) in respect of options previously granted to directors and key management personnel.
b) Director fee and payroll to director and key management personnel of $248,641 (six months ended June 30, 2010: $225,658).
c) Rental income of $27,313 (six months ended June 30, 2010: $15,932) from the office building in Xinjiang received from related parties.

As at June 30, 2011, advance made by the Company to related parties were disclosed as amount due from investee companies and amount due to related parties in notes 8 & 9 in the financial statement as follows:

d) The current portion of amount due from an investee company of $5,243,493 represents an advance to China Precision in which the Company has an equity interest of 49%. Such amount is unsecured, bear interest at the rate of 2% per annum and without fixed repayment terms. During the quarter, the Company received $18,683,092 repayment from China Precision.

e) The non-current portion of the amount due from an investee company is the shareholder loan of $1,981,691 (RMB13,060,000) advanced to Faithful Million Limited, in which Gobimin owns an indirect equity interest of 49%. The loan was arranged to finance the development of the Balikun Coal Project in Xinjiang. The amount remained unchanged since December 31, 2010.

f) The current portion of the amount due from a related party represented the interest bearing loan totalling $15,173,745 (RMB100,000,000) to a minority shareholder of the Company's investee companies, Xinjiang Ruide and Balikun Yinxin Minerals Investments Limited. The loan is secured against a pledge of the equity interests of a mining company which owns a nickel-copper project in Hami, Xinjiang. The amount remained unchanged since December 31, 2010.

g) The non-current portion of the amount due from related parties included:
- $401,012 receivable from a company of which 8% equity interest was owned by the Company. The amount was incurred for Chinese exploration services on its exploration projects and remained unchanged since December 31, 2010.
- $1,210,464 receivable from minority shareholders of the Company's subsidiary, Tongyuan. The amount was incurred for Chinese exploration services on its exploration projects and was increased from $1,172,993 as of December 31, 2010.
- $319,559 deposit paid to minority shareholders of the Company's subsidiary, Tongyuan. The amount remained unchanged since December 31, 2010.

These transactions with related parties were measured at the exchange amount, which is the amount of consideration established and agreed by the parties. Except for item (d) and (f), the balances with related parties are unsecured, non-interest bearing and without fixed repayment term.

12. Contractual obligations and commitment

As at June 30, 2011, there are capital commitments of approximately $1,924,906 (December 31, 2010: $1,284,997) that the Group had contracted, but not provided for. The commitments are mainly for acquisition of the exploration assets.

In 2009, the wholly owned subsidiary of GobiMin, Xinjiang Weifu Mining Limited, together with Baodi and Brigade No. 2 formed a joint venture company, Tongyuan, for the development of the Sawayaerdun Gold Project in Xinjiang, China. GobiMin agreed to invest $7,328,844 (RMB50,000,000) in cash to Tongyuan for its 70% equity interest. The consideration for acquiring the exploration and mining license of the Sawayaerdun Gold

(Expressed in United States Dollars)

Property is $6,669,247 (RMB45,500,000) and Tongyuan has paid a deposit of $6,069,498 (RMB40,000,000) as at December 31, 2010. The remaining commitment of $834,556 (RMB5,500,000) will be paid based on the progress on the transfer of the exploration and mining licenses to Tongyuan.

On April 7, 2010, Tongyuan entered into an agreement for exploration services relating to the Sawayaerdun Gold Project. The contracted amount is $674,254 (RMB4,600,000) and Tongyuan has paid a deposit of $319,559 (RMB2,106,000) as at December 31, 2010. The remaining commitment is $378,433 (RMB2,494,000).

As at June 30, 2011, the Company has approximately $711,917 (December 31, 2010: $72,008) remaining commitment in the operating lease of its Hong Kong, China and Canada offices.

13. Off-balance sheet arrangements

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

14. Proposed Transaction

Yanxi Copper Property

After the disposal of a 32% equity interest in the Yanxi Copper Property to China Daye in July 2010, GobiMin owns a remaining 8% indirect unlisted equity interest in the Property. In December, 2010, the Company has entered into a supplemental agreement with the buyer to extend the deadline for obtaining the mining license from December 31, 2010 to August 31, 2011.

According to the supplemental agreement, the consideration for disposal of the 80% indirect equity interest in Tongxing to be received upon obtaining the Yanxi Mining Licence is reduced by HKD21,000,000 to HKD259,000,000. The amount of HKD21,000,000 will be deducted from the Non-delivered CB. In addition to applying for Yanxi Mining Licence, the Company will also be responsible for applying for a mining licence (the "New Mining Licence") for an area which is adjacent to the Property (the "New Area"). The New Mining Licence should be obtained on or before June 30, 2014. The Company will be entitled to the Non-delivered CB and an additional consideration in cash based on the resource estimate of the New Area, in total with a cap of HKD106,000,000, of which 50% will be paid upon the Company providing the resources estimate report and the remaining 50% will be used to settle the licensing fee of the New Area with the balance paid to the Company upon obtaining the New Mining Licence. The final and total consideration for the 80% indirect equity interest in Tongxing will accordingly be capped to HKD365,000,000. Based on the reduced consideration of $33.4 million (HKD259,000,000), the Company shall have an estimated deferred gain of $5.7 million for the disposal of its 32% equity interest in Tongxing, netting off the amount payable for the mining license fee, tax, stamp duty and related payments of $26.8 million.

15. Outstanding Share Data

The following table provides information concerning the Company's share capital and convertible securities:

	December 31, 2010	**June 30, 2011**	**August 15, 2011**
Number of Common Shares Outstanding	65,890,837	**62,912,337**	62,797,337
Options	2,519,400	**2,366,000**	2,366,000
Total Number of Common Shares Fully Diluted	68,410,237	**65,278,337**	65,163,337

16. 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 metals. 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.

The Company may apply its free cash balances to metal trading operations. These transactions are by their very nature speculative and could result in GobiMin suffering financial losses.

(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. 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 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 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 mining properties has inherent risks. The Company may not have sufficient technical or financial resources to complete the projects. Costs over-runs are common in mining projects and may pose a risk for the Company.

(d) <u>Uncertainty of ore reserve and resource estimates</u>

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 are 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) <u>Capital requirements</u>

The Company does have limited financial resources. Although the Company believes it will be able to fund the development of its mineral properties through 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) <u>Risks relating to conducting business in China</u>

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) <u>Dependence on Key Managerial Employees</u>

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 having 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.