GobiMin Inc.

Incorporated in Canada under the Canada Business Corporations Act

Condensed Interim Financial Statements (Unaudited)

June 30, 2012
(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)
As at June 30, 2012
(Expressed in United States Dollars)

	June 30, 2012	December 31, 2011
	$	$
ASSETS		
Current		
Cash and cash equivalents (Note 5)	**58,792,230**	62,305,634
Prepayments, deposits and other receivables (Note 6)	**20,140,475**	19,341,000
Amounts due from associates (Note 7)	**4,371,462**	5,511,765
Total current assets	**83,304,167**	87,158,399
Non-current		
Property, plant and equipment (Note 10)	**1,592,501**	1,185,256
Investment properties (Note 11)	**2,505,416**	2,571,094
Exploration and evaluation assets (Note 12)	**11,635,525**	11,718,902
Interest in a jointly-controlled entity (Note 13)	**813,378**	857,696
Interests in associates (Note 14)	**1,960,041**	2,113,541
Other financial assets (Note 15)	**14,098,227**	14,106,188
Amounts due from related parties (Note 8)	**920,461**	920,461
Total non-current assets	**33,525,549**	33,473,138
Total assets	**116,829,716**	120,631,537
LIABILITIES		
Current		
Other payables, receipts in advance and accrued liabilities (Note 17)	**27,067,838**	28,250,606
Deferred gain on disposal of an associate (Note 16)	**5,682,689**	5,682,689
Total current liabilities	**32,750,527**	33,933,295
Non-Current		
Other payables, receipts in advance and accrued liabilities (Note 17)	**55,996**	82,842
Total non-current liabilities	**55,996**	82,842
Total liabilities	**32,806,523**	34,016,137
SHAREHOLDERS' EQUITY		
Share capital (Note 19)	**26,455,332**	27,461,311
Reserves	**55,928,827**	57,342,166
Equity attributable to shareholders of the Company	**82,384,159**	84,803,477
Non-controlling interests (Note 20)	**1,639,034**	1,811,923
Total shareholders' equity	**84,023,193**	86,615,400
Total liabilities and shareholders' equity	**116,829,716**	120,631,537

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

APPROVED BY THE BOARD ON AUGUST 23, 2012 AND SIGNED ON ITS BEHALF BY:

(Signed)
Felipe Tan
Director

(Signed)
Hubert Marleau
Director

GobiMin Inc.
Condensed Interim Statement of Comprehensive Income (Unaudited)
For the quarter ended June 30, 2012
(Expressed in United States Dollars)

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	**Six Months Ended June 30, 2012**	Six Months Ended June 30, 2011
	$	$	**$**	$
Revenue	-	-	-	-
Cost of sales	-	-	-	-
Depreciation	-	-	-	-
Selling and distribution cost	-	-	-	-
Gross profit	-	-	-	-
Other revenue and gains (Note 21)	**395,613**	232,311	**948,642**	376,796
General and administrative expenses	**(1,098,105)**	(1,063,847)	**(2,069,088)**	(1,842,687)
Share-based compensation	**(104,330)**	(52,459)	**(208,659)**	(108,695)
Share of results of a jointly-controlled entity (Note 13)	**5,417**	2,178	**4,259**	2,160
Share of results of associates (Note 14)	**(81,719)**	16,996	**183,589**	(43,158)
Operating loss	**(883,124)**	(864,821)	**(1,141,257)**	(1,615,584)
Exchange loss	**(23,310)**	(41,041)	**(40,148)**	(50,758)
Finance costs (Note 22)	**(2,498)**	(2,253)	**(5,962)**	(5,902)
Loss before income tax	**(908,932)**	(908,115)	**(1,187,367)**	(1,672,244)
Income tax	**-**	-	**-**	-
Loss for the period	**(908,932)**	(908,115)	**(1,187,367)**	(1,672,244)
Other comprehensive income, net of tax				
Foreign currency translation differences	**-**	-	**-**	539
Total comprehensive loss for the period	**(908,932)**	(908,115)	**(1,187,367)**	(1,671,705)
Loss for the period attributable to:				
Shareholders of the Company	**(825,473)**	(813,434)	**(1,014,478)**	(1,519,427)
Non-controlling interests (Note 20)	**(83,459)**	(94,681)	**(172,889)**	(152,817)
	(908,932)	(908,115)	**(1,187,367)**	(1,672,244)
Total comprehensive loss for the period attributable to:				
Shareholders of the Company	**(825,473)**	(813,434)	**(1,014,478)**	(1,518,888)
Non-controlling interests (Note 20)	**(83,459)**	(94,681)	**(172,889)**	(152,817)
	(908,932)	(908,115)	**(1,187,367)**	(1,671,705)
Net losses per share (Note 19(g))				
Basic	**(0.013)**	(0.013)	**(0.016)**	(0.024)
Diluted	**(0.013)**	(0.013)	**(0.016)**	(0.024)
Weighted average number of shares outstanding (Note 19(g))				
Basic	**61,577,164**	63,568,386	**62,018,576**	64,580,047
Diluted	**61,588,929**	63,568,386	**62,034,069**	64,580,047

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, 2012
(Expressed in United States Dollars)

	Attributed to shareholders of the Company							
	Share capital Note 19(a)	**Contributed surplus**	**Share option reserve**	**General reserve** Note 19(c)	**Translation reserve** Note 19(d)	**Retained earnings**	**Non-controlling interests** Note 20	**Total equity**
	$	$	$	$	$	$	$	$
Balance as at January 1, 2011	**28,874,192**	**2,596,106**	**1,148,611**	**7,666**	**1,561,563**	**48,952,863**	**2,074,543**	**85,215,544**
Loss for the period	-	-	-	-	-	(1,519,427)	(152,817)	(1,672,244)
Foreign currency translation differences	-	-	-	-	(14)	-	-	(14)
Total comprehensive loss	-	-	-	-	(14)	(1,519,427)	(152,817)	(1,672,258)
Dividend paid (Note 23)	-	-	-	-	-	(641,006)	-	(641,006)
Shares repurchased	(2,428,778)	-	-	-	-	-	-	(2,428,778)
Options cancelled	-	-	(148,499)	-	-	148,499	-	-
Share-based compensation	-	-	108,695	-	-	-	-	108,695
Balance as at June 30, 2011	**26,445,414**	**2,596,106**	**1,108,807**	**7,666**	**1,561,549**	**46,940,929**	**1,921,726**	**80,582,197**
Balance as at January 1, 2012	**27,461,311**	**2,468,142**	**701,260**	**7,666**	**3,395,392**	**50,769,706**	**1,811,923**	**86,615,400**
Loss for the period	-	-	-	-	-	**(1,014,478)**	**(172,889)**	**(1,187,367)**
Foreign currency translation differences	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	-	**(1,014,478)**	**(172,889)**	**(1,187,367)**
Dividend paid (Note 23)	-	-	-	-	-	**(607,520)**	-	**(607,520)**
Shares repurchased	**(1,005,979)**	-	-	-	-	-	-	**(1,005,979)**
Options cancelled	-	-	**(4,999)**	-	-	**4,999**	-	-
Share-based compensation	-	-	**208,659**	-	-	-	-	**208,659**
Balance as at June 30, 2012	**26,455,332**	**2,468,142**	**904,920**	**7,666**	**3,395,392**	**49,152,707**	**1,639,034**	**84,023,193**

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, 2012
(Expressed in United States Dollars)

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	**Six Months Ended June 30, 2012**	Six Months Ended June 30, 2011
	$	$	**$**	$
Operating activities				
Loss for the period	**(908,932)**	(908,115)	**(1,187,367)**	(1,672,244)
Adjustments for items not involving cash:				
- Depreciation	**109,903**	89,012	**210,661**	179,749
- Share-based compensation	**104,330**	52,459	**208,659**	108,695
- Share of results of a jointly-controlled entity	**(5,417)**	(2,178)	**(4,259)**	(2,160)
- Share of results of associates	**81,719**	(16,996)	**(183,589)**	43,158
- Interest income	**(336,477)**	(173,013)	**(570,424)**	(257,990)
- Interest expense	**1,307**	329	**2,779**	3,793
- Exchange difference	**23,310**	362,537	**40,148**	565,795
- Gain on disposal of property, plant and equipment	**-**	-	**(275,033)**	-
	(930,257)	(595,965)	**(1,758,425)**	(1,031,204)
Change in non-cash working capital items:				
- Silver bullion	**-**	-	**-**	9,549,402
- Prepayments, deposits and other receivables	**(1,237,008)**	(604,284)	**(831,664)**	(667,028)
- Amounts due from associates	**10,181,554**	18,683,092	**1,140,303**	(1,612,223)
- Amounts due from related parties	**-**	(19,312)	**-**	(37,471)
- Other payables, receipts in advance and accrued liabilities	**(126,621)**	(359,574)	**(1,183,441)**	(805,347)
Net cash from/(used in) operating activities	**7,887,668**	17,103,957	**(2,633,227)**	5,396,129
Financing activities				
Interest paid	**(1,307)**	(329)	**(2,779)**	(3,793)
Shares repurchased	**(682,324)**	(1,657,003)	**(1,005,979)**	(2,428,779)
Repayment of obligations under finance lease	**(11,010)**	(6,079)	**(26,173)**	(12,060)
Dividend paid	**(607,520)**	(641,006)	**(607,520)**	(641,006)
Net cash used in financing activities	**(1,302,161)**	(2,304,417)	**(1,642,451)**	(3,085,638)
Investing activities				
Interest received	**336,477**	173,013	**570,424**	257,990
Dividend received	**259,541**	-	**385,667**	-
Additions of property, plant and equipment	**(4,347)**	(181,726)	**(620,639)**	(201,410)
Additions of exploration and evaluation assets	**(16,357)**	-	**(21,176)**	-
Proceeds from disposal of property, plant and equipment	**-**	-	**447,998**	-
Net cash from/(used in) investing activities	**575,314**	(8,713)	**762,274**	56,580
Increase/(Decrease) in cash and cash equivalents	**7,160,821**	14,790,827	**(3,513,404)**	2,367,071
Effect of foreign exchange rate changes on cash and cash equivalents	**-**	-	**-**	(1,560)
Cash and cash equivalents at beginning of period	**51,631,409**	25,017,462	**62,305,634**	37,442,778
Cash and cash equivalents at end of period	**58,792,230**	39,808,289	**58,792,230**	39,808,289

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

(Expressed in United States Dollars)

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

These condensed Interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), with disclosure and accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed interim financial statements are consistent with the policies disclosed in Notes 2 and 3 of the consolidated financial statements for the year ended December 31, 2011, except for the change referred to in Note 4 below. Accounting principles for interim consolidated financial statements do not conform in all respects to the disclosures required for annual consolidated financial statements and, accordingly, these condensed interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2011. In the opinion of management, all adjustments considered necessary for the fair presentation of results for the periods presented have been reflected in these unaudited interim financial statements. These adjustments consist only of normal recurring adjustments. Operating results for these interim periods are not necessarily indicative of the results that may be expected for the full financial year ending December 31, 2012.

4. FUTURE CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

At the date of authorisation of these condensed interim financial statements, the following standards and interpretations, potentially relevant to the Group's financial statements, were issued but not yet effective and have not been early adopted by the Group.

Conceptual Framework for Financial Reporting	**Issue Date**	**Effective Date**
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 & Updated on November 2011	Annual periods beginning on or after January 1, 2015
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

(Expressed in United States Dollars)

Conceptual Framework for Financial Reporting	**Issue Date**	**Effective Date**
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
IAS 28 - Investments in Associates and Joint Ventures: This standard describes the application of the equity method to investments. The amendment includes the application of equity method in joint ventures in addition to associates.	May 2011	Annual periods beginning on or after January 1, 2013
IFRS 11 - Joint Arrangements: This standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly-controlled entities.	September 2011	Annual periods beginning on or after January 1, 2013
IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine establishes when the costs incurred to remove mine waste materials to gain access to mineral ore deposits during the production phase of a surface mine should lead to the recognition of an asset and how that asset should be measured.	November 2011	Annual periods beginning on or after January 1, 2013

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents held in different locations:

Bank location	**Denominated Currency**	**June 30, 2012**	**December 31, 2011**
		$	$
Canada	CAD	**505,919**	87,226
Hong Kong	HKD	**25,683,024**	27,709,519
China	RMB	**32,603,287**	34,508,889
Total		**58,792,230**	62,305,634

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 authorised to conduct foreign exchange business.

The fair market values of cash and cash equivalents approximate their carrying values at the respective reporting date.

6. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

As at June 30, 2012, other than the prepayment of expenses, deposits for exploration or construction services and rental deposit, the balance of prepayments, deposits and other receivables were mainly contributed by the following:

(a) A deposit of $6,352,638 (RMB40,000,000) (December 31, 2011: $6,352,638) has been paid by Xinjiang Tongyuan Minerals Ltd. ("Tongyuan") as deposit for obtaining the exploration and mining licences of Sawayaerdun Gold Property (see also Note 18(a)(i) and Note 28(b)). .

(b) Pursuant to the share transfer agreement dated July 14, 2010 and the related supplemental agreements, the Group disposed of 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 remaining balance of the consideration in the form of convertible bonds of $11,454,311 (HKD89,000,000) (December 31, 2011: $11,454,311) receivable upon the successful granting of the mining licence for the Yanxi Copper Property are classified as other receivables. In August 2012, the mining licence for the Yanxi Copper Property was obtained and the Group received such remaining balance of consideration (see also Note 16 and Note 28 (c)).

(c) A deposit of $1,143,475 (RMB7,200,000) (December 31, 2011: $Nil) has been paid by Tongyuan for construction work of the office building of Sawayaerdun Gold Property (see Note 18(a)(iv)).

7. AMOUNTS DUE FROM ASSOCIATES

As at June 30, 2012, all the amounts due from associates are the advance to China Precision Material Limited ("China Precision"), in which the Group has an indirect equity interest of 48.02%. Such advance is unsecured, bears interest rate at 2% per annum and has no fixed repayment terms.

As at December 31, 2011, the amounts due from associates are $5,511,765, of which $5,157,729 is the advance made to China Precision. Such advance is unsecured, bears interest rate at 2% per annum and has no fixed repayment terms. The remaining balance of $354,036 represented the interest payable by China Precision and the current account with CPM Silver Limited which are unsecured, interest-free and with no fixed repayment terms. The Group has an indirect equity interest of 48.02% in CPM Silver Limited.

8. AMOUNTS DUE FROM RELATED PARTIES

(a) Amounts due from related parties of $419,719 (December 31, 2011: $419,719) pertain to receivables from Xinjiang Tongxing Minerals Ltd. ("Tongxing") for Chinese exploration services on its exploration projects.

(b) Tongyuan has paid a deposit of $500,742 (December 31, 2011: $500,742) to its non-controlling shareholder for exploration services to the Sawayaerdun Gold Project.

The balances with related parties were unsecured, interest-free and without fixed repayment term.

(Expressed in United States Dollars)

9. RELATED PARTY TRANSACTIONS

(a) Key management compensation

The remuneration of key management and directors is as follows:

For the six months ended	June 30, 2012	June 30, 2011
	$	$
Fees and other emoluments	**262,796**	248,641
Share-based compensation	**187,483**	74,382
	450,279	323,023

(b) Related party transactions

In addition to the transactions detailed elsewhere in these financial statements, the Group entered into the following transactions with related companies:

For the six months ended		June 30, 2012	June 30, 2011
		$	$
Related party relationship	**Type of transactions**		
Company controlled by a director	Rental income	**12,705**	12,705
An associate	Loan interest income	**122,732**	171,214
Associates and a jointly-controlled entity	Dividend income	**385,667**	-

(c) Advances to other related parties

Advances made by the Group to related parties were disclosed as amounts due from associates and related parties in Notes 7 and 8 respectively.

Other than the aforementioned, there were no other significant related party transactions requiring disclosure in the financial statements.

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land & building	Leasehold improvements	Furniture, fixture & equipment	Computer hardware & equipment	Motor vehicles	Total
	$	$	$	$	$	$
Cost:						
Balance at January 1, 2011	423,786	121,135	306,993	637	847,074	1,699,625
Exchange differences	23,135	-	13,496	29	29,140	65,800
Additions	4,007	-	53,288	-	150,972	208,267
Disposals	-	-	(872)	-	(184,014)	(184,886)
Balance at December 31, 2011	**450,928**	**121,135**	**372,905**	**666**	**843,172**	**1,788,806**
Reclassification from exploration and evaluation assets	104,553	-	-	-	-	104,553
Additions	-	-	4,347	-	616,292	620,639

(Expressed in United States Dollars)

	Leasehold land & building	Leasehold improvements	Furniture, fixture & equipment	Computer hardware & equipment	Motor vehicles	Total
	$	$	$	$	$	$
Disposals	-	-	-	-	(373,322)	(373,322)
Balance at June 30, 2012	**555,481**	**121,135**	**377,252**	**666**	**1,086,142**	**2,140,676**
Depreciation and impairment losses:						
Balance at January 1, 2011	10,319	104,311	43,484	127	388,748	546,989
Exchange differences	482	-	1,253	6	9,720	11,461
Depreciation for the year	24,383	16,824	47,533	133	138,896	227,769
Disposals	-	-	(215)	-	(182,454)	(182,669)
Balance at December 31, 2011	**35,184**	**121,135**	**92,055**	**266**	**354,910**	**603,550**
Depreciation for the period	16,422	-	26,133	55	102,373	144,983
Disposals	-	-	-	-	(200,358)	(200,358)
Balance at June 30, 2012	**51,606**	**121,135**	**118,188**	**321**	**256,925**	**548,175**
Net book value:						
At January 1, 2011	**413,467**	**16,824**	**263,509**	**510**	**458,326**	**1,152,636**
At December 31, 2011	**415,744**	**-**	**280,850**	**400**	**488,262**	**1,185,256**
At June 30, 2012	**503,875**	**-**	**259,064**	**345**	**829,217**	**1,592,501**

At June 30, 2012, the net carrying amount of property, plant and equipment of the Group includes motor vehicles of $138,471 (December 31, 2011: $164,674) held under finance leases. None of the leases includes contingent rentals. During the quarter ended June 30, 2012, no additions to motor vehicles of the Group were financed by new finance leases (December 31, 2011: $140,026).

11. INVESTMENT PROPERTIES

Cost:	$
Balance at January 1, 2011	2,593,585
Exchange differences	144,305
Additions	27,756
Balance at December 31, 2011 and June 30, 2012	**2,765,646**
Depreciation and impairment losses:	
Balance at January 1, 2011	61,593
Exchange differences	2,872
Depreciation for the year	130,087
Balance at December 31, 2011	**194,552**
Depreciation for the period	65,678
Balance at June 30, 2012	**260,230**

(Expressed in United States Dollars)

Net book value:	
At January 1, 2011	**2,531,992**
At December 31, 2011	**2,571,094**
At June 30, 2012	**2,505,416**

Investment properties comprised commercial properties in China that are leased to third parties and related parties (Note 9(b)). Investment properties are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Investment properties are depreciated on a straight-line basis over 20 years. The Group's investment properties are located in China and are under a remaining lease term of 39 years.

The estimated fair value of the Group's investment properties at June 30, 2012 was approximately $4,269,019 (December 31, 2011: $4,269,019). The estimated fair value has been arrived at based on management assessment by reference to recent market prices for similar properties in the same locations and conditions.

12. EXPLORATION AND EVALUATION ASSETS

	Mining rights Note (a)	**Others** Note (b)	**Total**
Cost:	$	$	$
Balance at January 1, 2011	1,037,717	1,138,031	2,175,748
Exchange differences	48,409	53,078	101,487
Additions	-	9,441,667	9,441,667
Balance at December 31, 2011	**1,086,126**	**10,632,776**	**11,718,902**
Additions	-	21,176	21,176
Reclassification to property, plant and equipment	-	(104,553)	(104,553)
Balance at June 30, 2012	**1,086,126**	**10,549,399**	**11,635,525**
Depreciation and impairment losses:			
Balance at January 1, 2011, December 31, 2011 and June 30, 2012	**-**	**-**	**-**
Net carrying amount:			
At January 1, 2011	**1,037,717**	**1,138,031**	**2,175,748**
At December 31, 2011	**1,086,126**	**10,632,776**	**11,718,902**
At June 30, 2012	**1,086,126**	**10,549,399**	**11,635,525**

Note:

(a) Represents the mining rights of Sawayaerdun Gold Project which is located 200 km northwest of the city of Kashi, western Xinjiang, China. The mining licence was granted for an initial period of 8 years. As at December 31, 2011, the remaining valid period of the mining licence was 7 years.

(b) Represents the geological and geophysical costs, mine site and facilities construction, drilling and exploration expenses for the Sawayaerdun Gold Project.

(Expressed in United States Dollars)

13. INTEREST IN A JOINTLY-CONTROLLED ENTITY

As at	**June 30, 2012**	December 31, 2011
	$	**$**
Share of net assets	**813,378**	857,696

The summarized financial information in respect of the Group's jointly-controlled entity is as follows:

As at	**June 30, 2012**	December 31, 2011
	$	$
Current assets	**1,607,253**	1,707,862
Non-current assets	**19,805**	19,984
Current liabilities	**(302)**	(12,454)
Non-current liabilities	**-**	-
Net assets	**1,626,756**	1,715,392

For the six months ended	**June 30, 2012**	June 30, 2011
	$	**$**
Income	**15,675**	7,166
Expenses	**(7,157)**	(2,297)
Profit before income tax	**8,518**	4,869
Income tax	**-**	(549)
Profit for the period	**8,518**	4,320
Group's share of results of a jointly-controlled entity for the period	**4,259**	2,160
Dividend received from a jointly-controlled entity for the period	**(48,577)**	-

Detail of the jointly-controlled entity as at June 30, 2012:

Company name	**Place of incorporation**	**Total issued and paid-up capital**	**Attributable interest held by the Company**	**Principal activities**
新疆興亞礦業有限公司 Xinjiang Xinya Minerals Ltd. [1]	Xinjiang, China	RMB10,000,000	50%	Exploration of lead and zinc

Note (1): unofficial English name translated from Chinese registered name of the company.

14. INTERESTS IN ASSOCIATES

As at	**June 30, 2012**	December 31, 2011
	$	**$**
Share of net assets	**1,960,041**	2,113,541

(Expressed in United States Dollars)

As at	**June 30, 2012**	December 31, 2011
	$	$
Total assets	**13,188,184**	23,199,655
Total liabilities	**(8,572,060)**	(18,180,303)
Net assets	**4,616,124**	5,019,352

For the six months ended	**June 30, 2012**	June 30, 2011
	$	**$**
Revenue	**63,155,910**	117,091,117
Profit/(loss) for the period	**386,833**	(91,070)
Group's share of results of associates for the period	**183,589**	(43,158)
Dividend received from associates for the period	**(337,089)**	-

Particulars of associates as at June 30, 2012:

Company name	**Place of incorporation**	**Total issued and paid-up capital**	**Attributable interest held by the Company**	**Principal activities**
China Precision Material Limited	Hong Kong, China	HKD10,000,000	48.02%	Trading of Silver
CPM Silver Limited	Hong Kong, China	HKD10,000	48.02%	Processing of Silver
United Bridge Limited	Hong Kong, China	HKD10,000	48.02%	Investment
新疆同安礦業有限公司 Xinjiang Tongan Minerals Ltd. [1]	Xinjiang, China	RMB5,000,000	40.00%	Exploration of gold and copper
新疆天宏礦業有限公司 Xinjiang Tianhong Minerals Ltd. [1]	Xinjiang, China	RMB10,000,000	40.00%	Exploration of nickel and copper
新疆同德礦業有限公司 Xinjiang Tongde Minerals Ltd. [1]	Xinjiang, China	RMB10,000,000	40.00%	Exploration of nickel and copper

Note (1): unofficial English name translated from Chinese registered name of the company.

15. OTHER FINANCIAL ASSETS

As at		**June 30, 2012**	December 31, 2011
		$	$
Convertible bonds	(a)	**13,068,740**	13,068,740
Held-to-maturity listed debentures	(b)	**829,420**	829,420
Available-for-sale financial asset	(c)	**200,067**	208,028
Total		**14,098,227**	14,106,188

(a) Convertible bonds

Represents the convertible bonds with principal amount 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 16. The convertible bonds are stated at $13,068,740 (December 31, 2011: $13,068,740) based on the fair value as determined by an independent professional valuator as at year end.

(b) Held-to-maturity listed debentures

Represents the held-to-maturity listed debentures held by the Group at quarter end and year end.

(c) Available-for-sale financial asset

The Group formerly owned a 40% indirect equity interest in Tongxing which is engaged in exploration and development of the Yanxi Copper Property. The Group 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 asset. 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 16).

For the six months ended June 30, 2012, the Group recorded an impairment loss for the available-for-sale financial asset of $7,962 (for the year ended December 31, 2011: $15,146), which was included in general and administrative expenses.

16. DEFERRED GAIN ON DISPOSAL OF AN ASSOCIATE

Pursuant to the share transfer agreement dated July 14, 2010 and the supplemental agreements dated December 30, 2010, August 30, 2011, January 30, 2012 and May 31, 2012, the Group disposed of its 32% equity interest in the Yanxi Copper Property on July 22, 2010 while retaining an 8% indirect unlisted equity interest. The Group received the cash consideration of $7,722,007 (HKD60,000,000) and the first lot of convertible bonds with principal amount of $14,157,014 (HKD110,000,000). After the mining licence of the Yanxi Copper Property is granted, the Group shall receive the final lot of convertible bonds of $11,454,311 (HKD89,000,000). In June 2012, the Group and the buyer have agreed to extend the maturity date of the convertible bonds from July 22, 2012 to December 31, 2013.

The deferred gain on disposal of the 32% equity interest in the Yanxi Copper Property of approximately $5.7 million represents the cash received of $7.7 million, convertible bonds received of $14.2 million (see Note 15), convertible bonds receivable of $11.5 million (see Note 6 (b)), netted off against the share of net assets as at June 21, 2010 of $0.9 million and those payables and accrued liabilities of $26.8 million as set out in Note 17.

The mining licence has been obtained in August 2012 and the final lot of convertible bonds of $11,454,311 (HKD89,000,000) has been received from China Daye on August 8, 2012. Accordingly, the deferred gain on disposal will be recognized as gain on disposal of an associate which will be reflected in the interim results for the quarter ending September 30, 2012.

17. OTHER PAYABLES, RECEIPTS IN ADVANCE AND ACCRUED LIABILITIES

As at June 30, 2012, the balance of other payables, receipts in advance and accrued liabilities are mainly the payable for the mining licence fee, tax, stamp duty and related payments of $26.8 million arising on the disposal of the Yanxi Copper Property.

The Group's other payables, receipts in advance and accrued liabilities included obligation under finance leases of $101,564 (December 31, 2011: $127,737). Future lease payments are due as follows:

(Expressed in United States Dollars)

As at June 30, 2012	**Minimum lease payments**	**Interest**	**Present value**
	$	$	$
Within one year	**49,449**	**3,881**	**45,568**
In the second to fifth years inclusive	**57,690**	**1,694**	**55,996**
Total	**107,139**	**5,575**	**101,564**

As at December 31, 2011	**Minimum lease payments**	**Interest**	**Present value**
	$	$	$
Within one year	49,555	4,660	44,895
In the second to fifth years inclusive	86,535	3,693	82,842
Total	136,090	8,353	127,737

As at	**June 30, 2012**	December 31, 2011
	$	$
Current liabilities	**45,568**	44,895
Non-current liabilities	**55,996**	82,842
Total present value of future lease payments	**101,564**	127,737

18. COMMITMENTS

(a) Capital commitments

As at June 30, 2012, there are capital commitments of approximately $5,061,124 (December 31, 2011: $2,119,721) that the Group had contracted, but not provided for.

(i) On September 10, 2009, Tongyuan, the 70% owned subsidiary of GobiMin, was formed for the development of the Sawayaerdun Gold Project in Xinjiang, China. The consideration for acquiring the exploration and mining licences of the Sawayaerdun Gold Property is $7,226,126 (RMB45,500,000) and Tongyuan has paid deposits of $6,352,638 (RMB40,000,000) as at June 30, 2012. The remaining balance of $873,488 (RMB5,500,000) is regarded as a commitment of the Group as at June 30, 2012 subject to the progress on transfer of the exploration and mining licences to Tongyuan. Such balance was subsequently paid in August 2012 after Tongyuan has obtained the exploration and mining licences of the Sawayaerdun Gold Project.

(ii) On April 7, 2010, Tongyuan entered into an agreement for exploration services relating to the Sawayaerdun Gold Project. The contracted amount is $730,553 (RMB4,600,000) and Tongyuan has paid a deposit of $500,742 (RMB3,152,970) as at June 30, 2012. The remaining commitment is $229,811 (RMB1,447,030).

(iii) On October 31, 2011, Tongyuan entered into an agreement for the mine design and related facilities of the Sawayaerdun Gold Project. The contracted amount is $1,270,528 (RMB8,000,000) and Tongyuan has paid a deposit of $571,737 (RMB3,600,000) as at June 30, 2012. The remaining commitment is $698,791 (RMB4,400,000).

(iv) On April 18, 2012, Tongyuan entered into an agreement for the construction work of an office building of the Sawayaerdun Gold Project. The contracted amount is $4,402,509 (RMB27,720,822) and Tongyuan has paid a deposit of $1,143,475 (RMB7,200,000) as at June 30, 2012. The remaining commitment is $3,259,034 (RMB20,520,822).

(Expressed in United States Dollars)

(b) Operating lease commitments

(i) The Group as lessor

The Group has entered into commercial property leases on its investment properties, with leases negotiated for terms ranging from one to five years.

At the end of reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

As at	June 30, 2012	December 31, 2011
	$	$
Within one year	106,857	67,177
In the second to fifth years inclusive	238,467	240,164
Total future minimum lease receivables	**345,324**	307,341

(ii) The Group as lessee

The Group has entered into commercial property leases on certain office premises, with leases negotiated for terms of three to nine years.

At the end of reporting period, the Group had total future minimum lease payables under non-cancellable operating leases with its landlords falling due as follows:

As at	June 30, 2012	December 31, 2011
	$	$
Within one year	240,940	239,132
In the second to fifth years inclusive	213,535	346,458
After five years	13,150	9,720
Total future minimum lease payables	**467,625**	595,310

19. SHARE CAPITAL AND STOCK OPTIONS

(a) Common Shares

	Number	Amount
Authorised:		$
Unlimited number of common shares		
Issued and outstanding:		
Balance, January 1, 2011	65,890,837	28,874,192
Shares repurchased and cancelled	(3,294,541)	(1,412,881)
Balance, December 31, 2011	62,596,296	27,461,311
Shares repurchased and cancelled	**(1,409,000)**	**(1,005,979)**
Balance, June 30, 2012	**61,187,296**	**26,455,332**

(Expressed in United States Dollars)

(b) Preferred Shares

The Company did not issue or authorise any preferred shares.

(c) General Reserve

There was no movement in reserves for the six months ended June 30, 2012.

(d) Translation Reserve

Translation reserve represents net unrealised exchange gain on translation of foreign operations.

(e) Normal Course Issuer Bid

On January 20, 2012, GobiMin renewed its normal course issuer bid to repurchase on the TSX Venture Exchange up to an additional 3,129,814 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, 2013. During the six months ended June 30, 2012, a total of 1,409,000 common shares were repurchased at an aggregate cost of $1,005,979 (CAD1,023,097). All shares repurchased are returned to treasury for cancellation.

(f) 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 (December 31, 2011: 6,700,000) common shares were reserved for issuance pursuant to the exercise of options to be granted under the plan.

(I) Status of the outstanding employee stock options and changes during the period:

	Six months ended June 30, 2012		Six months ended June 30, 2011	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
		$		$
Outstanding, beginning of period	**3,159,000**	**0.87**	2,519,400	1.14
Forfeited	**(15,800)**	**0.68**	(153,400)	1.64
Outstanding, end of period	**3,143,200**	**0.87**	2,366,000	1.10

(Expressed in United States Dollars)

(II) Summary of the employee stock options outstanding and exercisable as at June 30, 2012:

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	0.09	3.61	196,000	0.09	3.61
1.10	1.06	96,400	1.17	1.06	77,600	1.17	1.06
0.79	0.76	1,000,000	1.00	0.76	600,000	1.00	0.76
0.79	0.76	290,600	3.00	0.76	117,200	3.00	0.76
0.60	0.60	1,300,000	2.50	0.60	390,000	2.50	0.60
0.60	0.60	100,000	0.50	0.60	100,000	0.50	0.60
0.60	0.60	160,200	4.50	0.60	33,000	4.50	0.60
		3,143,200	1.92	0.87	1,513,800	1.48	1.09

(i) The weighted average remaining contractual life for the share options exercisable as at June 30, 2012 is 1.48 years.
(ii) The weighted average remaining contractual life for the share options outstanding as at June 30, 2012 is 1.92 years.
(iii) The range of exercise price for options outstanding as at June 30, 2012 was $0.60 to $3.61.

(III) Share-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, 2012	December 31, 2011
Risk free interest rate:	**0.12%-0.88%**	0.12%-0.88%
Expected life:	**1-5 years**	1-5 years
Expected volatility:	**53%**	53%

The expected life of the stock options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumptions that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome either.

(g) Basic and Diluted Losses Per Share

For the three months ended	**June 30, 2012**	June 30, 2011
Net losses attributable to shareholders		
Basic and diluted	**($825,473)**	($813,434)
Weighted average number of shares outstanding		
Basic	**61,577,164**	63,568,386
Effect of dilutive stock options and warrants	**11,765**	-
Diluted	**61,588,929**	63,568,386
Basic losses per share	**($0.013)**	($0.013)
Diluted losses per share	**($0.013)**	($0.013)

(Expressed in United States Dollars)

For the six months ended	June 30, 2012	June 30, 2011
Net losses attributable to shareholders		
Basic and diluted	**($1,014,478)**	($1,519,427)
Weighted average number of shares outstanding		
Basic	**62,018,576**	64,580,047
Effect of dilutive stock options and warrants	**15,493**	-
Diluted	**62,034,069**	64,580,047
Basic losses per share	**($0.016)**	($0.024)
Diluted losses per share	**($0.016)**	($0.024)

20. NON-CONTROLLING INTERESTS

Non-controlling interests represent the 30% (2011: 30%) equity interest in Tongyuan not held by the Group.

21. OTHER REVENUE AND GAINS

For the three months ended	June 30, 2012	June 30, 2011
	$	$
Interest income	**336,477**	173,013
Rental income	**59,136**	59,298
Gain on disposal of property, plant and equipment	**-**	-
Total other revenue and gains	**395,613**	232,311

For the six months ended	June 30, 2012	June 30, 2011
	$	$
Interest income	**570,424**	257,990
Rental income	**103,185**	118,806
Gain on disposal of property, plant and equipment	**275,033**	-
Total other revenue and gains	**948,642**	376,796

22. FINANCE COSTS

For the three months ended	June 30, 2012	June 30, 2011
	$	$
Finance charge under finance leases	**1,307**	329
Bank charges	**1,191**	1,924
Total finance costs	**2,498**	2,253

For the six months ended	June 30, 2012	June 30, 2011
	$	$
Finance charge under finance leases	**2,779**	3,793
Bank charges	**3,183**	2,109
Total finance costs	**5,962**	5,902

23. DIVIDEND PAID

In May 2012, GobiMin paid an annual dividend of CAD0.01 per share for a total amount of $607,520 (2011: $641,006) in accordance with the Company's dividend policy and 2011 annual performance.

24. SEGMENTED INFORMATION

The Group conducted its business as a single operating segment, being the development, exploration and exploitation of mineral properties. It has engaged in the development of the Sawayaerdun Gold Project and other exploration projects. All mineral property interests and capital assets were located in China.

25. FINANCIAL INSTRUMENTS

All financial instruments are classified into a defined category, namely, held-to-maturity investments, held-for-trading financial assets, loans and receivables, available-for-sale financial assets, and other financial liabilities.

(a) 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.

(b) Risks arising from financial instruments and risk management

The Group is exposed to various types of market risks, including changes in foreign exchange rates, and interest rates in the normal course of business. The Group'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.

(c) Exchange Rate Risk

The Group 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 Group holds financial assets and liabilities in foreign currencies that expose the Group to foreign exchange risks. A significant change in the currency exchange rates between the United States dollars relative to the Hong Kong dollars, RMB as well as Canadian dollars could have an effect on the Group's financial position and cash flows. The Group has not hedged its exposure to currency fluctuations.

Many foreign currency exchange transactions involving RMB, including foreign exchange transactions under the Group'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 Group cannot predict nor give any assurance of its future stability. Future fluctuations in exchange rates may adversely affect the value, translated or converted into United States dollars of the Group's net assets, net profits and any declared dividends. The Group cannot give any assurance that any future movements in the exchange rates of Renminbi against the United States dollars and other foreign currencies will not adversely affect its results of operations, financial condition and cash flows.

As at June 30, 2012 with other variables unchanged, a 1% strengthening (weakening) of the Chinese RMB against the Canadian dollar would have increased (decreased) net loss and other comprehensive loss both by $0.008 million.

(d) Credit Risk

The Group is exposed to credit risk with respect to cash equivalents, other receivables, amounts due from associates, 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 amortised cost respectively, the carrying amount of these assets included on the consolidated statements of financial position 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 stated at $13,068,740 as at June 30, 2012. Management believes that the risk of credit loss on the convertible bonds is minimal as the issuer of the convertible bonds is a Hong Kong listed company. The cash equivalents are call deposits at banks or time deposit of terms less than 90 days. None of the cash equivalents were in asset backed commercial paper products. The Group 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.

(e) Liquidity Risk

Liquidity risk is the risk that the Group may encounter difficulties in meeting obligations associated with financial liabilities. As at June 30, 2012, the Group was holding cash and cash equivalents of $58,792,230. The Group 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. Out of the Group's other payables, receipts in advance and accrued liabilities, there are financial liabilities of $18,769,280 (December 31, 2011: $19,797,416) which are due within one year and $55,996 (December 31, 2011: $82,842) which are due more than one year but less than 2 years.

(f) Interest Risk

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

(g) Financial instrument

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

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)

	Fair Value Measurements at Reporting Data Using			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
June 30, 2012				
Convertible bonds	**-**	**13,068,740**	**-**	**13,068,740**
Held-to-maturity listed debentures	**829,420**	**-**	**-**	**829,420**
	829,420	**13,068,740**	**-**	**13,898,160**
December 31, 2011				
Convertible bonds	-	13,068,740	-	13,068,740
Held-to-maturity listed debentures	829,420	-	-	829,420
	829,420	13,068,740	-	13,898,160

There is no transfer between level 1 and level 2 of the fair value hierarchy during both periods.

26. CAPITAL MANAGEMENT

The Group's objectives of capital management are intended to safeguard the entity's ability to support the Group'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 Group amounted to $84,023,193 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 Group 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 Group is not subject to externally imposed capital requirements.

27. ECONOMIC DEPENDENCE

The Group 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.

28. EVENTS AFTER THE REPORTING DATE

(a) For the period from 1 July 2012 to August 23, 2012, a total of 401,500 common shares were repurchased at an aggregate cost of $246,216 (CAD250,406). All shares repurchased will be returned to treasury for cancellation.

(b) Pursuant to the agreement entered into in 2009, Tongyuan, the 70% owned subsidiary of GobiMin, was formed for the development of the Sawayaerdun Gold Project in Xinjiang, China. The consideration for acquiring the exploration and mining licences of the Sawayaerdun Gold Property is $7,226,126 (RMB45,500,000). Deposits of $6,352,638 (RMB40,000,000) have been paid as at June 30, 2012.

On August 1, 2012, the balance of $873,488 (RMB5,500,000) was subsequently paid and the acquisition was completed after Tongyuan has obtained the exploration and mining licences of the Sawayaerdun Gold Project (see also Note 18(a)(i)).

(c) Pursuant to the share transfer agreement dated July 14, 2010 and the related supplemental agreements, the Group disposed of its 32% equity interest in the Yanxi Copper Property on July 22, 2010 while retaining an 8% indirect unlisted equity interest. The Group has received the cash consideration of

$7,722,007 (HKD60,000,000) and the first lot of convertible bonds with principal amount of $14,157,014 (HKD110,000,000) with final payment of HK$89,000,000 payable upon receipt of the Yanxi Mining Licence.

On August 8, 2012, the Group has received the final payment of the consideration of HK$89,000,000 in the form of the convertible bonds of the buyer after the Yanxi Mining Licence was successfully granted (see also Note 16).

GobiMin Inc.

Incorporated in Canada under the Canada Business Corporations Act

Management's Discussion and Analysis of Financial Results

June 30, 2012

(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, 2012 should be read in conjunction with its condensed interim financial statements for the quarter ended June 30, 2012 and its audited consolidated financial statements for the year ended December 31, 2011 prepared in accordance with International Financial Reporting Standards ("IFRS").

This Management's Discussion and Analysis was prepared on August 23, 2012. 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").

GobiMin holds an equity interest of 70% in a company incorporated in China to develop and operate the Sawayaerdun Gold Project located in Xinjiang. At a lower grade threshold of 0.5 grams/tonne gold, its Zone I and Zone IV are estimated to contain Indicated resources of about 2,300,000 oz gold at 1.3 grams/tonne and Inferred resources of about 1,900,000 oz gold at 0.8 grams/tonne per the NI 43-101 technical report prepared by a Qualified Person as defined in NI 43-101, Mr. Philip A. Jones, issued in April 2012.

GobiMin also holds an equity interest of 48.02% in China Precision Material Limited ("China Precision"), which is principally engaged in metal trading, predominately silver and operates a small processing workshop.

In addition, GobiMin owns 40-50% equity interests in 4 companies incorporated in China to engage in base metals exploration, including nickel, copper, and gold, in Xinjiang, and an 8% equity interest in the Yanxi Copper Property.

2. Highlights

(a) <u>Corporate Highlights</u>

- ✧ Completed exploration drillings of about 8,800 meters for the Sawayaerdun Gold Project
- ✧ Extended the deadline to October 31, 2012 for obtaining the mining licence of Yanxi Copper Deposit, which progressed satisfactorily during the quarter and was subsequently obtained in August 2012
- ✧ Continuing the exploration of other mineral projects in Xinjiang, China
- ✧ Actively searching for high quality mining and exploration projects

(Expressed in United States Dollars)

(b) Financial Highlights

	Three months ended June 30, 2012	Twelve months ended December 31, 2011	Three months ended June 30, 2011
	$	$	$
Revenue	**-**	-	-
Other revenue and gains	**0.4 million**	0.9 million	0.2 million
Share of results of associates and a jointly-controlled entity	**(0.08 million)**	0.5 million	0.02 million
Gain on disposal of an associate	**-**	8.8 million	-
(Loss)/profit for the period/year	**(0.9 million)**	2.5 million	(0.9 million)
LBITDA (1)	**(1.0 million)**	(3.8 million)	(0.9 million)
Basic and diluted (losses)/earnings per share	**(0.013)**	0.05	(0.013)
LBITDA per share(1)	**(0.017)**	(0.06)	(0.015)
Cash and cash equivalents	**58.8 million**	62.3 million	39.8 million
Cash and cash equivalents per share	**0.96**	1.00	0.63
Working capital	**50.6 million**	53.2 million	46.4 million
Total non-current financial liabilities	**56,000**	83,000	-
Total assets	**116.8 million**	120.6 million	113.7 million
Equity attributable to shareholders	**82.4 million**	84.8 million	78.3 million
Equity attributable to shareholders per share	**1.35**	1.36	1.25

Note:
(1) As non-IFRS measurements, LBITDA (losses before interest income and expense, income taxes, depreciation and amortisation), LBITDA per share and cash and cash equivalents 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

3.1 Gold Project in Xinjiang

The Group owns a 70% equity interest in Xinjiang Tongyuan Minerals Ltd. ("Tongyuan") which is developing and operating the Sawayaerdun Gold Project in Xinjiang, China.

(a) NI 43-101 Resource Estimate

In April 2012, GobiMin retained Mr. Philip Jones, a Qualified Person as defined in NI 43-101, to review the 92 drilling results of the 2011 exploration program and update the NI 43-101 compliant resource estimate. The NI 43-101 compliant technical report can be viewed at www.sedar.com. At a lower cutoff grade of 0.5 grams/tonne gold, Zone IV and Zone I are estimated to contain indicated resources of approximately 2.3 million ounces (72 tonnes) gold content with an average grade of 1.3 grams/tonne and inferred resources of approximately 1.9 million ounces (61.25 tonnes) gold content with an average grade of 0.8 grams/tonne. According to the comments of the Qualified Person, the assay results have confirmed that the mineralized structure is mapped over a strike length of over 6,500 m and at depth.

(b) Commitments

According to the agreement entered into in September 2009, Tongyuan, committed to acquire the exploration and mining licences of the Sawayaerdun Gold Project at a total consideration of $7,226,126 (RMB45,500,000). Deposits of $6,352,638 (RMB40,000,000) have been paid as at June 30, 2012 and the remaining commitment of

$873,488 (RMB5,500,000) are payable upon the completion of the transfer of the exploration and mining licences of the Sawayaerdun Gold Project to Tongyuan. In August 2012, the remaining commitment of $873,488 was paid after Tongyuan has obtained the exploration and mining licences. All the total consideration paid was then classified as exploration and evaluation assets.

Tongyuan has other commitments of $4,187,636 (RMB26,367,852) for the further development of the Sawayaerdun Gold Property including the exploration service, construction of an office building and design of mine and related facilities.

(c) Update

Up to the end of June 2012, exploration drillings of about 8,800 meters, including 10 diamond drill holes of 3,000 meters, have been completed. The scheduled exploration drilling program of another 23 drill holes with approximately 21,000 meters are in progress. GobiMin aims to complete approximately 30,000 meters under the drilling programs in 2012.

Along with the above planned exploration programs, GobiMin will continue to pursue the infrastructure construction programs for the mine site.

3.2 Silver Operation

The Group holds an equity interest of 48.02% in China Precision which engages in metal trading and processing, predominantly in silver.

(a) Background

China Precision has established a small processing workshop in Hong Kong since August 2010 for processing the silver and refining silver into bars and granules with 99.99% purity for sale to industrial customers.

(b) Update

The Group has made advances to China Precision from time to time to finance its silver inventory. As at June 30, 2012, amounts due from China Precision to the Group amounted to $4.4 million while China Precision had a silver inventory of 5.2 tonnes with a market value of about $4.6 million. The Group recorded interest income of $122,732 on these advances for the six months ended June 30, 2012.

For the six months ended June 30, 2012, China Precision had a net profit of about $360,000, with GobiMin's share amounting to $170,000 compared with $250,000 for the six months ended June 30, 2011.

For the three months ended 30 June 2012, China Precision incurred a net loss of $190,000, with GobiMin's share being $90,000. The loss in this quarter was mainly caused by the net open positions of silver held by China Precision. Most of the positions of China Precision are hedged. However, its products are silver granules and are not deliverable to London Bullion Market Association, which accepts only delivery of silver ingots. These net open positions are normal market practice due to imperfect hedges. The management of China Precision is comfortable with the market fluctuation for its open positions which are limited within 10% of its total hedged positions. Despite the quarterly fluctuations, China Precision has gained back the account loss subsequent to the reporting date hereof.

3.3 Base Metal Exploration Projects in Xinjiang

(a) Four Exploration Companies

Since 2007 to the end of June 2012, the Group has invested a total of $3,652,767 (RMB23,000,000) as capital in five exploration companies in Xinjiang, including the Yanxi Copper Property, which was disposed of in 2010 at a significant gain, and four exploration companies in Xinjiang, China for nickel, copper, and gold.

The total cost of investment in the four remaining exploration companies amounted to $2,382,239 (RMB15,000,000). In May 2012, the Group received dividend income of $259,540 (RMB1,634,221) from the four exploration companies, thus reducing the cost of investment to $2,122,699. The equity investments as at June 30, 2012 are recorded as $2,093,286 (RMB13,180,580), slightly less than the cost of investment.

GobiMin continues the exploration programs of the projects of its four exploration companies and also actively searches for high quality mining and exploration projects.

(b) Yanxi Copper Property

(i) Background

GobiMin formerly owned a 40% indirect equity interest in Xinjiang Tongxing Minerals Limited ("Tongxing"), which is engaged in exploration and development of the Yanxi Copper Property in Xinjiang, China. The Group entered into a Share Transfer Agreement with China Daye Non-Ferrous Metals Mining Limited ("China Daye") on July 14, 2010 regarding the disposal of 80% of its equity interest in Tongxing. Among the equity interest disposed, 32% was held by GobiMin and the remaining 48% was held by two local partners. The transaction was completed on July 22, 2010 and GobiMin received all the cash consideration of $7,722,007 (HKD60,000,000) and a first lot of convertible bonds ("CB") of $14,157,014 (HKD110,000,000). After the mining licence of the Yanxi Copper Property is granted, the Group shall receive the final lot of CB. After the disposal, GobiMin retains an 8% indirect unlisted equity interest in the Yanxi Copper Property.

Pursuant to the supplemental agreements entered into on December 30, 2010, August 30, 2011 and January 30, 2012, the consideration was reduced to $33.4 million (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 deadline for obtaining the mining licence of the Yanxi Copper Property (the "Yanxi Mining Licence") was extended to May 31, 2012.

In addition to applying for the Yanxi Mining Licence, the Group is also 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 Group will be entitled to receive the CB up to $2.7 million (HKD21,000,000) and an additional cash consideration based on the resource estimate of the New Area, subject to a maximum of $13.6 million (HKD106,000,000), of which 50% will be paid upon the Group providing the resources estimate report and the remaining 50% will be used to settle the mining licence fee of the New Area with the balance paid to the Group upon obtaining the New Mining Licence.

Based on the reduced consideration of $33.4 million (HKD259,000,000), the Group has a deferred gain of approximately $5.7 million for its disposal of the 32% equity interest in Tongxing, netting off the amount payable for the mining licence fee, tax, stamp duty and related payments of $26.8 million, with a further potential gain to be ascertained and realized after finalizing the related exploration work and obtaining the New Mining Licence.

(ii) Update

On May 31, 2012, the Group entered into a fourth supplemental agreement with China Daye for a further extension to October 31, 2012 of the deadline for obtaining the Yanxi Mining Licence. The maturity date of the CB, including the deadline for conversion and repayment of the outstanding principal, are extended to December 31, 2013.

Subsequently in August 2012, the Yanxi Mining Licence has been obtained and the final payment of the consideration of $11,454,311 (HKD89,000,000) in the form of the CB has been received from China Daye on August 8, 2012. Accordingly, the deferred gain on disposal will be recognized as gain on disposal of an associate which will be reflected in the interim results for the quarter ending September 30, 2012.

3.4 Normal Course Issuer Bid

On January 20, 2012, GobiMin renewed its normal course issuer bid to repurchase up to an additional 3,129,814 common shares over a maximum period of 12 months ending January 31, 2013. For the six months ended June 30, 2012, a total of 1,409,000 common shares were repurchased at an aggregate cost of $1,005,979 (CAD1,023,097). For the period from July 1, 2012 to August 23, 2012, a total of 401,500 common shares were repurchased at an aggregate cost of $246,216 (CAD250,406). All shares repurchased were returned to treasury for cancellation.

Management believes that the repurchase by the Company of its own shares can maximise 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 2012 shall be provided to shareholders upon receipt of written request to the Company at its registered office.

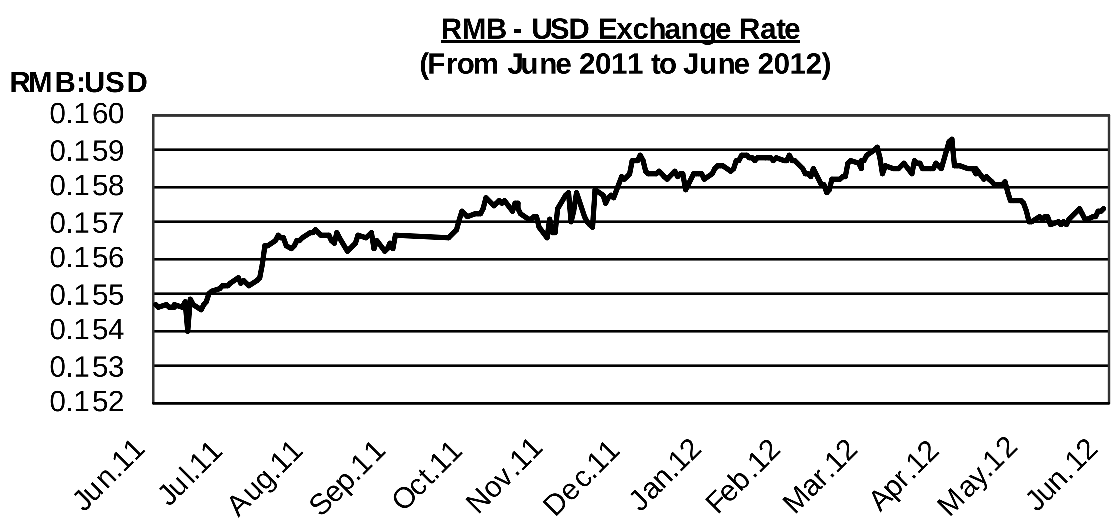
3.5 Working Capital

As at June 30, 2012, the Group has a working capital of about $50.6 million (December 31, 2011: $53.2 million), after netting off its current liabilities of $32.7 million (December 31, 2011: $33.9 million). The working capital is sufficient to support the development of the existing projects and operations, including the Sawayaerdun Gold Project, in the foreseeable future.

4. Key Economic Trends

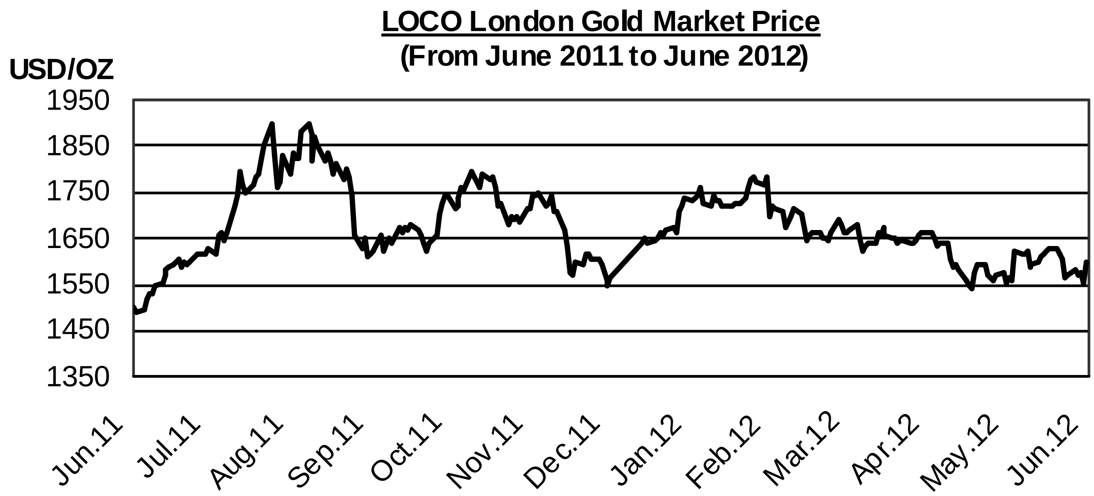
(a) China Economy

Since GobiMin's operations are mostly conducted in China, the condition of the Chinese economy is a key factor on the Group's business. The currency fluctuation will have an impact on the Group's cost structure as the Group reports in U.S. dollars. For the 12 months ended June 30, 2012, the Chinese currency Renminbi ("RMB") appreciated by 1.73% against the U.S. dollar comparing with the exchange rate on June 30, 2011.



(b) <u>Gold Market</u>

Although the Sawayaerdun Gold Project is at the exploration stage, the gold market price has an influence on the project value. As at June 30, 2012, the gold price had increased by approximately 6.48% against the price on June 30, 2011.



5. Significant Accounting Policies and Estimates

The Group's significant accounting policies are described in Note 3 to the Company's consolidated financial statements for the year ended December 31, 2011. The preparation of condensed 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 Group that are considered to be most critical are described below.

(a) <u>Revenue Recognition</u>

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 recognised on a straight line basis over the term of the lease.

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

(b) <u>Exploration and Evaluation Assets</u>

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment losses. Exploration and evaluation assets include the cost of mining and exploration rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognised exploration and evaluation assets are reclassified as mining structures and mineral properties under property, plant and equipment. These assets are assessed for impairment annually and before reclassification.

(c) Investment Properties

Investment properties are properties held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Depreciation is charged so as to write off the cost of investment properties net of expected residual value over the estimated useful lives using straight-line method. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

Investment properties are derecognised upon disposal or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated profit or loss in the year in which the property is derecognised.

(d) Depreciation of Property, Plant and Equipment

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

Leasehold land & building:	4.75%
Leasehold improvements:	19% - 33.33%
Furniture, fixture and equipment:	19% - 33.33%
Computer hardware & equipment:	19% - 33.33%
Motor vehicles:	19% - 25%

(e) Rehabilitation Provision

The Group is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Group 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 recognised, the present value of the estimated costs is capitalised 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 Group'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 Group has not recorded a liability for its rehabilitation provision.

(f) Interests in Associates and a Jointly-Controlled Entity

Investments in shares or equity of incorporated companies, in which the Group'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 Group accounts for its investment on an equity basis, which is carried at cost, adjusted for the Group's proportionate share of the undistributed earnings and losses and reserves.

(g) Financial Instruments

Financial assets and financial liabilities, including derivatives, are recognised when the Group 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 held-for-trading are measured at fair value with changes in those fair values recognised in earnings. Loans and receivables, and other financial liabilities are measured at amortised cost and are amortised 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.

(h) Related Parties

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

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
(ii) the Group and the party are subject to common control;
(iii) the party is an associate of the Group or a jointly-controlled entity in which the Group is a venturer;
(iv) the party is a member of key management personnel of the Group or the Group'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

Standards issued but not yet effective up to the date of issuance of these condensed financial statements are listed below. The Group 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 Group's accounting for its financial assets. IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted. The Group is currently evaluating the impact of adoption of this new standard on its financial statements.

(b) IAS 12 Income Taxes

IAS 12 was issued in December 2010. This standard introduces amendments regarding Deferred Tax and provides 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 applicable for annual periods beginning on or after July 1, 2012. The Group is currently evaluating the impact of adoption of this new standard on its financial statements.

(c) IFRS 10 Consolidated Fiancial 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 Group will start the application of IFRS 10 in the financial statements effective from January 1, 2013. The Group does not expect any impact to the financial statements as a result of adopting this standard.

(d) IFRS 12 Disclosure of Interests in Other Entities

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

(e) 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 Group will start the application of IFRS 13 in the financial statements effective from January 1, 2013. The Group shall evaluate its impact on the financial statements.

(f) 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 Group will start the application of this amendment in the financial statements effective from January 1, 2013. The Group does not expect any impact to the financial statements as a result of adopting this standard.

(g) IAS 28 Investments in Associates and Joint Ventures

This standard describes the application of the equity method to investments. The amendment includes the application of equity method in joint ventures in addition to associates. The Group will start the application of this amendment in the financial statements effective from January 1, 2013. The Group is in the process of making an assessment of the impact of IAS 28 but is not yet in a position to state whether this new standard and amendments would have significant impact on the financial statements.

(Expressed in United States Dollars)

(h) IFRS 11 Joint Arrangements

This standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly-controlled entities. Management anticipates that this standard will be adopted in the Group's financial statements for the period beginning January 1, 2013. The Group is in the process of making an assessment of the impact of IFRS 11 but is not yet in a position to state whether this new standard and amendments would have significant impact on the financial statements.

(i) IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

This standard provides guidance on the accounting for the costs of stripping activity in the production phase of surface mining when two benefits accrue to the entity from the stripping activity: useable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. IFRIC 20 must be applied starting January 1, 2013. We are currently assessing the impact of adopting IFRIC 20 on our financial statements.

7. Selected Quarterly Information

As at / For the three months ended	**June 30, 2012**	March 31, 2012	December 31, 2011	September 30, 2011
	$	$	$	$
Revenue	**-**	-	-	-
(Loss)/profit	**(908,932)**	(278,435)	(3,787,801)	7,977,321
Basic and diluted (losses)/earnings per share	**(0.013)**	(0.003)	(0.060)	0.126
Cash and cash equivalents	**58,792,230**	51,631,409	62,305,634	62,963,423
Total assets	**116,829,716**	119,061,793	120,631,537	123,474,296

As at / For the three months ended	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010
	$	$	$	$
Revenue	-	-	-	-
Loss	(908,115)	(764,129)	(1,207,889)	(828,242)
Basic and diluted losses per share	(0.014)	(0.012)	(0.018)	(0.012)
Cash and cash equivalents	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

The above 2012, 2011 and 2010 financial information were all prepared in accordance with IFRS.

For the three months ended June 30, 2012, the Group reported net losses of $908,932 (Q2 2011: losses of $908,115) which mainly comprised the general and administrative expenses of $1,098,105 (Q2 2011: $1,063,847) and share-based compensation expenses of $104,330 (Q2 2011: $52,459), netting off other revenue and gains of $395,613 (Q2 2011: $232,311) and share of losses of associates of $81,719 (Q2 2011: profits of $16,996).

During this quarter, the Group recorded net cash inflow of $7.2 million (Q2 2011: 14.8 million). It was mainly the combined effect of $10.2 million repayment from China Precision, interest and dividend received of $0.6 million less the payment for the Sawayaerdun Gold Project of $1.2 million; shares repurchased of $0.7 million; dividend paid of $0.6 million and office expenses of $0.9 million.

The total assets decreased from $120.6 million as at December 31, 2011 to $116.8 million as at June 30, 2012. The decrease of $3.8 million was mainly due to the payments of $1.2 million to settle the amounts payable for the Sawayaerdun Gold Project; $1 million for share repurchase; $0.6 million for dividend and $1.8 million for office expenses, netted against $0.9 million interest and dividend received.

(Expressed in United States Dollars)

8. Results of Operations

(a) Revenue

No revenue (3 months and 6 months Q2 2011: $Nil) from operations has been recorded in this quarter and for the six months ended June 30, 2012.

Other revenue and gains in this quarter were $395,613 (3 months Q2 2011: $232,311) including interest income of $336,477 (3 months Q2 2011: $173,013) and rental income from the office building in Xinjiang of $59,136 (3 months Q2 2011: $59,298).

While the other revenue and gains for the six months ended June 30, 2012 were $948,642 (6 months Q2 2011: $376,796) including interest income of $570,424 (6 months Q2 2011: $257,990), rental income from the office building in Xinjiang of $103,185 (6 months Q2 2011: $118,806) and the gain on sales of motor vehicles of $275,033 (6 months Q2 2011: $Nil).

(b) General and Administrative Expenses

General and administrative expenses incurred in this quarter and for the six months ended June 30, 2012 were $1,098,105 (3 months Q2 2011: $1,063,847) and $2,069,088 (6 months Q2 2011: $1,842,687) respectively. It mainly represents increased pre-operating expenses incurred for the Sawayaerdun Gold Project and other expenses including office rental, staff cost and legal and professional fees.

The amortised portion of the total share-based compensation in this quarter and for the six months ended June 30, 2012 amounted to $104,330 (3 months Q2 2011: $52,459) and $208,659 (6 months Q2 2011: $108,695) respectively.

(c) Losses Per Share

The basic and diluted losses per share for this quarter were $0.013 (3 months Q2 2011: $0.013) and $0.016 for the six months ended June 30, 2012 (6 months Q2 2011: $0.024).

(d) LBITDA

In this quarter, the losses before interest income and expense, income taxes, depreciation and amortisation ("LBITDA"), a non-IFRS performance measure, were $1,031,176 as compared to $939,657 in Q2 2011. The following table presents the calculation of LBITDA for the period indicated:

For the three months ended	**June 30, 2012**	June 30, 2011
	$	$
Loss for the period	**(908,932)**	(908,115)
Interest income	**(336,477)**	(173,013)
Depreciation in general and administration expenses	**109,903**	89,012
Share-based compensation	**104,330**	52,459
LBITDA (1)	**(1,031,176)**	(939,657)
LBITDA per share (2)	**(0.017)**	(0.015)

(Expressed in United States Dollars)

Note:
*(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 17, 2012, the Company declared an annual dividend of $0.01 (CAD0.01) per share in accordance with its dividend policy and the 2011 annual performance. The dividend is paid on May 24, 2012 to shareholders of record on May 10, 2012.

9. Liquidity and Capital Resources

The following table summarises the Group's consolidated cash flows and cash on hand:

As at	**June 30, 2012**	December 31, 2011
	$	$
Cash and cash equivalents	**58,792,230**	62,305,634
Working capital [(1)]	**50,553,640**	53,225,104

For the three months ended	**June 30, 2012**	June 30, 2011
	$	$
Net cash from operating activities	**7,887,668**	17,103,957
Net cash used in financing activities	**(1,302,161)**	(2,304,417)
Net cash from/(used in) investing activities	**575,314**	(8,713)
Increase in cash and cash equivalents	**7,160,821**	14,790,827

For the six months ended	**June 30, 2012**	June 30, 2011
	$	$
Net cash (used in)/from operating activities	**(2,633,227)**	5,396,129
Net cash used in financing activities	**(1,642,451)**	(3,085,638)
Net cash from investing activities	**762,274**	56,580
(Decrease)/Increase in cash and cash equivalents	**(3,513,404)**	2,367,071

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

(a) Operating Activities

For the three months ended June 30, 2012

In this quarter, net cash inflow from operating activities was $7,887,668 (3 months Q2 2011: $17,103,957), mainly representing the repayment from China Precision of $10.2 million (3 months Q2 2011: $18.7 million) netting off the payment for construction work for the Sawayaerdun Gold Project of $1.3 million and office expenses of $0.9 million in 2012.

For the six months ended June 30, 2012

For the six months ended June 30, 2012, the net cash outflow from operating activities was $2,633,227 (6 months Q2 2011: net cash inflow of $5,396,129) which mainly represents the payment for construction work for the Sawayaerdun Gold Project $2 million, office expenses of $1.8 million, offsetting the repayment from China Precision of $1.1 million. The net cash inflow in the six months ended June 30, 2011 was mainly representing the proceeds from the repurchase by China Precision of silver bullion for $9.5 million, netted against $1.6 million advance to China Precision, $1.5 million payment for construction work for the Sawayaerdun Gold Project and $1 million office expenses.

(b) Financing Activities

For the three months ended June 30, 2012

The net cash flow used in financing activities was $1,302,161 in this quarter (3 months Q2 2011: $2,304,417). The net cash outflow in this quarter mainly represents the payment for shares repurchase of $682,324 (3 months Q2 2011: $1,657,003) and dividend payment of $607,520 (3 months Q2 2011: $641,006).

For the six months ended June 30, 2012

The net cash flow used in financing activities was $1,642,451 for the six months ended June 30, 2012 (6 months Q2 2011: $3,085,638). The decrease in net cash outflow was mainly due to the reduced amount of shares repurchase of $1,005,979 (6 months Q2 2011: $2,428,779).

(c) Investing Activities

For the three months ended June 30, 2012

The net cash inflow from investing activities was $575,314 in this quarter (3 months Q2 2011: net cash outflow of $8,713). It mainly represents the interest income received of $336,477 (3 months Q2 2011: $173,013) together with the dividend received from associates and a jointly-controlled entity of $259,541 (3 months Q2 2011: $Nil).

For the six months ended June 30, 2012

For the six months ended June 30, 2012, the net cash inflow from investing activities was $762,274 (6 months Q2 2011: $56,580). The increase in net cash inflow was mainly due to the dividend received from associates and a jointly-controlled entity of $385,667 (6 months Q2 2011: $Nil) and proceeds from disposal of property, plant and equipment of $447,998 (6 months Q2 2011: $Nil).

10. Statements of Financial Position

(a) Cash and Cash Equivalents

The Group had approximately $58.8 million in cash and cash equivalents as at June 30, 2012, compared to $62.3 million as at December 31, 2011. The decrease of $3.5 million was mainly the combined effect of $1 million used in share repurchase; $0.6 million dividend payment and $2 million payment for the Sawayaerdun Gold Project and the cash outflow for the office expenses of $1.8 million, netted against the interest and dividend received of $0.9 million and repayment from China Precision of $1.1 million.

(b) Exploration and Evaluation assets

All the exploration and evaluation assets are related to the Sawayaerdun Gold Project, such as mining rights, and geological and geophysical costs, mine site and facilities construction, drilling and exploration expenses. For the six months ended June 30, 2012, additions in exploration and evaluation assets of $21,176 were incurred in the development of the Sawayaerdun Gold Project.

(c) Deferred Gain on Disposal of an Associate

Pursuant to the share transfer agreement dated July 14, 2010 and the supplemental agreements dated December 30, 2010, August 30, 2011, January 30, 2012 and May 31, 2012, an 80% equity interest in the Yanxi Copper Property was disposed to China Daye on July 22, 2010 for a total consideration of $33.4 million (HKD259,000,000). Among the equity interest disposed, 32% was held by GobiMin and the remaining 48% was held by two local partners.

The deferred gain on disposal of the 32% equity interest in the Yanxi Copper Property of approximately $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 licence fee, tax, stamp duty and related payments of $26.8 million.

In August 2012, the Yanxi Mining Licence has been obtained and the final lot of convertible bonds of $11,454,311 (HKD89,000,000) has been received on August 8, 2012. Accordingly, the deferred gain on disposal will be recognized as gain on disposal of an associate which will be reflected in the interim results for the quarter ending September 30, 2012.

(d) Other Financial Assets

Part of these financial assets represents the convertible bonds with a principal amount 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. The convertible bonds are stated at $13,068,740 (December 31, 2011: $13,068,740) as at June 30, 2012 based on their fair value as determined by an independent professional valuator as at December 31, 2011.

The remaining balance represents the $0.8 million held-to-maturity listed debenture and the remaining 8% indirect unlisted equity interest in Tongxing held by the Group as at June 30, 2012.

(e) Other Payables, Receipts in Advance and Accrued Liabilities

As at June 30, 2012, the balance of other payables, receipts in advance and accrued liabilities are mainly composed of the payables for the mining licence fee, tax, stamp duty and related payments of $26.8 million arising on the disposal of the Yanxi Copper Property.

(f) Share Capital

As at June 30, 2012, the Group had 61,187,296 common shares issued and outstanding. During the six months ended June 30, 2012, 1,409,000 common shares were repurchased and cancelled and 15,800 stock options were cancelled.

11. Related Party Transactions

During the six months ended June 30, 2012, the Group had the following transactions with related parties:

(a) Share-based compensation expenses of $187,483 (Q2 2011: $74,382) in respect of options previously granted to directors and key management personnel.
(b) Fees and other emoluments to directors and key management personnel of $262,796 (Q2 2011: $248,641).
(c) Rental income of $12,705 (Q2 2011: $12,705) from the office building in Xinjiang received from related parties.
(d) Loan interest income of $122,732 (Q2 2011: $171,214) received from China Precision.
(e) Dividend income received from associates and a jointly-controlled entity of $385,667 (Q2 2011: $Nil).

As at June 30, 2012, advances made by the Group to related parties were disclosed as amounts due from associates and amounts due from related parties in Notes 7 and 8 in the condensed interim financial statements as follows:

(f) The amounts due from associates represented an advance to China Precision of $4,371,462 (December 31, 2011: $5,157,729) in which the Group has an indirect equity interest of 48.02%. Such advance is unsecured, bears interest at the rate of 2% per annum and without fixed repayment terms. The remaining balance of $354,036 as at December 31, 2011 represents the interest of $354,012 payable by China Precision and the current account with CPM Silver Limited which are unsecured, interest-free and without fixed repayment terms.

(g) The amounts due from related parties included:
   (i) receivable of $419,719 (2011: $419,719) from a company in which an 8% equity interest was owned by the Group. The amount was incurred for Chinese exploration services on its exploration projects.
   (ii) deposit of $500,742 (2011: $500,742) paid to a non-controlling shareholder of Tongyuan for exploration services to the Sawayaerdun Gold Project.

   The balances with related parties are unsecured, interest-free and with no fixed repayment term.

12. Capital Commitment

As at June 30, 2012, there were capital commitments of approximately $5,061,124 (December 31, 2011: $2,119,721) that the Group had contracted, but not provided for.

(a) The consideration for acquiring the exploration and mining licences of the Sawayaerdun Gold Property is $7,226,126 (RMB45,500,000) and Tongyuan has paid deposits of $6,352,638 (RMB40,000,000) as at June 30, 2012. The remaining balance of $873,488 (RMB5,500,000) is regarded as a commitment of the Group as at June 30, 2012. Such balance was subsequently paid in August 2012 after Tongyuan has obtained the exploration and mining licences of the Sawayaerdun Gold Project.

(b) Tongyuan has entered into agreements for exploration services, construction of an office building and mine design and related facilities relating to the Sawayaerdun Gold Project. The total contracted amount is $6,403,590 (RMB40,320,822) and deposits of $2,215,954 (RMB13,952,970) have been paid as at June 30, 2012. The total remaining commitments are $4,187,636 (RMB26,367,852).

(Expressed in United States Dollars)

13. Off-Balance Sheet Arrangements

The Group 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 in July 2010, GobiMin owns a remaining 8% indirect unlisted equity interest in the Property.

According to the supplemental agreements entered into in December 2010, August 2011, January 2012 and May 2012, the consideration for disposal of the 80% indirect equity interest in Tongxing to be received upon obtaining the Yanxi Mining Licence was reduced by $2.7 million (HKD21,000,000) to $33.4 million (HKD259,000,000) due to the construction of a railway across the Yanxi Copper Property. The deadline for obtaining the Yanxi Mining Licence was extended to October 31, 2012. The maturity date of the CB, including the repayment date of the outstanding principal of the CB and the deadline for conversion, was extended to December 31, 2013.

Based on the reduced consideration of $33.4 million (HKD259,000,000), the Group has a deferred gain of approximately $5.7 million for the disposal of its 32% equity interest in Tongxing, netting off the amount payable for the mining licence fee, tax, stamp duty and related payments of $26.8 million.

In addition to applying for Yanxi Mining Licence, the Group is also responsible for applying for the New Mining Licence for the New Area. Based on the resource estimate of the New Area, the Group will be entitled to additional considerations. Accordingly, a further potential gain may be ascertained and realized after finalizing the related exploration work and obtaining the New Mining Licence.

In August 2012, the Yanxi Mining Licence has been obtained and the final payment of the consideration of $11,454,311 (HKD89,000,000) in the form of the CB has been received on August 8, 2012. Accordingly, the deferred gain on disposal will be recognized as gain on disposal of an associate which will be reflected in the interim results for the quarter ending September 30, 2012. Among the payables and accrued liabilities of $26.8 million, the mining licence fee and some other payments for a total of about $3 million were settled subsequent to June 30, 2012 while the stamp duty and tax will be paid by the end of 2012 and the remaining payments will be settled on or before the end of 2013.

15. Outstanding Share Data

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

As at	**December 31, 2011**	**June 30, 2012**	**August 23, 2012**
Number of Common Shares Outstanding	62,596,296	**61,187,296**	**60,785,796**
Options	3,159,000	**3,143,200**	**2,935,200**
Total Number of Common Shares Fully Diluted	65,755,296	**64,330,496**	**63,720,996**

16. Risk factors

The mining business conducted by the Group is subject to a number of risks, including those outlined below. These risk factors could materially affect the Group's future operating results and could cause actual events to differ materially from those described in the forward-looking statements relating to the Group. 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 Group 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 Group. 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 Group 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 Group's operating expenses and revenues from operations are in RMB, the main currency used by the Group. 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 Group's financial position and operating results. The Group 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 currently 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 or repatriate profits. These limitations could affect the ability of the Group to pay dividends, 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 Group'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 Group 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 Group. The Group does not maintain insurance against political or environmental risks.

The Group'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 Group 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 Group.

(d) Uncertainty of Ore Reserves and Resource Estimates

There are numerous uncertainties inherent in estimating mineral resources and mineral reserves. Such estimates are a subjective process, and the accuracy of any mineral resources and mineral reserves estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. These amounts are estimates only and the actual level of recovery of minerals from such deposits may be different. Differences between management's assumptions, including economic assumptions such as mineral prices, market conditions and actual events could have a material adverse effect on the Company's mineral reserve and mineral resource estimates, financial position and results of operations.

For some of its properties, the Group 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) Capital Requirements

The Group does have limited financial resources. Although the Group 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 Group 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 Group's properties.

(f) Risks Relating to Conducting Business in China

The business operations of the Group are located in, and the revenues of the Group are derived from activities in, China. Accordingly, the business, financial condition and results of operations of the Group could be significantly and adversely affected by economic, legal, 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 Group.

(g) Permits and Licences

The operations of exploration and mining require specific licences and permits e.g. exploration licence for exploration activities and exploitation licence for exploitation activities. Any changes in regulations imposed by the governments due to any reasons are beyond the control of the Group and may adversely affect its business and its ability or retain title to its property and obtain some of the necessary licences. The changes of regulations may include, but not limited to, varying degrees of those with respect to stricter restrictions on production, price controls, export controls, income taxes, expropriation of property, employment, land use, water use, environmental legislation and mine safety.

(h) Environmental Regulation

The mining operations of the Group are subject to environmental regulations promulgated by relevant governments. The relevant environmental regulations impose restrictions and prohibitions on spills, or handling of various substances produced during mining or processing operations. In addition, approval of environmental impact assessment for certain types of the mining operations are required. In breach of such regulations or failure of the governmental approval may result in the imposition of fines and penalties. The costs of compliance with environmental regulations, such as advanced equipment which is environmental friendly, has the potential to reduce the profitability of future operations.

(i) Dependence on Key Managerial Employees

The success of the Group 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 Group 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 Group.

(j) Competition

There is significant and increasing competition within the mining industry for the discovery and acquisition of properties considered having commercial potential. The Group competes with other mining companies, some of which have greater financial resources, and as a result, the Group may not be able to acquire mineral interests on terms it considers acceptable. As well, the Group 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 Group may not be able to acquire additional mineral interests and hire or retain qualified personnel for its projects.