

## **GobiMin Inc.**

Interim Consolidated Financial Statements  
(Unaudited)

September 30, 2009  
(Expressed in United States Dollars except where otherwise noted)

Notice to readers:

The financial statements for the quarter ended September 30, 2009 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.**  
**Consolidated Balance Sheets (Unaudited)**  
(Expressed in United States Dollars)

	September 30, 2009	December 31, 2008
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents (Note 5)	75,676,346	53,617,073
Restricted cash	-	489,960
Prepayments, deposits and other receivables (Note 6)	6,288,922	671,055
Due from an investee company (Note 7)	3,751,435	-
Assets of discontinued operations (Note 4)	-	63,759,808
<b>Total current assets</b>	<b>85,716,703</b>	<b>118,537,896</b>
Mineral properties and equipment (Note 8)	789,743	278,258
Equity investments (Note 9)	2,622,415	2,609,494
Due from related parties (Note 11)	470,348	460,414
<b>Total assets</b>	<b>89,599,209</b>	<b>121,886,062</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Other payables and accrued liabilities	243,773	452,052
Deposits received (Note 4)	-	36,082,093
Derivative financial instrument liabilities (Note 12)	-	94,015
Liabilities of discontinued operations (Note 4)	-	16,690,101
<b>Total current liabilities</b>	<b>243,773</b>	<b>53,318,261</b>
<b>Total liabilities</b>	<b>243,773</b>	<b>53,318,261</b>
Non-controlling interests (Note 13)	(301,094)	1,199,154
Commitments (Note 14)		
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 15)	28,742,428	29,918,738
Contributed surplus (Note 15)	5,718,663	5,398,535
Reserves (Note 16)	7,653	-
Retained earnings	56,925,156	26,631,480
Accumulated other comprehensive income (loss) (Note 19)	(1,737,370)	5,419,894
<b>Total shareholders' equity</b>	<b>89,656,530</b>	<b>67,368,647</b>
<b>Total liabilities and shareholders' equity</b>	<b>89,599,209</b>	<b>121,886,062</b>

*See accompanying notes to the Consolidated Financial Statements*

APPROVED BY THE BOARD

(Signed)  
**Felipe Tan**  
Director

(Signed)  
**Hubert Marleau**  
Director

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

	<b>Three months ended September 30, 2009</b>	Three months ended September 30, 2008	<b>Nine months ended September 30, 2009</b>	Nine months ended September 30, 2008
	\$	\$	\$	\$
Revenue	-	7,481,856	<b>939,923</b>	18,381,579
Cost of sales	-	(3,886,698)	<b>(609,195)</b>	(8,117,159)
Depreciation	-	(525,596)	<b>(290,229)</b>	(1,604,845)
Selling and distribution cost	-	(340,747)	<b>(122,426)</b>	(566,600)
Gross profit (loss)	-	2,728,815	<b>(81,927)</b>	8,092,975
Other revenue (Note 18)	<b>84,339</b>	414,109	<b>334,533</b>	1,440,862
General and administrative expenses	<b>(622,265)</b>	(1,109,209)	<b>(2,053,429)</b>	(3,852,846)
Stock based compensation (Note 15)	<b>(188,998)</b>	(350,842)	<b>(477,015)</b>	(1,187,605)
Equity gain (loss) in investment (Note 9)	<b>(42,971)</b>	(38,038)	<b>126,213</b>	(91,003)
Other operating expenses	-	(2,029)	<b>(36,913)</b>	(85,428)
Operating profit (loss)	<b>(769,895)</b>	1,642,806	<b>(2,188,538)</b>	4,316,955
Interest expense	-	(204,035)	<b>(84)</b>	(603,888)
Loss on financial instruments (Note 12)	-	-	<b>(58,865)</b>	-
Exchange gain (loss)	<b>(21,432)</b>	-	<b>5,506,677</b>	-
Gain on disposal of subsidiaries (Note 4)	-	-	<b>33,603,540</b>	-
Earnings (losses) before tax and non-controlling interests	<b>(791,327)</b>	1,438,771	<b>36,862,730</b>	3,713,067
Income tax	-	(181,427)	-	(437,400)
Earnings (losses) before non-controlling interests	<b>(791,327)</b>	1,257,344	<b>36,862,730</b>	3,275,667
Non-controlling interests (Note 13)	<b>403</b>	(106,961)	<b>21,955</b>	(287,425)
Net earnings (losses) for the period	<b>(790,924)</b>	1,150,383	<b>36,884,685</b>	2,988,242
Earnings (losses) per share (Note 15)				
Basic	<b>(0.012)</b>	0.016	<b>0.532</b>	0.041
Diluted	<b>(0.011)</b>	0.016	<b>0.530</b>	0.040
Weighted average number of shares outstanding (Note 15)	<b>Share</b>	Share	<b>Share</b>	Share
Basic	<b>68,751,762</b>	72,266,750	<b>69,272,796</b>	72,935,717
Diluted	<b>69,140,687</b>	73,038,496	<b>69,647,076</b>	74,054,681

*See accompanying notes to the Consolidated Financial Statements*

**GobiMin Inc.****Consolidated Statements of Comprehensive Income (Unaudited)**

(Expressed in United States Dollars)

	<b>Three months ended September 30, 2009</b>	Three months ended September 30, 2008	<b>Nine months ended September 30, 2009</b>	Nine months ended September 30, 2008
	\$	\$	\$	\$
<b>Net income (loss)</b>	<b>(790,924)</b>	1,150,383	<b>36,884,685</b>	2,988,242
Unrealized exchange gain (loss) on translation of self-sustaining foreign operations	<b>(44,539)</b>	93,168	<b>(7,157,264)</b>	3,937,006
<b>Comprehensive income (loss)</b>	<b>(835,463)</b>	1,243,551	<b>29,727,421</b>	6,925,248

**Consolidated Statements of Changes in Shareholders' Equity (Unaudited)**

(Expressed in United States Dollars)

	<b>Three months ended September 30, 2009</b>	Three months ended September 30, 2008	<b>Nine months ended September 30, 2009</b>	Nine months ended September 30, 2008
	\$	\$	\$	\$
<b>Share Capital</b>				
Balance at beginning of period	<b>29,008,334</b>	29,471,091	<b>29,918,738</b>	31,195,252
Issued for option exercise	-	-	<b>412,376</b>	98,466
Share buy back	<b>(265,906)</b>	(1,390,643)	<b>(1,588,686)</b>	(3,213,270)
Balance at end of period	<b>28,742,428</b>	28,080,448	<b>28,742,428</b>	28,080,448
<b>Contributed Surplus</b>				
Balance at beginning of period	<b>5,529,665</b>	4,828,382	<b>5,398,535</b>	4,029,197
Options exercised	-	-	<b>(156,887)</b>	(37,578)
Stock based compensation	<b>188,998</b>	350,842	<b>477,015</b>	1,187,605
Balance at end of period	<b>5,718,663</b>	5,179,224	<b>5,718,663</b>	5,179,224
<b>Reserves</b>				
Balance at beginning of period	<b>7,653</b>	6,144,537	-	6,144,537
Current period reserves	-	-	<b>7,653</b>	-
Balance at end of period	<b>7,653</b>	6,144,537	<b>7,653</b>	6,144,537
<b>Retained Earnings</b>				
Balance at beginning of period	<b>57,716,080</b>	24,369,665	<b>26,631,480</b>	24,024,559
Net income (loss)	<b>(790,924)</b>	1,150,383	<b>36,884,685</b>	2,988,242
Tax refund relating to capital transaction	-	-	-	681,444
Transfer to general reserve	-	-	<b>(7,653)</b>	-
Change in fair value of discontinued operation	-	-	<b>(1,761,017)</b>	-
Dividend paid	-	-	<b>(4,822,339)</b>	(2,174,197)
Balance at end of period	<b>56,925,156</b>	25,520,048	<b>56,925,156</b>	25,520,048
<b>Accumulated other comprehensive income (loss)</b>				
Balance at beginning of period	<b>(1,692,831)</b>	8,257,289	<b>5,419,894</b>	4,413,451
Other comprehensive income (loss)	<b>(44,539)</b>	93,168	<b>(7,157,264)</b>	3,937,006
Balance at end of period	<b>(1,737,370)</b>	8,350,457	<b>(1,737,370)</b>	8,350,457

See accompanying notes to the Consolidated Financial Statements

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

(Expressed in United States Dollars)

	<b>Three months ended September 30, 2009</b>	Three months ended September 30, 2008	<b>Nine months ended September 30, 2009</b>	Nine months ended September 30, 2008
<b>Cash flows from (used in) operating activities</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Net earnings (losses) for the period	(790,924)	1,150,383	36,884,685	2,988,242
Adjustments for items not involving cash:				
- Depreciation	-	525,596	257,096	1,604,845
- Amortization in general and administrative expenses	48,012	102,460	107,455	260,520
- Stock based compensation	188,998	350,842	477,015	1,187,605
- Exchange (gain) loss	21,432	-	(5,506,677)	-
- Equity (gain) loss in investment (Note 9)	42,971	38,038	(126,213)	91,003
- Gain on disposal of subsidiaries (Note 4)	-	-	(33,603,540)	-
- Non-controlling interests	(403)	106,961	(21,955)	287,425
	<b>(489,914)</b>	<b>2,274,280</b>	<b>(1,532,134)</b>	<b>6,869,640</b>
Change in non-cash working capital items:				
- Accounts receivable	-	814,298	-	47,947
- Prepayments, deposits and other receivables (Note 6)	(4,031,848)	(1,002,163)	(5,675,841)	(515,082)
- Due from related parties	-	(55,065)	-	(55,065)
- Inventories	-	571,181	-	401,083
- Accounts payable	-	52,495	-	861,018
- Due to related parties	-	(89,447)	-	986,144
- Other payables and accrued liabilities	18,217	200,505	(215,672)	(3,081,556)
- Derivative financial instrument liabilities	-	-	(94,015)	-
- Tax payable	-	37,489	-	(245,395)
<b>Net cash from (used in) operating activities</b>	<b>(4,503,545)</b>	<b>2,803,575</b>	<b>(7,517,662)</b>	<b>4,892,994</b>
<b>Cash flows from (used in) financing activities</b>				
Shares issued for cash from option exercise	-	-	255,490	61,005
Shares buy back	(265,906)	(1,390,637)	(1,588,686)	(3,213,264)
Repayment of shareholder's loan	-	-	2,300,119	-
Due from an investee company (Note 7)	(46,087)	-	(3,751,435)	-
Dividend paid	-	-	(4,822,339)	(2,174,197)
<b>Net cash used in financing activities</b>	<b>(311,993)</b>	<b>(1,390,637)</b>	<b>(7,606,851)</b>	<b>(5,326,456)</b>
<b>Cash flows from (used in) investing activities</b>				
Mineral properties and equipment	(170,829)	(4,388,182)	(618,769)	(11,831,550)
Change on construction payables	-	(137,190)	-	499,622
Disposition of equity interest in subsidiaries (Note 4)	-	-	36,942,051	-
Tax refund on capital transaction	-	-	-	680,383
Equity investments in joint ventures	-	-	7,432	-
Long term prepaids	-	(1,243,816)	-	(1,249,293)
Release of restricted cash	-	-	489,960	-
Long term investment	-	-	-	(784,343)
<b>Net cash from (used in) investing activities</b>	<b>(170,829)</b>	<b>(5,769,188)</b>	<b>36,820,674</b>	<b>(12,685,181)</b>
<b>Increase (Decrease) in cash and cash equivalents</b>	<b>(4,986,367)</b>	<b>(4,356,250)</b>	<b>21,696,161</b>	<b>(13,118,643)</b>
<b>Effect on foreign exchange rate changes on cash</b>	<b>63,042</b>	<b>56,609</b>	<b>363,112</b>	<b>2,362,439</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>80,599,671</b>	<b>39,168,373</b>	<b>53,617,073</b>	<b>45,624,936</b>
<b>Cash and cash equivalents at end of period</b>	<b>75,676,346</b>	<b>34,868,732</b>	<b>75,676,346</b>	<b>34,868,732</b>
<b>Supplementary cash flow information:</b>				
Interest received	84,406	147,524	331,799	596,685
Interest paid	-	(200,688)	-	(386,361)
Income tax paid	-	(141,576)	-	(879,649)
Realized forward contract loss	-	-	58,865	-

See accompanying notes to the Consolidated Financial Statements

**GobiMin Inc.**  
**Notes to Consolidated Financial Statements (Unaudited)**  
For the quarter ended September 30, 2009  
(Expressed in United States Dollars)

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**1. NATURE OF OPERATIONS**

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

In Hami of Xinjiang, GobiMin operated nickel-copper mining and development business through two Chinese subsidiaries, Xinjiang Yakesi Resources Co. Ltd. (“Yakesi”) and Hami Jubao Resources Co. Ltd. (“Jubao”). The ore mined was processed through the processing plants owned by the subsidiaries to produce nickel and copper concentrates. The concentrates were sold in China. GobiMin also owned, through one of the subsidiaries, 30% equity interest in Dazi PuXiong Copper Company Limited (“PuXiong”) which is engaged in exploration, mining and milling of copper and zinc resources in Tibet, China. GobiMin disposed Yakesi and Jubao in February 2009 and also ceased to own any equity interest in PuXiong.

In 2006, GobiMin formed a joint venture, Xinjiang Xinya Minerals Ltd. (“Xinya”). It owns 50% equity interest in Xinya which is engaged in exploration of zinc and copper projects in Xinjiang, China.

In 2007, GobiMin formed four joint ventures, Xinjiang Tongde Minerals Ltd., Xinjiang Tongxing Minerals Ltd. (“Tongxing”), Xinjiang Tongan Minerals Ltd. and Xinjiang Tianhong Minerals Ltd., to engage in exploration of nickel, copper, lead and zinc projects in Xinjiang, China. GobiMin owns 40% in each of these four joint ventures. GobiMin also engages in exploration projects in Indonesia.

In the first half year of 2009, GobiMin acquired an equity interest of 49% in China Precision Material Limited (“China Precision”) which is mostly engaged in metal trading, predominantly silver.

In September 2009, GobiMin entered into an agreement to acquire an equity interest of 70% in a new joint venture, Xinjiang Tongyuan Minerals Ltd. (“Tongyuan”), to participate in the development of the Sawayaerdun Gold Project in Xinjiang, China.

**2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

The unaudited interim consolidated financial statements of GobiMin have been prepared in accordance with Canadian generally accepted accounting principles using the same accounting policies and methods of application as those disclosed in note 2 of GobiMin’s audited consolidated financial statements for the year ended December 31, 2008, except for the change referred to in note 3 below. Generally accepted accounting principles for interim consolidated financial statements do not conform in all respects to the disclosures required for annual consolidated financial statements and, accordingly, these unaudited interim consolidated financial statements should be read in conjunction with GobiMin’s annual consolidated financial statements and accompanying notes for the year ended December 31, 2008. In the opinion of management, all adjustments considered necessary for the fair presentation of results for the periods presented have been reflected in these unaudited interim consolidated financial statements. These adjustments consist only of normal recurring adjustments. Operating results for these interim periods are not necessarily indicative of the results that may be expected for the full fiscal year ending December 31, 2009.

**3. CHANGE IN ACCOUNTING POLICIES**

**New Canadian Accounting Pronouncements**

a) Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064 “Goodwill and Intangible Assets”, which replaces Section 3062 “Goodwill and Other Intangible Assets” and Section 3450 “Research and Development Costs”. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. The new Section is applicable to the Company’s consolidated financial statements for its fiscal year beginning January 1, 2009.

b) Financial Assets and Financial Liabilities

**GobiMin Inc.**  
**Notes to Consolidated Financial Statements (Unaudited)**  
For the quarter ended September 30, 2009  
(Expressed in United States Dollars)

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In January 2009, the CICA issued EIC 173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". This guidance requires that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to the Company's 2009 fiscal year with retrospective application without restatement of prior periods.

c) Consolidations and Non-controlling Interests

In January 2009, the CICA issued Section 1601 "Consolidations" and Section 1602 "Non-controlling Interests". CICA 1601 establishes standards for the preparation of consolidated financial statements. CICA 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are applicable to interim and annual financial statements of the Company beginning on January 1, 2011. The Company is in the process of evaluating the impact of these standards.

d) Business Combinations

In January 2009, the CICA issued Section 1582 "Business Combinations" replacing Section 1581 "Business Combinations". The new section improves the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects. The section is applicable to the annual and interim financial statements of the Company beginning on or January 1, 2011, with early adoption permitted. The Company is in the process of evaluating the impact of this standard.

e) Convergence with International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed January 1, 2011 as the changeover date to move financial reporting for Canadian publicly accountable enterprises to IFRS. The Company is currently evaluating the impact on its financial statements. During the next periods, the Company will develop its internal implementation plan to meet the guidelines of the future reporting requirements.

**4. DISCONTINUED OPERATIONS**

In November 2008, the Board of Directors of the Company approved the agreements on disposal of the Company's equity interests in Yakesi and Jubao, which represented substantial continuing operation of the Company. The assets and liabilities of Yakesi and Jubao were therefore classified as discontinued operations in the Consolidated Balance Sheets as at December 31, 2008. Since there is no other material operation after the disposal, the operating results do not show the segregation of the operation results of Yakesi and Jubao.

By February 11, 2009, the agreements on the disposal of the equity interest in Yakesi and Jubao were approved by the Chinese government. The total sales proceeds received by the Company are RMB492 million (approximately \$72.1 million). The Company also received dividends of RMB43.89 million (approximately \$6.4 million) paid out by Yakesi and Jubao. The disposal resulted in a net gain of \$33.6 million.

a) Assets and Liabilities of the Discontinued Operations

As Yakesi and Jubao were sold in the quarter ended March 31, 2009, their assets and liabilities are not included in the financial statements for the period. The major classes of assets and liabilities of the discontinued operations are as follows:

**GobiMin Inc.**  
**Notes to Consolidated Financial Statements (Unaudited)**  
For the quarter ended September 30, 2009  
(Expressed in United States Dollars)

	September 30, 2009	December 31, 2008
<b>ASSETS</b>	\$	\$
<b>Current</b>		
Cash and cash equivalents	-	2,317,225
Loan receivable	-	1,026,038
Prepayments and other receivables	-	11,465,473
Inventory	-	2,499,419
Mineral properties	-	44,931,909
Equity investments	-	1,439,498
Due from related parties	-	80,246
Assets of discontinued operations	-	63,759,808

	September 30, 2009	December 31, 2008
<b>LIABILITIES</b>	\$	\$
Accounts payable	-	2,511,104
Due to related parties	-	20,378
Other payables and accrued liabilities	-	13,900,977
Income tax payable	-	174,080
Future income tax liabilities	-	83,562
Liabilities of discontinued operations	-	16,690,101

b) Gain and Proceeds from Disposition of Equity Interest in Subsidiaries

	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
	\$	\$	\$	\$
Net assets disposed of as at February 11, 2009	-	-	38,521,707	-
Gain on disposal of subsidiaries	-	-	33,603,540	-
<b>Consideration from disposition</b>	-	-	72,125,247	-
<b>Proceeds from disposition of equity interest in subsidiaries:</b>				
Consideration from disposition	-	-	72,125,247	-
Deposits received in 2008	-	-	(36,082,093)	-
Effect of foreign exchange rate changes in 2009	-	-	19,469	-
Final instalments received	-	-	36,062,623	-
Dividends received from discontinued operations	-	-	6,429,449	-
Withholding tax paid to local tax bureau	-	-	(5,550,021)	-
	-	-	36,942,051	-

Pursuant to the sale and purchase agreements dated November 23, 2008, the Company agreed to dispose of its 93.55% and 95.16% equity interests in Yakesi and Jubao respectively. According to the aforesaid agreements, the deposits with aggregate sum of RMB246 million (approximately \$36.0 million) were received by the Company during the year ended December 31, 2008.

The final instalments and dividends, net of tax payment, of RMB254 million (approximately \$36.9 million) were received by the Company during the quarter ended March 31, 2009.

A gain of \$33.6 million which arose from the above disposal has been recognised for the quarter ended March 31, 2009.



**GobiMin Inc.**  
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**5. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at September 30, 2009 include cash in different locations as follows:

Bank location	Currency	Amount	US\$ Equivalent
Canada	CAD	348,808	<b>325,333</b>
Hong Kong	HKD	535,177,462	<b>69,055,156</b>
China	RMB	42,999,090	<b>6,295,622</b>
Indonesia	IDR	2,267,257	<b>235</b>
Total			<b>75,676,346</b>

Cash and cash equivalents at December 31, 2008 include cash in different locations as follows:

Bank location	Currency	Amount	US\$ Equivalent
Canada	CAD	251,223	205,147
Hong Kong	HKD	99,708,820	12,865,322
China	RMB	276,619,220	40,545,981
Indonesia	IDR	6,861,969	623
Total			53,617,073

The RMB is not freely convertible into other currencies. However, under China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Company is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

The fair market values of cash and cash equivalents approximate their carrying values at September 30, 2009.

**6. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

The balance of prepayments, deposit and other receivables represent prepayment of expenses, rental deposit and deposit payment for the acquisition of building and participation in a gold project.

On April 19, 2009, the Company entered into an agreement to acquire a building in Hami, Xinjiang of China to serve as the head office of the operations in China for a consideration of RMB9,870,000 (\$1,444,241) which is treated as deposit paid as at September 30, 2009.

On September 15, 2009, the Company entered into an agreement to participate in the development of the Sawayaerdun Gold Project. GobiMin will invest RMB50,000,000 (\$7,320,646) in cash to the joint venture, Tongyuan, for its 70% equity interest. RMB25,000,000 (\$3,660,323) has been paid as deposit as at September 30, 2009. (See Note 14)

**7. DUE FROM AN INVESTEE COMPANY**

The amount due from an investee company of \$3,751,435 (December 31, 2008: \$ nil) represents advances to China Precision for its silver trading operation. The advances are unsecured and interest bearing at 2% per annum.

**GobiMin Inc.**  
**Notes to Consolidated Financial Statements (Unaudited)**  
For the quarter ended September 30, 2009  
(Expressed in United States Dollars)

**8. MINERAL PROPERTIES AND EQUIPMENT**

	Cost	Accumulated Amortization/ Written off	Net Book Value
<b>September 30, 2009</b>	\$	\$	\$
Buildings	121,448	(53,977)	67,471
Furniture, equipment and motor vehicles	893,584	(276,519)	617,065
Mineral exploration rights	105,207	-	105,207
	<b>1,120,239</b>	<b>(330,496)</b>	<b>789,743</b>
<b>December 31, 2008</b>			
Buildings	121,445	(23,614)	97,831
Furniture, equipment and motor vehicles	290,458	(199,402)	91,056
Mineral exploration rights	89,371	-	89,371
	501,274	(223,016)	278,258

During 2008, a carrying value of \$1,233,160 was written off for the Company's exploration rights and related machinery in Indonesia, as management believes there was no economic value for those assets under the market conditions. There are no significant commitments or payment requirements for any of the mineral properties.

**9. EQUITY INVESTMENTS**

Equity investments represent the Company's equity interests of 40% in each of the four joint ventures established in 2007 to explore nickel, copper, lead and zinc projects in Xinjiang region and an equity interest of 49% in China Precision established in 2009 to engage in metal trading, predominately silver.

The Company accounts for its investments on the equity basis, which is carried at cost, adjusted for the Company's proportionate share of their undistributed earnings and losses. During the three months ended September 30, 2009, the Company recorded \$42,971 (2008: \$38,038) equity loss on the investments.

**10. INTEREST IN JOINT VENTURE**

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

The Company adopts the proportionate consolidation method to account for its interest in Xinya. The Company's proportionate share of its interest in and results from the joint venture as at and for the 3 and 9 months ended September 30, 2009 are as follows:

	September 30, 2009	December 31, 2008
Cash and cash equivalents	\$ 527,286	\$ 560,549
Intangible assets – exploration right	105,207	89,372
Fixed assets	695	820
Other receivables	76,258	73,288
Other payables	(275)	(585)
	<b>709,171</b>	<b>723,444</b>

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	<b>Three months ended September 30, 2009</b>	Nine months ended September 30, 2009
General and administration expenses	(9,300)	(13,455)
Net cash from (used in) operating activities	(1,488)	(9,644)
Net cash used in financing activities	-	-
Net cash used in investing activities	-	(9,788)
Effect on foreign exchange rate changes on cash	(1,782)	(376)

**11. RELATED PARTY TRANSACTIONS AND BALANCES**

- a) Due from related parties of \$81,491 (December 31, 2008: \$71,347) pertains to receivables from the Company's joint venture, Tongxing, for Canadian consulting services on its current exploration projects.
- b) Due from related parties of \$388,857 (December 31, 2008: \$389,067) pertains to receivables from the Company's joint venture, Tongxing, for Chinese exploration services on its current exploration projects.

The transactions with related parties are measured at the exchange amount, which is the amount of consideration established and agreed by the parties. The balances with related parties are unsecured, non-interest bearing, and due on demand.

**12. DERIVATIVE FINANCIAL INSTRUMENTS**

As at December 31, 2008, GobiMin had an open position on a non-delivery forward contract with a bank of short selling RMB at exchange rate of 6.986 for \$7,000,000. The forward contract matured on March 10, 2009 and realized a total loss of \$152,880, of which \$58,865 is recognized in the quarter ended March 31, 2009 (2008: nil). For the year ended December 31, 2008, the unrealized loss is \$94,015.

**13. NON-CONTROLLING INTERESTS**

Non-controlling interests represent the 35% (2008: 35%) equity interest in PT Gobi Sulawesi Resources held by minority shareholders. For 2008, the non-controlling interests included also 6.45% equity interests in Yakesi and 4.84% equity interests in Jubao. All the Company's equity interests in Yakesi and Jubao were disposed in February 2009.

**14. COMMITMENTS**

As at September 30, 2009, capital commitments that the Company had contracted for, but not provided for, amounted to \$3,660,323 (December 31, 2008: \$24,152,667).

In this quarter, the wholly owned subsidiary of GobiMin, Xinjiang Weifu Mining Limited, has entered into an agreement with Xinjiang Baodi Mining Company and a subsidiary of Brigade No. 2 of Xinjiang Bureau of Geology and Mineral Resources to form a joint venture company, Tongyuan, in China to participate in the development of the Sawayaerdun Gold Project in Xinjiang, China. GobiMin will invest RMB50,000,000 (\$7,320,646) in cash to Tongyuan for its 70% equity interest. RMB25,000,000 (\$3,660,323) has been paid as deposit as at September 30, 2009. The remaining capital commitment is RMB25,000,000 (\$3,660,323) to be payable subject to the progress on the transfer of the exploration and mining permits to Tongyuan.

The Company incurs approximately \$23,302 (December 31, 2008: \$23,620) monthly office rental expense for its Hong Kong and Canada offices.

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**15. SHARE CAPITAL, STOCK OPTIONS AND EARNINGS PER SHARE**

**a) Common Shares**

	Number	Amount
Authorized:		\$
Unlimited number of common shares		
Issued and outstanding:		
Balance, December 31, 2008	70,324,402	29,918,738
Shares issued for option exercise	465,000	412,376
Shares bought back and cancelled	(2,331,300)	(1,588,686)
Balance, September 30, 2009	68,458,102	28,742,428

**b) Preferred Shares**

GobiMin did not issue or authorize any preferred share.

**c) Contributed Surplus**

	Amount
	\$
Balance, December 31, 2008	5,398,535
Options exercised	(156,887)
Stock-based compensation expense	477,015
Balance, September 30, 2009	5,718,663

**d) Normal Course Issuer Bid**

On January 23, 2009, GobiMin announced that it intended to renew its normal course issuer bid to repurchase some of its common shares on the TSX Venture Exchange. The Company intends to acquire up to an additional 3,516,220 common shares, representing approximately 5% of the then common shares outstanding. Purchases are expected to be made in accordance with applicable regulations over a maximum period of 12 months ending January 31, 2010. Up to September 30, 2009, a total of 2,331,300 common shares were repurchased for an aggregate cost of CAD\$1,850,114 (\$1,588,686). All shares purchased are returned to treasury for cancellation.

**e) Stock Options**

On May 26, 2005, the Company adopted a resolution cancelling all of its then 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 (2008: 5,700,000) common shares were reserved for issuance pursuant to the exercise of options to be granted under the plan.

A summary of the status of the Company's stock option plan as of September 30, 2009 and changes during the period is presented below:

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	Nine months ended September 30, 2009		Nine months ended September 30, 2008	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
		\$		\$
Outstanding, beginning of period	4,398,000	1.72	3,330,400	1.88
Forfeited	(571,400)	2.24	(96,000)	1.28
Issued at February 12, 2009	50,000	0.71	-	-
Issued at August 25, 2008	-	-	1,202,000	1.06
Issued at March 10, 2008	-	-	15,000	3.44
Issued at January 31, 2008	-	-	50,000	2.89
Exercised	(465,000)	0.55	(96,000)	0.55
Outstanding, end of period	3,411,600	1.76	4,405,400	1.72

The following table summarizes the employee stock options outstanding and exercisable at September 30, 2009:

Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
\$			\$			\$
0.55	1,046,600	1.03	0.55	971,000	1.03	0.55
0.95	10,000	1.18	0.95	8,000	1.18	0.95
1.66	150,000	1.74	1.66	150,000	1.74	1.66
1.79	5,000	2.37	1.79	3,000	2.37	1.79
3.61	875,000	0.84	3.61	875,000	0.84	3.61
3.61	260,000	2.84	3.61	156,000	2.84	3.61
1.06	840,000	1.92	1.06	504,000	1.92	1.06
1.06	175,000	3.92	1.06	70,000	3.92	1.06
0.71	50,000	0.33	0.71	50,000	0.33	0.71
	3,411,600	1.51	1.76	2,787,000	1.33	1.85

Stock Based Compensation

During the nine months ended September 30, 2009, the weighted average fair value of options granted amounted to \$0.28 (2008: \$0.76) per option. The Company determines fair value of the employee stock options using the Black-Scholes option pricing model. In determining the fair value of these employee stock options, the following assumptions were used:

Risk free interest rate:	0.58%
Expected life:	1 year
Expected volatility:	113%
Dividend yield:	-

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**f) Basic and Diluted Earnings (Losses) Per Share**

	Three months ended	
	September 30, 2009	September 30, 2008
<b>Net earnings (losses) attributable to shareholders</b>		
Basic and diluted	(\$790,924)	\$1,150,383
<b>Weighted average shares outstanding</b>		
Basic	68,751,762	72,266,750
Effect of dilutive stock options	388,925	771,746
Diluted	69,140,687	73,038,496
<b>Earnings (losses) per share</b>		
Basic	(\$0.012)	\$0.016
Diluted	(\$0.011)	\$0.016

	Nine months ended	
	September 30, 2009	September 30, 2008
<b>Net earnings available to shareholders</b>		
Basic and diluted	36,884,685	\$2,988,242
<b>Weighted average shares outstanding</b>		
Basic	69,272,796	72,935,717
Effect of dilutive stock options	374,280	1,118,964
Diluted	69,647,076	74,054,681
<b>Earnings per share</b>		
Basic	\$0.532	\$0.041
Diluted	\$0.530	\$0.040

**16. RESERVES**

During the nine months ended September 30, 2009, \$7,653 (2008: \$nil) of the net earnings of the Company's subsidiaries in China was transferred to general reserve. As a result of the sale of its operating subsidiaries, the balance reserve of \$6,144,537 at December 31, 2007 was transferred to retained earnings during the year ended December 31, 2008.

**17. SEGMENTED INFORMATION**

The Company conducted its business as a single operating segment, being the development and exploitation of mineral properties. It has no material operation after the disposal of 2 operating subsidiaries in February 2009 (see Note 4). All mineral property interests and capital assets were located in China, except for a very limited number of mining rights and office equipments acquired in Indonesia. Before the disposal, all of the Company's revenues were derived from Chinese sources and the Company had only one customer over the period covered by the related consolidated financial statements.

**18. OTHER REVENUE**

Other revenue includes interest income of \$331,799 (2008: \$569,685). The remaining amount of other revenue in the same period in 2008 was mainly generated from financial allowance from local government of Hami city to support the Company's business expansion and sales of oil and materials to contractors for mining operation.

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**19. OTHER COMPREHENSIVE INCOME (LOSS)**

For the nine months ended September 30, 2009, the accumulated other comprehensive loss was generated from unrealized losses on the translation to US dollars in recognizing the gain on disposal of subsidiaries, primarily due to the appreciation of RMB against US dollars.

**20. FINANCIAL INSTRUMENTS**

Under Canadian generally accepted accounting principles, all financial instruments must be classified into a defined category, namely, held-to-maturity investments, held-for-trading financial assets or financial liabilities, loans and receivables, available-for-sale financial assets, and other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

	<b>September 30, 2009</b>	December 31, 2008
Held for trading (a)	<b>75,676,349</b>	\$ 54,107,033
Due from related parties (b)	<b>470,348</b>	460,414
Other financial liabilities (c)	<b>243,773</b>	36,534,145
Derivatives (d)	-	94,015

- (a) Cash and cash equivalents and restricted cash are measured at fair value.
- (b) Due from related parties are measured at amortized cost.
- (c) Accounts payable, other payables and accrued liabilities, deposit received and due to related parties are measured at amortized cost.
- (d) Foreign exchange forward contract is measured at fair value.

**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.

**Foreign exchange forward contract**

The Company used foreign exchange forward contracts to manage its foreign exchange risks. The Company had entered into a non-delivery forward contract with a bank of short selling RMB in 2008. The forward contract matured on March 10, 2009 and realized a total loss of \$152,880, of which \$58,865 is recognized in the first quarter of 2009. For the year ended December 31, 2008, the unrealized loss is \$94,015.

**Risks arising from financial instruments and risk management**

The Company is exposed to various types of market risks, including changes in foreign exchange rates, interest rates, the prices of nickel and copper, in the normal course of business. The Company's overall risk management program focuses on mitigating these risks on a cost-effective basis. The Company used derivative financial instruments to reduce its exposure to foreign currency risk associated with the RMB proceeds to be received in 2009. The Company's policy is to only use derivatives for managing existing financial exposures and not for trading or speculative purposes.

**Exchange Rate Risk**

The Company generates revenues and incurs expenditures primarily in Canada, Hong Kong and China and is exposed to risk from changes in foreign currency rates. In addition, the Company holds financial assets and

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

As at September 30, 2009, through its wholly owned subsidiaries, the Company had cash of \$15,024,690, \$6,295,622 and \$4,066,688 which is denominated in Hong Kong dollars, RMB and Canadian dollars respectively. The remaining cash balance is mainly denominated in U.S. dollars.

**Credit Risk**

The Company is exposed to credit risk with respect to cash equivalents and accounts receivable. The carrying amount of assets included on the balance sheet represents the maximum credit exposure. The cash equivalents are mainly short-term bank deposits. None of the cash equivalents were in asset backed commercial paper products. The Company has deposited the cash equivalent in banks that meet minimum requirements for quality and liquidity as stipulated by the Company's Board of Directors. Management believes the risk of loss to be remote.

**Liquidity Risk**

Liquidity risk is the risk that the Company may encounter difficulties in meeting obligations associated with financial liabilities. As at September 30, 2009, the Company was holding cash and cash equivalents of \$75,676,346. The Company has determined that the cash and cash equivalents from previous financings will be more than sufficient to fund its requirements for investments in working capital and capital assets. The total \$243,773 financial liabilities are due within one year.

**Interest Risk**

Interest risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's cash equivalents and short term investments primarily includes highly liquid investments that earn interests at market rates that are fixed to maturity. Because of the short-term nature of these financial instruments, fluctuations in market rates do not have significant impact on the fair values of the financial instruments as of September 30, 2009.

**21. CAPITAL MANAGEMENT**

The Company's objectives of capital management are intended to safeguard the entity's ability to support the Company's normal operating requirement on an ongoing basis, continue the development and exploration of its mineral properties, and support any expansionary plans. The capital of the Company consists of the items included in shareholders' equity. The Board of Directors does not establish a quantitative return on capital criteria for management but promotes year-over-year sustainable earnings growth targets. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In response to the current economic and financial environment, the Company is adopting a more conservative capital management strategy in order to preserve cash and maintain a strong balance sheet.

The Company is not subject to externally imposed capital requirements.

**22. SUBSEQUENT EVENTS**

- a. For the period from October 1, 2009 to November 18, 2009, a total of 127,500 common shares were repurchased at an aggregate cost of CAD\$120,842 (\$112,709). All shares purchased were returned to treasury for cancellation.
- b. On November 4, 2009, the Company announced that it decided to terminate the Memorandum of Understanding relating to the investment in a silver refinery in China. No agreement on any terms of the plan had been concluded and GobiMin did not incur any deposit and break fee costs as a result of the termination. (See the Company's news release on July 24, 2009 and November 4, 2009).



**GobiMin Inc.**

(Incorporated in Canada under the Canada Business Corporations Act)

Management's Discussion and Analysis of Financial Results

For the quarter ended September 30, 2009

(Expressed in United States Dollars except where otherwise noted)

## **GobiMin Inc.**

### **Management's Discussion and Analysis of Financial Results**

For the quarter ended September 30, 2009

(Expressed in United States Dollars)

November 18, 2009

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The following discussion and analysis of the consolidated operating results and financial condition of GobiMin Inc. for the quarter ended September 30, 2009 should be read in conjunction with its consolidated financial statements for the quarter ended September 30, 2009 and its audited consolidated financial statements for the year ended December 31, 2008. The financial information was prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This Management's Discussion and Analysis was prepared on November 18, 2009.

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

#### **1. Corporate Overview**

GobiMin Inc., together with its subsidiaries (collectively referred to herein as the "Company" or "GobiMin"), is engaged principally in the exploration and development of mineral properties in the People's Republic of China ("China").

The Company's major base metals projects were located in Hami of the Xinjiang Uygur Autonomous Region ("Xinjiang") of China, where GobiMin operated a nickel-copper mining and development business through its Chinese subsidiaries. The ore mined by the subsidiaries was processed through their processing plants to produce nickel and copper concentrates. GobiMin disposed the two subsidiaries in February 2009.

GobiMin currently owns a 40% interest in the Yanxi Copper Deposit in Hami of Xinjiang, China. The Company received for its Yanxi Copper Deposit an initial NI 43-101 compliant Mineral Resource Estimate from Scott Wilson RPA in October 2008. The Mineral Resource Estimate showed in-situ metal of approximately 254 million pounds of copper in Indicated Mineral Resources with a further 160 million pounds in Inferred Mineral resources.

In first half year of 2009, the Company acquired an equity interest of 49% in China Precision Material Limited ("China Precision"). China Precision is mostly engaged in metal trading, predominantly silver.

## GobiMin Inc.

### Management's Discussion and Analysis of Financial Results

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In September 2009, GobiMin entered into an agreement to acquire an equity interest of 70% in a new joint venture, Xinjiang Tongyuan Minerals Ltd. ("Tongyuan"), to participate in the development of the Sawayaerdun Gold Project in Xinjiang, China.

## 2. Highlights

### (a) Corporate highlights

- ✧ With a cash balance of \$76 million, GobiMin is actively reviewing several potential investments, including high quality exploration and mining projects, in China and overseas.
- ✧ GobiMin has entered into an agreement to acquire an equity interest of 70% in a new joint venture, Tongyuan, to participate in the development of a gold project in Xinjiang, China.
- ✧ GobiMin has reviewed an investment in a silver refinery in July 2009 but has decided in November not to pursue.
- ✧ The Company is continuing the exploration in other mining projects in Xinjiang of China.

### (b) Financial highlights

	<b>3 months ended September 30, 2009</b>	3 months ended September 30, 2008	3 months ended September 30, 2007
Cash and cash equivalents	<b>\$76 million</b>	\$35 million	\$40 million
Cash and cash equivalents per share <sup>(1)</sup>	<b>\$1.11</b>	\$0.49	\$0.55
Revenue	<b>\$-</b>	\$7.5 million	\$9.9 million
Net earnings (losses)	<b>(\$0.8million)</b>	\$1.2 million	\$5.6 million
EBITDA <sup>(1)</sup>	<b>(\$0.6million)</b>	\$2.5 million	\$6.9 million
Basic earnings (losses) per share	<b>(\$0.012)</b>	\$0.016	\$0.076
Diluted earnings (losses) per share	<b>(\$0.011)</b>	\$0.016	\$0.075
EBITDA per share <sup>(1)</sup>	<b>(\$0.009)</b>	\$0.035	\$0.094

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

### (c) Change in auditor

Ernst & Young LLP (the "Former Auditor"), at the request of the Company, resigned as auditor of the Company effective October 23, 2009. The Board of Directors of the Company has appointed BDO Limited as the Company's auditor in the place and stead of the Former Auditor effective October 23, 2009 until the close of the next Annual General Meeting of the Company. There were no reservations in the Former Auditor's reports in connection with the financial statements of the Company for the two most recently completed fiscal years; and any period subsequent to the most recently completed period for which an audit report was issued and preceding the effective date of expiry of the Former Auditor's term of office.

## **GobiMin Inc.**

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### **3. Business Summary and Development**

#### (a) Gold Project in Xinjiang

The Company, through a wholly owned subsidiary, entered into an agreement with Xinjiang Baodi Mining Company ("Baodi") and a subsidiary of Brigade No. 2 of Xinjiang Bureau of Geology and Mineral Resources ("Brigade No. 2") to form a joint venture company, Tongyuan, in China to participate in the development of the Sawayaerdun Gold Project in Xinjiang, China. GobiMin will own a 70% equity interest in Tongyuan while Baodi and Brigade No. 2 will each retain an interest of 15% in exchange for their prior contribution. GobiMin will operate and manage Tongyuan (See the Company's news release on September 18, 2009).

#### (b) Silver Operations

The Company intends to build a vertically integrated silver operation. During the first half year of 2009, GobiMin acquired a 49% equity interest in China Precision which engages mostly in silver trading. China Precision buys physical silver ingots from producers and sells them directly to end consumers. All its positions are hedged and it is not exposed to market price movements. GobiMin will continue to seek other high quality silver projects in China.

#### (c) Investment Opportunities

The Company ceased to have its substantial mining operations in Hami, Xinjiang of China following the disposal of two operating subsidiaries in February 2009. With a cash balance of \$76 million, the Company will keep on searching for potential investment opportunities. Several projects are currently under negotiation and assessment.

#### (d) Exploration in Xinjiang

GobiMin currently owns 5 base metals exploration projects in Xinjiang, China including nickel, copper, lead and zinc projects. The most advanced project is the 40% owned Yanxi Copper Deposit which is located about 115 km south of the city of Hami in Xinjiang, China. Mineralization of the Yanxi Copper Deposit presently outlines a deposit about 1,000 m long, about 700 m down dip and up to 80 m thick. The Company is continuing the work towards the potential development of this project and has applied for the mining licence. It is planning to complete the preliminary design and prepare the mine infrastructure plan. The remaining exploration projects are at early exploration stages while some of them have undergone reconnaissance-prospecting or reconnaissance exploration.

#### (e) Normal Course Issuer Bid

On January 23, 2009, the Company renewed its normal course issuer bid to repurchase up to an additional 3,516,220 common shares over a maximum period of 12 months ending January 31, 2010. The Company repurchased 356,500 common shares during the quarter. Since January 23, 2009, it has repurchased 2,331,300 common shares and 2,458,800 common shares cumulatively up to September 30, 2009 and November 18, 2009 respectively. All shares repurchased were

## **GobiMin Inc.**

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returned to treasury for cancellation. GobiMin has 68,330,602 shares outstanding as at November 18, 2009.

#### **4. Key Economic Trends**

##### **(a) China Economy**

Since GobiMin's operations are mostly conducted in China, Chinese economy condition is a key factor on the Company's business. The currency fluctuation will have an impact on the Company's cost structure as the Company reports in US dollars. For the 12 months ended September 30, 2009, the Chinese currency Renminbi ("RMB") appreciated 0.3% against the US dollar.

#### **5. Critical Accounting Policies and Estimates**

The Company's accounting policies are described in Note 2 to the audited consolidated financial statements for the year ended December 31, 2008. The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported results. Changes to these estimates could materially impact the consolidated financial statements. The policies and estimates made by the Company that are considered to be most critical are described below.

##### **(a) Revenue Recognition**

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

##### **(b) Depreciation of Property and Equipment**

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

Buildings: 4.75% - 33.3%

Leasehold improvement: 33.3%

Production equipment: 9.5% - 19%

Transportation equipment: 11.88% - 25%

Other equipment: 11.88% - 19%

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

Exploration costs are stated at cost less any impairment loss. It comprises the direct costs of exploration work on mineral properties prior to the development. Upon commencement of

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commercial production of mineral properties, exploration costs are amortized over the mine's estimated life using the straight-line method with nil residual value.

#### (c) Asset Retirement Obligations

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

The Company has not recorded a liability for its asset retirement obligations.

#### (d) Equity Investment

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

#### (e) Proportionate Consolidation

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

#### (f) Derivative Financial Instruments

The Company recognizes derivative financial instruments on a fair value basis upon initial recognition and each subsequent reporting date. The Company has classified its non-delivery forward contract with the bank held for trading and therefore carries it at fair value, which is equal to market value, with the unrealized gain or loss recorded in other revenue or expenses in the Consolidated Statements of Income. Cash deposits held by the bank for the forward contract are separately disclosed as restricted cash in the Consolidated Balance Sheets.

## **6. Adoption of New Accounting Standards**

### (a) Goodwill and Intangible Assets

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In February 2008, the CICA issued Section 3064 "Goodwill and Intangible Assets", which replaces Section 3062 "Goodwill and Other Intangible Assets" and Section 3450 "Research and Development Costs". Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. The new Section is applicable to the Company's consolidated financial statements for its fiscal year beginning January 1, 2009.

(b) Financial Assets and Financial Liabilities

In January 2009, the CICA issued EIC 173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". This guidance requires that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to the Company's 2009 fiscal year with retrospective application without restatement of prior periods.

(c) Consolidations and Non-controlling Interests

In January 2009, the CICA issued Section 1601 "Consolidations" and Section 1602 "Non-controlling Interests". CICA 1601 establishes standards for the preparation of consolidated financial statements. CICA 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are applicable to interim and annual financial statements of the Company beginning on January 1, 2011. The Company is in the process of evaluating the impact of these standards.

(d) Business Combinations

In January 2009, the CICA issued Section 1582 "Business Combinations" replacing Section 1581 "Business Combinations". The new section improves the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects. The section is applicable to the annual and interim financial statements of the Company beginning on or January 1, 2011, with early adoption permitted. The Company is in the process of evaluating the impact of this standard.

(e) Convergence with International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed January 1, 2011 as the changeover date to move financial reporting for Canadian publicly accountable enterprises to IFRS. The Company is currently evaluating the impact on its financial statements. During the next periods, the Company will develop its internal implementation plan to meet the guidelines of the future reporting requirements.

## **7. Internal Control**

(a) Disclosure control and Procedures

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The management has evaluated the effectiveness of the Company's disclosure controls and procedures and, based on its evaluation, has concluded that these controls and procedures provide reasonable assurance that material information relating to the Company is made known to management and reported as required. There have been no changes in the Company's disclosure controls and procedures during the quarter that have materially affected, or are reasonably likely to materially affect the Company's disclosure controls and procedures.

#### (b) Internal Control over Financial Reporting

Management is also responsible for the design of internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The management has evaluated the design of the Company's internal controls and procedures over financial reporting and believes the design to be sufficient and appropriate to provide such reasonable assurance. It should be noted that while the officers of the Company have certified the Company's Filings, they do not expect that the disclosure controls and procedures or internal controls over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or implemented, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

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

## 8. Selected Quarterly Information

Selected quarterly information is provided as follows:

<b>For the quarter ended</b>	<b>September 30, 2009</b>	<b>June 30, 2009</b>	<b>March 31, 2009</b>	<b>December 31, 2008</b>
Revenue	\$ -	\$ -	\$ 939,923	\$ 3,066,275
Net earnings (losses)	<b>(790,924)</b>	(492,595)	38,168,204	(2,955,975)
Basic earnings (losses) per share	<b>(0.012)</b>	(0.007)	0.543	(0.041)
Diluted earnings (losses) per share	<b>(0.011)</b>	(0.007)	0.541	(0.040)
Cash and cash equivalents	<b>75,676,346</b>	80,599,671	92,026,901	53,617,073
Total assets	<b>89,599,209</b>	90,489,060	96,287,094	121,886,062

<b>For the quarter ended</b>	<b>September 30, 2008</b>	<b>June 30, 2008</b>	<b>March 31, 2008</b>	<b>December 31, 2007</b>
Revenue	\$ 7,481,856	\$ 6,762,013	\$ 4,137,710	\$ 8,570,412
Net earnings	1,150,383	1,294,072	543,787	4,843,994
Basic earnings per share	0.016	0.018	0.007	0.067
Diluted earnings per share	0.016	0.018	0.007	0.065
Cash and cash equivalents	34,868,732	39,168,373	44,133,344	22,323,438
Total assets	93,967,095	93,582,677	93,340,779	90,751,372

## 9. Results of Operations

#### (a) Revenue



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No revenue from operations has been recorded in this quarter due to the disposal of the operating subsidiaries on February 11, 2009.

Other revenue in this quarter comes from interest income of \$331,799 (2008 Q3: \$569,685). The decrease was mainly due to lower bank deposit interest rate in this quarter. Compared to last year's figures, there was no gain from investment in Chinese securities in the current quarter.

(b) Other expenses

Depreciation expense was \$48,012 compared to \$628,056 in Q3 2008. The decrease in balance was mainly due to the disposal of the operating subsidiaries on February 11, 2009.

General and administrative expenses incurred in this quarter were \$622,265 compared to \$1,109,209 in Q3 2008 and were lower as a result of discontinued operations. The expenses mainly include office rental, staff cost and consulting fees.

The amortized portion of the total stock based compensation in Q3 2009 decreased to \$188,998 (Q3 2008: \$350,842) mainly due to the cancellation of stock options for the discontinued operation.

(c) Earnings (losses) per share

Due to the disposal of the operating subsidiaries, the basic loss per share for this quarter decreased to \$0.012 and diluted loss per share for this quarter decreased to \$0.011 (Q3 2008 earnings: \$0.016).

(d) EBITDA

In this quarter, the losses before interest income and expense, income taxes, stock-based compensation, write-off expense, depreciation and amortization ("EBITDA"), a non-GAAP performance measure, were \$0.6 million.

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

	<b>3 months ended September 30, 2009</b>	3 months ended September 30, 2008
Net earnings (losses)	<b>\$ (790,924)</b>	\$ 1,150,383
Interest income & expense	<b>(84,406)</b>	84,971
Income tax	-	181,427
Depreciation	-	525,596
Amortization in general and administration expenses	<b>48,012</b>	102,460
Stock based compensation	<b>188,998</b>	350,842
Non-controlling interest	<b>(403)</b>	106,961
EBITDA <sup>(1)</sup>	<b>(638,723)</b>	2,502,640
EBITDA per share <sup>(2)</sup>	<b>(0.009)</b>	0.035

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

## 10. Liquidity and Capital Resources

The following table summarizes the Company's consolidated cash flows and cash on hand for the quarter ended September 30, 2009:

	<b>September 30, 2009</b>	December 31, 2008
Cash and cash equivalents	<b>75,676,346</b>	\$53,617,073
Working capital <sup>(1)</sup>	<b>85,472,930</b>	\$65,219,635
	<b>3 months ended</b>	3 months ended
	<b>September 30, 2009</b>	September 30, 2008
Net Cash from (used in) operating activities	<b>(4,503,545)</b>	\$2,803,575
Net Cash used in financing activities	<b>(311,993)</b>	(\$1,390,637)
Net Cash used in investing activities	<b>(170,829)</b>	(\$5,769,188)
	<b>9 months ended</b>	9 months ended
	<b>September 30, 2009</b>	September 30, 2008
Net Cash from (used in) operating activities	<b>(7,517,662)</b>	\$4,892,994
Net Cash used in financing activities	<b>(7,606,851)</b>	(\$5,326,456)
Net Cash from (used in) investing activities	<b>36,820,674</b>	(\$12,685,181)

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

### (a) Operating activities

In this quarter, net cash used in operating activities was \$4,503,545, compared to \$2,803,575 net cash generated in the same period last year. The cash outflow in this quarter was mainly due to substantially reduced revenue since the disposal of the operating subsidiaries in February 2009 and the payment of RMB25,000,000 (\$3,660,323) as deposit on the transfer of the exploration and mining permits to Tongyuan in the quarter.

### (b) Financing activities

Financing activities resulted in a net cash outflow of \$311,993 in this quarter compared to \$1,390,637 cash outflow in the same period last year. During this quarter, \$265,906 (CAD\$291,755) was used in repurchasing 356,500 shares.

### (c) Investing activities

Investing activities resulted in a net cash outflow of \$170,829 in this quarter compared to a net cash outflow of \$5,769,188 in the third quarter of 2008. The cash outflow from investing

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activities was mainly attributed for the acquisition of plants and equipment in both quarters. The decrease in balance is due to the disposal of two operating subsidiaries in February 2009.

#### **11. Balance Sheet**

##### (a) Cash

The Company had \$75,676,346 in cash and cash equivalents as at September 30, 2009 compared to \$53,617,073 as at December 31, 2008. The significant increase in the cash balance is attributed to the receipt of final instalments on the sale of its subsidiaries.

##### (b) Share Capital

As at September 30, 2009, the Company had 68,458,102 common shares issued and outstanding. During this quarter, 356,500 common shares were bought back and cancelled.

#### **12. Contractual obligations and commitment**

As at September 30, 2009, capital commitments that the Company had contracted for, but not provided for, amounted to \$3,660,323 (December 31, 2008: \$24,152,667).

In this quarter, the wholly owned subsidiary of GobiMin, Xinjiang Weifu Mining Limited, has entered into an agreement with Baodi and Brigade No. 2 to form a joint venture company, Tongyuan, in China to participate in the development of the Sawayaerdun Gold Project in Xinjiang, China. GobiMin will invest RMB50,000,000 (\$7,320,646) in cash to Tongyuan for its 70% equity interest. RMB25,000,000 (\$3,660,323) has been paid as deposit as at September 30, 2009. The remaining capital commitment is RMB25,000,000 (\$3,660,323) to be payable subject to the progress on the transfer of the exploration and mining permits to Tongyuan.

The Company incurs approximately \$23,302 (December 31, 2008: \$23,620) monthly office rental expense for its Hong Kong and Canada offices.

#### **13. Off-balance sheet arrangements**

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

#### **14. Risk factors**

The mining business conducted by the Company is subject to a number of risks, including but not limited to metal prices; currency risks; exploration, development and operating risks; uncertainty of ore reserve and resource estimates; capital requirements; risks relating to conducting business in China; dependence on key managerial employee; competition. The details of the Company's risk factors are discussed in the Management's Discussion and Analysis of Financial Results for the year ended December 31, 2008, which are available at [www.sedar.com](http://www.sedar.com) and at GobiMin's website ([www.gobimin.com](http://www.gobimin.com)). These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in the forward-looking statements relating to the Company.

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**15. Outlook**

Since the successful completion of the disposal of its two Chinese subsidiaries in February 2009, GobiMin endeavors on the best use of its strong financial position to achieve the Company's ongoing objective - to make opportunistic acquisitions with the cash reserves. GobiMin has started to make investments by participating in the development of a gold project in China. The Company will conduct an NI 43-101 report on the property to confirm the mineral resource estimate.

The Company intends to build a vertically integrated silver operation. It has acquired an equity interest in a silver trading operation. This is the beginning stage and the Company will look into either building or acquiring businesses in the sector.

While searching and evaluating high quality exploration and mining projects in China and overseas, GobiMin shall keep developing its existing and potential projects.