JINSHAN GOLD MINES INC.

Consolidated Financial Statements
June 30, 2005

(Unaudited)
(Stated in U.S. dollars)

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JINSHAN GOLD MINES INC.
Consolidated Balance Sheets
(Unaudited)
(Stated in U.S. dollars)

		June 30, 2005		December 31, 2004
ASSETS				
CURRENT				
Cash	**$**	**4,866,109**	$	4,030,374
Accounts receivable		**1,372,614**		575,884
Receivable from related party (Note 4(b))		**-**		1,807,801
Prepaid expenses		**232,388**		364,841
		6,471,111		6,778,900
CAPITAL ASSETS		**249,661**		222,090
	$	**6,720,772**	$	7,000,990
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities (Note 4(c))	**$**	**490,856**	$	741,105
Payable to related party (Note 4(b))		**775,747**		-
Deferred exploration expense recovery		**620,950**		-
Non-controlling interest in assets of subsidiary		**16,296**		-
		1,903,849		741,105
SHAREHOLDERS' EQUITY				
Share capital (Note 2)		**20,077,100**		20,077,100
Contributed surplus		**2,089,570**		1,939,729
Cumulative translation adjustments		**460,850**		460,850
Deficit		**(17,810,597)**		(16,217,794)
		4,816,923		6,259,885
	$	**6,720,772**	$	7,000,990

APPROVED BY THE BOARD

"Dan Kunz"

Director

"Pierre Lebel"

Director

JINSHAN GOLD MINES INC.
Consolidated Statements of Operations
(Unaudited)
(Stated in U.S. dollars)

	Three months ended June 30,		Six months ended June 30,	
	2005	2004	**2005**	2004
EXPENSES				
Administration and office	**$ 112,991**	$ 148,549	**$ 221,239**	$ 284,976
Amortization	**15,561**	10,791	**34,774**	19,475
Investor relations	**13,725**	11,855	**26,374**	45,023
Travel	**8,100**	16,667	**53,826**	73,801
Exploration expenses (Note 4(b) and Schedule)	**132,907**	1,341,901	**839,754**	1,880,201
Professional fees	**13,274**	18,059	**59,925**	96,047
Salaries and benefits	**75,178**	86,937	**157,939**	178,582
Stock-based compensation	**66,074**	246,855	**162,556**	336,892
Shareholder information, transfer agent and filing fees	**5,079**	42,372	**33,294**	69,543
	442,889	1,923,986	**1,589,681**	2,984,540
OTHER INCOME/(EXPENSES)				
Interest income	**23,228**	6,558	**41,166**	20,005
Foreign exchange loss	**(23,597)**	(129,209)	**(52,857)**	(243,141)
	(369)	(122,651)	**(11,691)**	(223,136)
NET LOSS BEFORE NON-CONTROLLING INTEREST	**443,258**	**2,046,637**	**1,601,372**	3,207,676
Non-controlling interest	**8,569**	-	**8,569**	-
NET LOSS	**$ 434,689**	$ 2,046,637	**$ 1,592,803**	$ 3,207,676
BASIC AND DILUTED LOSS PER SHARE	**$ (0.01)**	$ (0.04)	**$ (0.03)**	$ (0.07)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	**48,552,948**	47,489,413	**48,552,948**	46,613,281

JINSHAN GOLD MINES INC.
Consolidated Statement of Shareholders' Equity
(Unaudited)
(Stated in U.S. dollars)

	Share Capital										
	Number of Shares		Amount		Contributed Surplus		Cumulative Translation Adjustments		Deficit		Total
Balances, December 31, 2004	48,552,948	$	20,077,100	$	1,939,729	$	460,850	$	(16,217,794)	$	6,259,885
Stock compensation charged to operations	-		-		149,841		-		-		149,841
Net loss	-		-		-		-		(1,592,803)		(1,592,803)
Balances, June 30, 2005	48,552,948	$	20,077,100	$	2,089,570	$	460,850	$	(17,810,597)	$	4,816,923

JINSHAN GOLD MINES INC.
Consolidated Statements of Cash Flows
(Unaudited)
(Stated in U.S. dollars)

	Three months ended June 30, 2005	Three months ended June 30, 2004	Six months ended June 30, 2005	Six months ended June 30, 2004
OPERATING ACTIVITIES				
Net loss	**$ (434,689)**	$ (2,046,637)	**$ (1,592,803)**	$ (3,207,676)
Items not requiring use of cash:				
Amortization	**15,561**	10,791	**34,774**	19,475
Stock-based compensation	**66,074**	246,855	**162,556**	336,892
Exploration expenses (stock-based compensation recovery)	**328**	(307,545)	**(12,715)**	(337,231)
Exploration expense	**-**	3,247,476	**-**	3,247,476
Unrealized foreign exchange losses	**2,012**	11,999	**23,599**	125,003
Non-controlling interest	**(8,569)**	-	**(8,569)**	-
	(359,283)	1,162,939	**(1,393,158)**	183,939
Change in non-cash operating working capital items (Note 6)	**537,185**	(848,287)	**2,185,285**	(860,562)
	177,902	314,652	**792,127**	(676,623)
INVESTING ACTIVITIES				
Cash acquired on acquisition of 41.5% of Ningxia Pacific Mining	**120,983**	-	**120,983**	-
Capital asset additions	**(60,700)**	(65,735)	**(62,345)**	(73,954)
	60,283	(65,735)	**58,638**	(73,954)
FINANCING ACTIVITY				
Issuance of common shares	**-**	189,784	**-**	253,094
NET INCREASE (DECREASE) IN CASH FOR THE PERIOD	**238,185**	438,701	**850,765**	(497,483)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	**(1,057)**	(12,795)	**(15,030)**	(125,796)
CASH, BEGINNING OF PERIOD	**4,628,981**	6,854,634	**4,030,374**	7,903,819
CASH, END OF PERIOD	**$ 4,866,109**	$ 7,280,540	**$ 4,866,109**	$ 7,280,540

1. Basis of Presentation

The accompanying interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). However, they do not include all the information and disclosures required by Canadian GAAP for annual financial statements. They have been prepared using the same accounting policies and methods of applications as the latest annual consolidated financial statements. In the opinion of management, all adjustments of a normal recurring nature necessary for a fair presentation have been made. The results for interim periods are not necessarily indicative of results for the entire year. The information contained in the interim financial statements should be read in conjunction with Jinshan Gold Mines Inc.'s ("Jinshan") latest annual consolidated financial statements for the year ended December 31, 2004 and the notes thereto.

The accounting for Ningxia Pacific Mining changed during the quarter ended June 30, 2005, as the Company acquired control as described in Note 3(b).

The unaudited consolidated financial statements include the accounts of Jinshan and all its subsidiaries (individually and collectively referred to as the "Company"). All significant inter-company transactions and balances have been eliminated.

2. Share Capital

Stock-based Compensation – Directors, Officers, Employees and Consultants

On March 4, 2005, the Company granted 130,000 stock options to certain directors, officers and employees at an exercise price of CDN $0.57 with an expiry date of March 4, 2010. A compensation cost of $55,493 will be amortized over the vesting period.

Outstanding stock options and warrants

As at June 30, 2005, there were 3,218,634 stock options outstanding with exercise prices and expiry dates ranging from CDN $0.57 to CDN $3.60 and June 1, 2007 to March 4, 2010, respectively. During the six months ended June 30, 2005, 90,000 options were cancelled.

As at June 30, 2005, there were 11,100,000 warrants outstanding with exercise prices and expiry dates ranging from CDN $1.15 to CDN $2.20 and July 2, 2006 to December 12, 2005, respectively.

(Stated in U.S. dollars)

3. Mineral Properties

(a) During the quarter ended June 30, 2005, the Company agreed to sell its interest in the JBS Joint Venture Company which holds an option on the Jinbaoshan (JBS) Palladium and Platinum property and other regional exploration properties in Yunnan Province, China for $1.4 million. The Company, together with its joint-venture partner, Ivanhoe Mines Ltd., had earned an approximate 20% interest in the JBS Joint Venture Company.

The interest held by the JBS Joint Venture Company was sold back to the Chinese partner, subject to approval by Chinese authorities. The $1.4 million proceeds from the sale will be split evenly between the Company and Ivanhoe Mines Ltd. The first two payments of $500,000 each has been received, one in April 2005, and the second in July, 2005, and the balance is scheduled to be paid over the next 9 months.

(b) On April 7, 2005, the Company completed its earn-in agreement on the Chang Shan Hao (217) Gold Development Project in Inner Mongolia, China, by completing aggregate payments of $750,000 to its Chinese partner. The Company acquired an additional 41.5% interest and now holds a 96.5% interest (net 48.25% after giving effect to Ivanhoe Mines Ltd.'s 50% participation interest) in Ningxia Pacific Mining, the joint venture company. The acquisition of the additional 41.5% resulted in the Company acquiring net assets of $294,823 and the resulting purchase price discrepancy of $219,234 has been treated as a recovery of previously expensed exploration costs. The Company is using the purchase method of accounting to account for the acquisition of the 96.5% interest. Ivanhoe Mines Ltd. has exercised its right to participate in the project on a 50/50 basis with the Company.

4. Related Party Transactions

(a) The Company incurred the following expenses, on a cost recovery basis, with companies related by way of directors or shareholders in common:

	Three months ended June 30,		Six months ended June 30,	
	2005	2004	**2005**	2004
Administration and office	**$ 49,386**	95,041	**$ 156,830**	$ 195,329
Salaries and benefits	**93,629**	74,713	**173,763**	183,857
	$ 143,015	$ 169,754	**$ 330,593**	$ 379,186

(b) Exploration expenses of $888,642 were recoverable from Ivanhoe Mines Ltd., on a cost recovery basis, during the six months ended June 30, 2005 (2004 – $1,323,883). At June 30, 2005, an amount of $775,747 was payable to Ivanhoe Mines Ltd. At December 31, 2004, an amount of $1,807,801 was receivable from Ivanhoe Mines Ltd.

4. Related Party Transactions (continued)

(Stated in U.S. dollars)

(c) Accounts payable at June 30, 2005 included $132,663 (December 31, 2004 - $73,490) which was due to a company under common control or companies related by way of directors in common.

5. Segmented Information

(a) Industry Information

The Company operates in one reportable operating segment, being the acquisition and exploration of mineral resource properties.

(b) Geographic Information

	China	Canada	Total
As at June 30, 2005			
Capital assets	$ 214,585	$ 35,076	$ 249,661
As at December 31, 2004			
Capital assets	$ 188,497	$ 33,593	$ 222,090

6. Supplemental Cash Flow Information

	Three months ended June 30,		Six months ended June 30,	
	2005	2004	**2005**	2004
Net (increase) decrease in:				
Accounts receivable	**$ (1,315,951)**	$ (71,259)	**$ (909,709)**	$ (95,073)
Receivable from related party	**1,101,731**	(560,556)	**2,583,548**	(666,314)
Prepaid expenses	**126,160**	(79,696)	**132,453**	(66,703)
Net increase(decrease) in:				
Accounts payable and accrued liabilities	**4,295**	(136,776)	**(241,957)**	(32,472)
Deferred exploration expense recovery	**620,950**	-	**620,950**	-
	$ 537,185	$ (848,287)	**$ 2,185,285**	$ (860,562)

JINSHAN GOLD MINES INC.
Consolidated Schedule of Exploration Expenses
(Unaudited)
(Stated in U.S. dollars)

		Gold Projects			Six months ended
	Generative	217 Gold	Dandong (QCZ) Gold	JBS Platinum & Palladium	June 30, **2005**
Payments to/(recoveries from) joint venture companies & partners	$ 153,000	$ 298,500	$ -	$ (1,400,000)	$ (948,500)
Geological consultants	303,145	124,694	568	5,383	433,790
Engineering & other consultants	1,027	393,683	-	-	394,710
Project management	16,542	7,555	-	-	24,097
Maps & reproductions	4,066	7,920	-	-	11,986
Sampling and assaying	7,458	372,238	-	1,221	380,916
General & administrative	44,551	66,989	5,469	650	117,659
Salaries & benefits	34,101	103,635	-	414	138,150
Travel	77,383	151,146	1,329	1,203	231,061
Amount recovered / recoverable	-	(403,295)	(3,903)	695,033	287,833
Recovery of previously expensed exploration costs upon acquiring 41.5% Ningxia Pacific Mining	-	(219,234)	-	-	(219,234)
	$ 641,272	$ 903,831	$ 3,465	$ (696,097)	$ 852,469
Stock-based compensation					(12,715)
					$ 839,754

		Gold Projects			Copper Projects			Six months ended
	Generative	217 Gold	Dandong (QCZ) Gold	JBS Platinum & Palladium	Zhaotong	Huize-Xuanwei	Guizhou	June 30, 2004
Payments to joint venture companies & partners	$ 50,000	$ 1,200,000	$ -	$ -	$ -	$ -	$ 110,000	$ 1,360,000
Drilling and other consultants	-	98,510	-	-	-	-	-	98,510
Geological consultants	192,157	34,342	487	31,396	9,707	13,764	47,936	329,789
Engineering & other consultants	29,365	84,818	-	8,018	-	13,283	-	$ 135,484
Project management	61,039	17,325	600	14,020	3,315	8,692	2,697	107,688
Maps & reproductions	14,591	21,626	247	5,212	-	-	-	41,676
Sampling and assaying	5,396	77,038	2,807	19,056	7,012	9,320	2,649	123,278
General & administrative	20,754	99,665	10,422	8,339	6,942	107	27	146,256
Salaries & benefits	12,109	53,077	85	13,175	3,825	64	116	82,451
Travel	79,368	57,130	32,888	22,566	15,826	13,257	17,363	238,398
Amount recovered / recoverable	-	(2,574,426)	86,650	(1,041,677)	(43,583)	(29,334)	(91,204)	(3,693,574)
	$ 464,779	$ (830,895)	$ 134,186	$ (919,895)	$ 3,044	$ 29,153	$ 89,584	$ (1,030,044)
Stock-based compensation								(337,231)
Costs incurred pursuant to restructuring agreement								3,247,476
								$ 1,880,201

JINSHAN GOLD MINES INC.
Consolidated Schedule of Exploration Expenses
(Unaudited)
(Stated in U.S. dollars)

	Generative	Gold Projects: 217 Gold	Gold Projects: Dandong (QCZ) Gold	JBS Platinum & Palladium	Three months ended June 30, **2005**
Payments to/(recoveries from) joint venture companies & partners	$ 103,000	$ 150,000	$ -	$ (1,400,000)	$ (1,147,000)
Geological consultants	124,056	94,282	-	71	218,409
Engineering & other consultants	-	244,733	-	-	244,733
Project management	4,356	-	-	-	4,356
Maps & reproductions	(137)	2,524	-	-	2,387
Sampling and assaying	5,275	220,690	-	810	226,775
General & administrative	13,959	38,143	1,758	-	53,861
Salaries & benefits	16,650	54,377	-	24	71,050
Travel	18,534	82,888	840	-	102,263
Amount recovered / recoverable	-	(123,281)	(1,232)	699,493	574,978
Recovery of previously expensed exploration costs upon acquiring 41.5% Ningxia Pacific Mining	-	(219,234)	-	-	(219,234)
	$ 285,692	$ 545,124	$ 1,366	$ (699,602)	$ 132,579
Stock-based compensation					328
					$ 132,907

	Generative	Gold Projects: 217 Gold	Gold Projects: Dandong (QCZ) Gold	JBS Platinum & Palladium	Copper Projects: Zhaotong	Copper Projects: Huize-Xuanwei	Copper Projects: Guizhou	Three months ended June 30, 2004
Payments to joint venture companies & partners	$ 50,000	$ 1,155,000	$ -	$ -	$ -	$ -	$ 60,000	$ 1,265,000
Drilling and other consultants	-	97,832	-	-	-	-	-	97,832
Geological consultants	97,299	10,969	487	23,900	5,412	-	41,234	179,301
Engineering & other consultants	21,147	25,856	-	3,816	-	13,283	-	64,101
Project management	19,728	12,525	-	8,976	-	2,789	2,637	46,656
Maps & reproductions	6,619	14,048	-	4,885	-	-	-	25,553
Sampling and assaying	1,608	27,487	806	7,320	-	683	816	38,719
General & administrative	13,332	89,783	2,237	188	4,969	31	4	110,544
Salaries & benefits	8,450	32,727	24	5,113	3,370	24	116	49,822
Travel	38,976	33,973	17,144	6,363	6,103	5,221	6,909	114,689
Amount recovered / recoverable	-	(2,574,426)	113,489	(1,041,677)	(19,859)	(11,106)	(56,668)	(3,590,247)
	$ 257,159	$ (1,074,226)	$ 134,187	$ (981,116)	$ (5)	$ 10,925	$ 55,048	$ (1,598,030)
Stock-based compensation								(307,545)
Costs incurred pursuant to restructuring agreement								3,247,476
								$ 1,341,901

JINSHAN GOLD MINES INC.
Schedule B – Supplementary Information
June 30, 2005
(Stated in U.S. dollars)

1. Securities Issued

No common shares were issued during the six months ended June 30, 2005.

The following share purchase options were granted during the six months ended June 30, 2005:

Date	**Number**	**Optionee**	**Price Cdn $**	**Expiry Date**
4-Mar-05	55,000	Employees	$ 0.57	4-Mar-10
4-Mar-05	75,000	Consultant	0.57	4-Mar-10
	130,000			

2. Securities Outstanding

As at June 30, 2005, the following securities were outstanding:

(a) The Company is authorized to issue an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

(b) There are 48,552,948 common shares outstanding with a recorded value of $20,077,100.

(c) Summary of options and warrants outstanding as at June 30, 2005:

Description	Number outstanding	Exercise Price Cdn $	Expiry Date
Warrants	5,100,000	$ 1.15	2-Jul-06
Warrants	2,000,000	1.20	11-Oct-05
Warrants	4,000,000	2.20	12-Dec-05
	11,100,000		
Options	250,000	$ 0.90	1-Jun-07
Options	110,000	0.90	31-Aug-07
Options	60,000	1.16	17-Feb-08
Options	520,550	0.80	8-May-08
Options	1,216,084	0.73	6-Aug-08
Options	75,000	3.60	18-Nov-08
Options	25,000	2.36	26-Jan-09
Options	515,000	2.00	13-Apr-09
Options	10,000	1.31	20-May-09
Options	307,000	0.87	1-Dec-09
Options	130,000	0.57	4-Mar-10
	3,218,634		

3. Directors and Officers

Jay Chmelauskas, President & Director
Pierre Lebel, Chairman & Director
Daniel Kunz, Director
Edward Flood, Director
Ian He, Director
Peter Meredith, Director
Xiang Dong Jiang, Vice President Business Development
Jim Lincoln, Vice President Corporate Development
Greg Shenton, Chief Financial Officer
Beverly Bartlett, Secretary

JINSHAN GOLD MINES INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations
June 30, 2005
(Unaudited)
(Stated in U.S. dollars)

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Overview

Jinshan Gold Mines Inc. ("Jinshan") is an exploration stage company engaged in the acquisition and exploration of mineral properties in the People's Republic of China ("China"). Jinshan and its subsidiaries are individually and collectively referred to as the "Company". Jinshan is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange under the symbol JIN.

Independent resources estimate and completion of earn-in on the Chang Shan Hao (217) Gold project

In March, 2005, the Company released the results of a new independent resources estimate on the Chang Shan Hao (217) Gold project ("CSH (217) Gold project") which estimates the measured and indicated resource at 83 million tonnes grading 0.82 grams per tonne (g/t) gold, for contained gold content of approximately 2.2 million ounces. In addition, the project contains an estimated 37 million tonnes of inferred resources grading 0.89 g/t gold, for an additional contained gold content of approximately 1.0 million ounces. The resource estimate was calculated by Mario E. Rossi of GeoSytems International Inc., a qualified person as defined in National Instrument 43-101, and was based on the results of a drilling program undertaken during 2004 and using a cut-off grade of 0.5 grams per tonne ("g/t") and a gold price of $400 per ounce. Details of this new resource estimate are available on SEDAR.

In addition, in April, 2005, the Company earned a 96.5% interest (net 48.25% after giving effect to Ivanhoe Mines Ltd.'s participating interest) in the CSH (217) Gold project by making payments aggregating $750,000 to its Chinese partner, Ningxia Nuclear Industry Geological Exploration Institute ("Ningxia"). Ningxia retains a 3.5% carried interest in the project. The Company is still required to make two $1 million payments to Ningxia upon achieving certain milestones related to mine construction and commercial production. Ivanhoe Mines Ltd. has exercised its right to participate in the Company's interest in the CSH (217) Gold project on a 50/50 basis.

In July, 2005, the Company poured its first gold dore bars totaling approximately 580 ounces from pilot mining operations at its CSH (217) Gold project.

Funding and mineral exploration agreements with Ivanhoe Mines Ltd. ("Ivanhoe Mines")

In April 2004, Ivanhoe Mines and the Company entered into a definitive agreement to restructure a mineral exploration and development joint venture agreement entered into in May 2002. The definitive agreement provides Ivanhoe Mines the ability to maintain a 50% interest in the Company's interests in the CSH (217) Gold Project**.** In addition, Ivanhoe Mines has the right to earn up to 80% of the available interest in any new projects acquired by the Company in China (excluding properties acquired by the Company in Anhui and Liaoning provinces). The definitive agreement also contains a mutual non-compete clause, whereby the Company agrees not to compete for any new mineral properties in the Inner Mongolia Region and Ivanhoe Mines undertakes not to compete for any new mineral properties in the Liaoning Province. In addition, Ivanhoe Mines transferred to the Company 50% of its 20% carried interest in the Shuteen exploration license in southern Mongolia.

Critical Accounting Estimates

A detailed summary of all of the Company's significant accounting policies is included in Note 2 to the annual Consolidated Financial Statements for the year ended December 31, 2004.

All direct costs related to the acquisition of mineral property interests are capitalized by property. Exploration costs are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized. Exploration costs include value-added taxes incurred in foreign jurisdictions when recoverability of those taxes is uncertain.

The Company reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. An impairment loss is recognized when the carrying value of those assets is not recoverable and exceeds their fair value.

Future income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values, using the enacted or substantially enacted, as applicable, income tax rates at each balance sheet date. Future income tax assets also result from unused loss carry-forwards and other deductions. The valuation of future income tax assets is reviewed quarterly and adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount.

The Company accounts for stock options granted to directors, officers, employees and non-employees using the fair value method of accounting. Accordingly, the fair value of the options at the date of the grant is determined using the Black-Scholes option pricing model, as required by generally accepted accounting principles, and stock-based compensation is accrued and charged to operations, with an offsetting credit to contributed surplus, on a straight-line basis over the vesting periods. The fair value of stock options granted to non-employees is re-measured at the earlier of each financial reporting or vesting date, and any adjustment is charged or credited to operations upon re-measurement. Option pricing models require the input of highly subjective assumptions regarding the expected volatility. Changes in assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a realistic measure of the fair value of the Company's stock options at the date of the grant or thereafter.

Recent Accounting Pronouncements

On January 27, 2005, the CICA issued Section 3855 of the Handbook entitled Financial Instruments - Recognition and Measurement. It expands Handbook Section 3860, Financial Instruments - Disclosure and Presentation, by prescribing when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how gains and losses on financial instruments are to be presented.

All financial instruments will be required to be classified into various categories. Held to maturity investments, loans and receivables will be measured at amortized cost, with amortization of premiums or discounts, losses and impairment included in current period interest income or expense. Held for trading financial assets and liabilities will be measured at fair market value with all gains and losses included in net income in the period in which they arise. All available for sale financial assets will be measured at fair market value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet, and losses due to impairment will be included in net income. All other financial liabilities are to be carried at amortized cost.

The mandatory effective date of Section 3855 is for fiscal years beginning on or after October 1, 2006, with optional early recognition for fiscal years beginning on or after December 31, 2004. The Company has adopted this standard in its fiscal year ending December 31, 2005.

At present, the Company's most significant financial instruments are cash, accounts receivable and accounts payable. This new section will require little difference in accounting for these financial instruments from past standards.

The new Handbook Section 1530 - Comprehensive Income introduces a new requirement to temporarily present certain gains and losses outside of net income. Section 1530 defines comprehensive income as a change in value of net assets that is no longer due to owner activities. Assets that are classified as available for sale will have revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet.

At present, the Company does not have any "available for sale" investments.

The effective date of this new Section is for fiscal years beginning on or after October 1, 2006, with optional early recognition for fiscal years beginning on or after December 31, 2004. The Company has adopted this new standard in its fiscal year ending December 31, 2005.

Forward Looking Statements

Except for statements of historical fact relating to the Company, certain information contained herein constitutes forward-looking statements. Forward-looking statements are frequently characterized by words such as "plan," "expect," "project," "intend," "believe," "anticipate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include the inherent risks involved in the exploration and development of mineral properties, the uncertainties involved in interpreting drilling results and other ecological data, fluctuating metal prices, the possibility of project costs overruns or unanticipated costs and expenses, uncertainties relating to the availability and costs of financing needed in the future and other factors described in this report under the heading "Outlook". The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change. The reader is cautioned not to place undue reliance on forward-looking statements.

Exploration Properties

Gold

a) CSH (217) Gold Project

Property description - The CSH (217) Gold project consists of a licensed area of 36 square kilometers ("km^2") in the western part of Inner Mongolia, northern China. The CSH (217) Gold project is centrally positioned within the east-west-trending Tien Shan Gold Belt. The site is approximately 650 kilometres ("km") northwest of Beijing and 160 km south of Ivanhoe's major gold and copper discovery at Turquoise Hill (Oyu Tolgoi), in southern Mongolia.

Option agreement- In April 2002, the Company entered into a joint venture agreement with a Chinese partner to acquire up to a 96.5% interest in the CSH (217) Gold project. Under the terms of the agreement, the Company earned a 55% interest in the project by contributing $250,000 to the joint venture company, Ningxia Pacific Mining Co. Ltd. ("NPM") in 2002. The Company earned an additional 41.5% interest by making, over a three year period, payments totaling $750,000 to the Chinese partner; the final payment and transfer of interest occurring in April, 2005. Finally, the Chinese partner is also entitled to receive from the Company two $1 million payments, the first one being when the decision is made to start construction of a mining operation and the second, thirty days following commencement of commercial mining operations.

Up to June 30, 2005, the Company contributed $5.6 million to NPM as registered capital, and had paid $750,000 to the Chinese partner (of which $500,000 is included in the payments of registered capital to NPM). In addition, the Company has incurred exploration and other expenditures in respect of this project aggregating $2.7 million.

Funding arrangement – Under the terms of the definitive agreement dated April 20, 2004, Ivanhoe Mines and the Company will each fund 50% of the exploration expenditures on the CSH (217) Gold project. Accordingly, Ivanhoe Mines has funded $4.3 million of exploration expenditures to June 30, 2005.

Resource estimate – In March, 2005, the Company released the results of a new independent resource estimate on the CSH (217) Gold project which estimates the measured and indicated resource at 83 million tonnes grading 0.82 grams per tonne ("g/t") gold, for contained gold content of approximately 2.2 million ounces. In addition, the project contains an estimated 37 million tonnes of inferred resources grading 0.89 g/t gold, for an additional contained gold content of approximately 1.0 million ounces. The resource estimate was calculated by Mario E. Rossi of GeoSytems International Inc., a qualified person as defined in National Instrument 43-101, and was based on the results of a drilling program undertaken during 2004. Details of this new resource estimate are available on SEDAR.

Exploration results – Open pit pilot mining of oxide mineralized material commenced in July, 2004 and was completed along with a 1,000 tonne per day ("tpd") crushing system in October, 2004. The operation produced enough mineralized material to construct a 50,000 tonne heap-leach pad of run-of-mine material and a second 50,000 tonne heap-leach pad of single stage crushed material. Pilot heap leaching pads have produced approximately 580 ounces of gold to date. In addition, an underground tunnel extending approximately 300 metres in length into sulphide mineralized material was completed in March, 2005. The pilot mining and underground tunnel were designed to provide bulk-tonnage samples to better establish anticipated grade and metallurgical recoveries. Large scale column leaching tests of both oxide and sulphide material has commenced in the city of Baotou, China under the supervision and design of KD Engineering Inc. of Tuscon, Arizona. Mine engineering, mine permitting, environmental studies, metallurgical and other test work is progressing.

b) Dandong (QCZ) Gold Project

Exploration results have not met the Company's investment criteria. Therefore, the exploration permits for the Dandong (QCZ) gold project have been relinquished. The Company will restructure and maintain in good standing the joint venture company for other potential opportunities. A residual balance of approximately $360,000 (RMB 2.9 million) has been transferred from the joint venture and re-employed on other projects in China.

Platinum & Palladium

JBS Platinum and Palladium Project & JBS Regional Project

In April, 2005, the Company sold its interest in Yunnan Yunbao Platinum & Palladium Mining Co. Ltd. ("YYPP"), the JBS joint venture company, which holds an option on the JBS Palladium and Platinum property and other regional exploration properties in Yunnan Province, China, for $1.4 million. The Company, together with Ivanhoe Mines its joint-venture partner, had earned an approximate 20% interest in the JBS Joint Venture.

The interest in YYPP was sold back to the Chinese partner, subject to approval by Chinese authorities. The $1.4 million proceeds from the sale will be split evenly between the Company and Ivanhoe. The first and second payments of $500,000 each were received in April 2005, and July 2005, respectively, and the balance is scheduled to be paid within the next 9 months.

Generative Activities

The Company continues on a concerted program to acquire prospective exploration properties and to identify potential acquisitions in China and Asia on a selective basis, as part of a strategy to rationalize and expand its project portfolio. The Company has a strong technical exploration team working in China which is exploring for gold and base metals in specifically targeted areas of the country.

RESULTS OF OPERATIONS

Overview

The Company is in the exploration stage and financial results are generally not fully comparable to those of the corresponding periods in the prior year due to potential significant changes to the nature of the Company's operations. Accordingly, in addition to quarterly comparisons, the current quarter's operating results are compared to those of the immediately preceding quarter.

Selected Quarterly Data

($ in thousands, except per share information)

	2005		2004				2003	
QUARTER ENDED	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep*
Exploration expenses	$ 133	$ 707	$ 822	$ 884	$ 1,342	$ 538	$ 1,919	$ 2,023
Net loss	$ (435)	$ (1,158)	$ (1,142)	$ (1,102)	$ (2,047)	$ (1,161)	$ (2,339)	$ (2,488)
Net loss per share	$ (0.01)	$ (0.02)	$ (0.02)	$ (0.02)	$ (0.04)	$ (0.03)	$ (0.06)	$ (0.07)

** Amounts have been restated in accordance with Note 3 to the annual consolidated financial statements for the year ended December 31, 2004*

Fluctuations in the quarterly net loss amounts over the two year periods ended June 30, 2005 is almost entirely due to fluctuations in the level of exploration expenditures on a period over period basis. Exploration expenditures fluctuate on a quarterly basis due to such factors as: variations in the scheduled contributions to joint venture companies and partners; timing of recovery and recognition of exploration costs from Ivanhoe Mines; and fluctuations in the recognition of stock-based compensation charged to operations. The decrease in exploration expenditures and the net loss for the quarter ended June 31, 2005 is primarily attributable to the sale of the JBS property.

	Three Months Ended,		
	March 31, 2005	**June 30, 2005**	**June 30, 2004**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Expenses			
Administration and office	$ 108,248	$ 112,991	$ 148,549
Amortization	19,213	15,561	10,791
Investor relations	12,649	13,725	11,855
Exploration expenses	706,847	132,907	1,341,901
Professional fees	46,651	13,274	18,059
Salaries and benefits	82,761	75,178	86,937
Stock-based compensation	96,482	66,074	246,855
Shareholder information, transfer agent and filing fees	28,215	5,079	42,372
Travel	45,726	8,100	16,667
	1,146,792	442,889	1,923,986
Other Income/(Expenses)			
Interest income	17,938	23,228	6,558
Foreign exchange loss	(29,260)	(23,597)	(129,209)
	(11,322)	(369)	(122,651)
Net loss before non-controlling interest	1,158,114	443,258	2,046,637
Non-controlling interest	-	8,569	-
Net loss	$ (1,158,114)	$ (434,689)	$ (2,046,637)

Three months ended June 30, 2005 and 2004

The Company incurred a net loss of $435,000 in the three months ended June 30, 2005 as compared to a net loss of $2.0 million for the three months ended June 30, 2004. This change is primarily due to a decrease in the amount of exploration expenditures recorded in the June, 2005 period.

Exploration expenditures for the June, 2005 quarter were $133,000 versus an amount of $1.3 million in the 2004 quarter. The recognition of proceeds from the sale of the JBS property in April, 2005 resulted in a net reduction of exploration expenditures of $700,000 in the June, 2005 quarter. Total exploration expenditures for the quarters ended June 30, 2005 and 2004, excluding recoveries from Ivanhoe Mines, net proceeds from the sale of the JBS property and stock-based compensation, were $1.2 million and $2.0 million, respectively. This decrease is due in part to net costs incurred in the 2004 period pursuant to the restructuring agreement with Ivanhoe mines which were not duplicated in the 2005 period. A portion of this decrease also results from a negative goodwill charge of $219,000 that arose from the Company's acquisition of an additional 41.5% interest in Ningxia Pacific Mining.

Net recoveries of exploration expenses from Ivanhoe Mines were $3.6 million in the 2004 period. For the June, 2005 period, $621,000 of net exploration expenditures recovered from Ivanhoe Mines has been included on the balance sheet as a deferred exploration expense as it relates to future expenditures associated with the current net assets of the CSH (217) Gold project; this, together with Ivanhoe Mines' portion of the sales proceeds from the JBS property of $700,000, has resulted in a net charge to exploration expenditures in the June, 2005 period of $575,000. The Company consolidates 100% of the financial position and results of the CSH (217) Gold project as it assumes the primary economic risks associated with this project. Until April, 2004, Ivanhoe Mines did not participate in cost sharing arrangements on the CSH (217) Gold project. The recovery for the June, 2004 quarter reflects a retroactive repayment representing 50% of all expenditures incurred by the Company up to that time and is, accordingly, not representative of expenditures for the three-month period. The recovery of these accumulated expenditures received in the second quarter of 2004 was offset by costs incurred pursuant to a restructuring agreement with Ivanhoe Mines in the amount of $3.2 million.

General and administrative expenses decreased to $310,000 in the 2005 quarter from $582,000 incurred in the 2004 quarter. This decrease is primarily due to a reduction of stock-based compensation charges in the current quarter. This difference reflects the vesting pattern of the underlying stock options that gave rise to the compensation expense.

Administration and office costs decreased by $36,000 in the June, 2005 period, due in part to the rationalization of office locations in China and the resultant savings in office rent. In addition, certain postage costs associated with the Company's Special Meeting held in the 2004 period were not duplicated in 2005. For the same reason, shareholder information, transfer agent and filing fees costs were higher in the 2004 quarter due to additional filing fees and printing costs.

The balance of administrative costs remained relatively constant on a period to period basis.

There was also a decrease in the foreign exchange loss recorded for the 2005 period versus the amount incurred for the corresponding period in 2004. These losses are the result of changes to the U.S. to Canadian dollar exchange rates during these periods and the resultant decrease in, primarily, the U.S. dollar equivalent of Canadian dollar denominated cash deposits. Canadian dollar denominated cash deposits decreased significantly from March, 2004 to March, 2005 as certain of these funds were utilized for operations and others were converted to U.S. dollars.

Three months ended June 30, 2005 and March 31, 2005

The Company incurred a net loss of $435,000 in the three-month period ended June 30, 2005, as compared to the net loss of $1.2 million for the three-month period ended March 31, 2005.

Exploration costs for the March, 2005 quarter were $707,000 versus an amount of $133,000 incurred in the June, 2005 quarter; the majority of this difference arising from proceeds from the sale of the JBS property as well as a recovery of previously expensed exploration costs (negative goodwill) if $219,000 on acquisition of the additional 41.5% interest in the CSH (217) Gold project. Total exploration expenditures for the quarters ended March 31, 2005 and June 30, 2005, excluding recoveries from Ivanhoe Mines, net proceeds from the sale of the JBS property and stock-based compensation, were $1.0 million for the March quarter and $1.2 million for the June quarter. Exploration expenditure recoveries from Ivanhoe Mines were $288,000 for the March quarter versus a net charge of $575,000 for the June quarter; the majority of the March amounts are related to the CSH (217) Gold project wheras the June figure includes a net charge of $700,000 related to the JBS property sale.. Stock-based compensation was $328 in the June quarter versus a recovery of $13,000 in the March quarter.

General and administrative expenses decreased to $310,000 in the June, 2005 quarter from the $440,000 in the March, 2005 period. This decrease is primarily due to reductions in professional fees, shareholder information, transfer agent and filing fees, stock-based compensation charges, and travel expenditures. Professional fees and printing costs associated with the Company's annual general meeting and annual filling fees with the TSX were incurred in the first quarter of 2005 and not duplicated in the June quarter. Stock-based compensation charges fluctuate due to the vesting pattern of the underlying stock options that gave rise to the expense. Travel expenditures decreased as fewer trips were made to China by administrative personnel during the second quarter.

The Company incurred foreign exchange losses for the three months ended March 31, 2005 of $29,000 and $24,000 for the June 2005 quarter. These losses are the result of changes to the U.S. to Canadian dollar exchange rates during these periods and the resultant decreases and increases in, primarily, the U.S. dollar equivalent of Canadian dollar denominated cash deposits.

(Expressed in U.S. Dollars)

	Six Months Ended June 30,	
	2005	**2004**
	(Unaudited)	**(Unaudited)**
Expenses		
Administration and office	$ 221,239	$ 284,976
Amortization	34,774	19,475
Investor relations	26,374	45,023
Exploration expenses	839,754	1,880,201
Professional fees	59,925	96,047
Salaries and benefits	157,939	178,582
Stock-based compensation	162,556	336,892
Shareholder information, transfer agent and filing fees	33,294	69,543
Travel	53,826	73,801
	1,589,681	2,984,540
Other Income/(Expenses)		
Interest income	41,166	20,005
Foreign exchange loss	(52,857)	(243,141)
	(11,691)	(223,136)
Net loss befor non-controlling interest	1,601,372	3,207,676
Non-controlling interest	8,569	-
Net loss	$ (1,592,803)	$ (3,207,676)

Six months ended June 30, 2005 and 2004

The Company incurred a net loss of $1.6 million in the six months ended June 30, 2005 as compared to a net loss of $3.2 million for the six months ended June 30, 2004. This change is primarily due to decreases in the amount of exploration expenditures, stock-based compensation and foreign exchange losses recorded in the June, 2005 period.

Exploration expenditures for the six months ended June, 2005 were $840,000 versus an amount of $1.9 million in the corresponding period in 2004. Total exploration expenditures for six-months ended June 30, 2005 and 2004, excluding recoveries from Ivanhoe Mines, net proceeds from the sale of the JBS property and stock-based compensation, were $2.2 million and $2.7 million, respectively. For both periods, most of these costs were incurred in respect of the CSH (217) Gold project and for other generative exploration activities.

Net recoveries of exploration expenses from Ivanhoe Mines were $3.7 million in the 2004 period. For the June, 2005 period, $621,000 of net exploration expenditures recovered from Ivanhoe Mines has been included on the balance sheet as a deferred exploration expense as it relates to future expenditures associated with the current net assets of the CSH (217) Gold project; this, together with Ivanhoe Mines' portion of the sales proceeds from the JBS property of $700,000, has resulted in a net charge to exploration expenditures in the June, 2005 period of $288,000. Until April, 2004, Ivanhoe Mines did not participate in cost sharing arrangements on the CSH (217) Gold project. The recovery for the June, 2004 quarter reflects a retroactive repayment representing 50% of all expenditures incurred by the Company up to that time and is, accordingly, not representative of expenditures for the that six-month period. The recovery of these accumulated expenditures received in the 2004 period was offset by costs incurred pursuant to a restructuring agreement with Ivanhoe Mines in the amount of $3.2 million.

General and administrative expenses decreased from $1.1 million in the 2004 period to $750,000 in the 2005 period. This decrease is primarily due to a reduction of stock-based compensation charges in the current quarter. This difference reflects the vesting pattern of the underlying stock options that gave rise to the compensation expense.

Salary expenses and administration and office costs and decreased by $84,000 in the June, 2005 period. This was due in part to the rationalization of office locations in China and the resultant savings in office rent, and a decrease in personnel charges for the 2005 period. Certain of the Company's administrative staff and office facilities are employed/provided by Global Mining Management ("GMM")(see 'Related party transactions' below) whose costs are allocated on an as-used basis. Accordingly, fluctuations in the costs of administrative and personnel costs can be expected commensurate with increases or decreases in quarterly corporate activity and the level of personnel employed.

There was also a decrease in the foreign exchange loss recorded for the 2005 period of $53,000 versus the amount of $243,000 incurred for the corresponding period in 2004. These losses are the result of changes to the U.S. to Canadian dollar exchange rates during these periods and the resultant decrease in, primarily, the U.S. dollar equivalent of Canadian dollar denominated cash deposits. Canadian dollar denominated cash deposits decreased significantly from June, 2004 to June, 2005 as certain of these funds were utilized for operations and others were converted to U.S. dollars.

Liquidity and Capital Resources

The balance sheets as at June 30, 2005, March 31, 2005 and December 31, 2004 are shown in the following table for ease of reference:

	June 30, 2005	March 31, 2005	December 31, 2004
	(Unaudited)	(Unaudited)	
ASSETS			
Current			
Cash	$ 4,866,109	$ 4,628,981	$ 4,030,374
Accounts receivable	1,372,614	162,084	575,884
Receivable from related party	-	325,984	1,807,801
Prepaid expenses	232,388	358,380	364,841
	6,471,111	5,475,429	6,778,900
CAPITAL ASSETS	249,661	204,522	222,090
	$ 6,720,772	$ 5,679,951	$ 7,000,990
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	$ 490,856	$ 494,741	$ 741,105
Payable to related party	775,747	-	-
Deferred exploration expense recovery	620,950	-	-
Non-controlling interest in assets of subsidiary	16,296	-	-
	1,903,849	494,741	741,105
SHAREHOLDERS' EQUITY			
Share capital	20,077,100	20,077,100	20,077,100
Contributed surplus	2,089,570	2,023,168	1,939,729
Cumulative translation adjustments	460,850	460,850	460,850
Deficit	(17,810,597)	(17,375,908)	(16,217,794)
	4,816,923	5,185,210	6,259,885
	$ 6,720,772	$ 5,679,951	$ 7,000,990

As at June 30, 2005, the Company had a working capital balance of $4.6 million and cash resources of $4.9 million. During the three months ended June 30, 2005, net cash inflows were $249,000. The Company received $1.1 million from Ivanhoe Mines, representing reimbursement of costs of the CSH (217) Gold project. Cash outflows from operating activities for this period, net of the amount received from Ivanhoe Mines, were $873,000.

At June 30, 2005, the Company had approximately $1.3 million held in Canadian funds which amount exposes the Company to risks associated with foreign exchange fluctuations. For the three months ended June 30, 2005, these Canadian denominated funds incurred an unrealized foreign exchange loss of $15,000 due to the weakening of the Canadian dollar versus its U.S. counterpart.

The Company expects to spend approximately $3.0 million during 2005 on its share of exploration and development projects, including exploration and general and administrative costs, and expects to fund these operations from its working capital balance on hand. Should a decision be made during 2005 to commence commercial production at the CSH (217) Gold project, additional financing will be required to fund the capital and start-up costs. It is currently estimated that the Company's share of these costs, assuming the continued 50% participation by Ivanhoe Mines, could be approximately $5 million for the 2005 year. The Company anticipates that funding for this project would be either through a debt facility, new equity financings, or a combination of both.

The Company's long term financial requirements both in respect of the CSH (217) Gold project and other optional payments under various joint venture projects currently exceed the working capital available on hand. The Company expects to finance future obligations and commitments through the exercise of options and warrants, additional equity or debt financings, all of which are subject to favorable market conditions. However, there can be no assurance that debt facilities or additional equity financings will be available when required or at terms that are favorable to the Company.

Related Party Transactions

Certain administrative costs are paid to Global Mining Management Corporation ("GMM") for corporate secretarial, accounting, investor relations and administrative services performed on behalf of the Company. GMM is related to Jinshan as certain officers are common to each company. GMM provides these services to a group of companies, some of which are related to Jinshan and others which are not. The services provided by GMM are incurred on an as-used basis. The Company has utilized the services of the GMM staff and office since April 1, 2003 and has incurred costs of $143,000 for the three-month period ended June 30, 2005 ($170,000 – 2004) and $331,000 for the six-month period ended June 30, 2005 ($379,000 – 2004).

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares without par value. As at August 26, 2005: 48,552,948 common shares were issued and outstanding; 3,655,234 share purchase options had been granted and were outstanding; and 11,100,000 common share purchase warrants had been issued and were outstanding. On a fully diluted basis, 63,308,182 common shares were outstanding.

Risk Factors

The business of mineral exploration and extraction involves a high degree of risk. Few properties that are explored are ultimately developed into production. At present, none of the Company's properties has a known body of commercial ore. Material risks and uncertainties affecting the Company, their potential impact, and the Company's principal risk management strategies, are as follows:

- *Additional Funding Requirements* - The further development and exploration of the various mineral properties in which it holds interests depends upon the Company' ability to obtain financing through joint ventures, debt financing, equity financing or other means. There can be no assurance that the Company will be successful in obtaining any required financing as and when needed. Depressed markets for precious and base metals may make it difficult, or impossible, for the Company to obtain debt financing or equity financing on favorable terms, or at all. The Company operates in a region of the world that is prone to economic and political upheaval and mineral properties held by the Company are located in politically and economically unstable countries, which may make it more difficult for the Company to obtain debt financing from project lenders. Failure to obtain additional financing on a timely basis may cause the Company to postpone its development plans, forfeit rights in some or all of its properties or reduce or terminate some or all of its operations.
- *Risks pertaining to foreign countries* - China is, and for the foreseeable future is expected to remain, the country in which the Company concentrates most of its business activities and financial resources. In addition to interests in projects in China, the Company may enter into contractual arrangements in other foreign jurisdictions. The foreign legal frame work for these agreements, particularly in developing countries, is often based on recent political reforms and newly enacted legislation, which may not be consistent with long-standing local conventions and customs. As a result, there may be ambiguities, inconsistencies and anomalies in the agreements or the legislation upon which they are based which are atypical of more developed legal systems and which may affect the interpretation and enforcement of the Company's rights and obligations and those of our foreign partners. Local institutions and bureaucracies responsible for administering foreign laws may lack a proper understanding of the laws or the experience necessary to apply them in a modern business context. Foreign laws may be applied in an inconsistent, arbitrary and unfair manner and legal remedies may be uncertain, delayed or unavailable.
- *Uncertainties related to mineral resource estimates* – There is a degree of uncertainty attributable to the calculation of mineral resources and corresponding grades being mined or dedicated to future production. Until resources are actually mined and processed, the quantity of resources and grades must be considered as estimates only. In addition, the quantity and value of reserves or resources may vary, depending on metals prices. Any material change in the quantity of resources, grades or stripping ratio may affect the economic viability of the Company's properties. In addition, there can be no assurance that metal recoveries in small-scale laboratory tests will be duplicated in larger-scale tests under on-site conditions, or during production.
- *Metal price volatility* – Metal prices are subject to volatile price changes from a variety of factors, including international economic and political trends, expectations of inflation, global and regional demand, currency-exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods.
- *Currency risks* – The bulk of the Company's activities are denominated in U.S. currency. During 2005, the Company maintained some of its surplus funds in Canadian dollars. During most of this period, the Canadian dollar weakened against the U.S. dollar, resulting in foreign exchange losses to the Company.

- *Limited production history* - The Company has paid no dividends on its common shares since incorporation and does not anticipate doing so in the foreseeable future. To date, the Company has not received any cash flow generated from planned commercial operations. All exploration projects of the Company will need funding from the Company. The Company has a limited operating history and there can be no assurance of its ability to operate its projects profitably. While the Company may in the future generate additional working capital through the operation, development, sale or possible syndication of its properties, there is no assurance that the Company will be capable of producing positive cash flow on a consistent basis or that any such funds will be available for exploration and development programs.
- *Uninsurable risks or self-insured risks* –Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts or slides, fires, floods, earthquakes or other environmental occurrences, and political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any further profitability and result in increasing costs and a decline in the value of the securities of the Company. The Company does not maintain insurance against political or environmental risks.

Outlook

The Company sees opportunity for discoveries by applying its geological expertise and capital generation capabilities to under-explored regions in China. However, the Company will focus mainly on advancing the CSH (217) Gold project toward a production decision at this time. It will also continue to identify and evaluate prospective mineral properties for acquisition on a selective basis. The Company seeks to generate positive cash flow from its mineral properties in China, starting with the CSH (217) Gold project, in order to underpin its business development and geological strategies.

August 26, 2005