



JINSHAN GOLD MINES INC.

Consolidated Financial Statements September 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)

	<u>September 30,</u> <u>2005</u>	<u>December 31,</u> <u>2004</u>
ASSETS		
CURRENT		
Cash	\$ 3,868,631	\$ 4,030,374
Accounts receivable	697,483	575,884
Receivable from related party (Note 4(b))	-	1,807,801
Prepaid expenses	189,640	364,841
	<u>4,755,754</u>	<u>6,778,900</u>
CAPITAL ASSETS	280,906	222,090
	<u>\$ 5,036,660</u>	<u>\$ 7,000,990</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 4(c))	\$ 626,057	\$ 741,105
Payable to related party (Note 4(b))	112,843	-
Deferred exploration expense recovery	670,452	-
	<u>1,409,352</u>	<u>741,105</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 2)	20,077,100	20,077,100
Contributed surplus	2,239,393	1,939,729
Cumulative translation adjustments	460,850	460,850
Deficit	(19,150,035)	(16,217,794)
	<u>3,627,308</u>	<u>6,259,885</u>
	<u>\$ 5,036,660</u>	<u>\$ 7,000,990</u>

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 September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
EXPENSES				
Administration and office	\$ 134,474	\$ 127,352	\$ 355,713	\$ 412,328
Amortization	24,597	9,263	59,371	28,738
Investor relations	30,357	22,925	56,731	67,948
Travel	37,410	6,319	91,236	80,120
Exploration expenses (Note 4(b) and Schedule)	966,334	884,293	1,806,088	2,764,494
Professional fees	34,528	87,974	94,453	184,021
Salaries and benefits	98,300	72,641	256,239	251,223
Stock-based compensation	82,268	107,511	244,824	444,403
Shareholder information, transfer agent and filing fees	7,298	1,284	40,592	70,827
	1,415,566	1,319,562	3,005,247	4,304,102
OTHER INCOME/(EXPENSES)				
Interest income	25,470	11,875	66,636	31,880
Foreign exchange gain (loss)	34,362	205,386	(18,495)	(37,755)
	59,832	217,261	48,141	(5,875)
NET LOSS BEFORE NON-CONTROLLING INTEREST	1,355,734	1,102,301	2,957,106	4,309,977
Non-controlling interest	(16,296)	-	(24,865)	-
NET LOSS	\$ 1,339,438	\$ 1,102,301	\$ 2,932,241	\$ 4,309,977
BASIC AND DILUTED LOSS PER SHARE	\$ (0.03)	\$ (0.02)	\$ (0.06)	\$ (0.09)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	48,552,948	48,540,302	48,552,948	47,260,310

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

	Share Capital		Contributed Surplus	Cumulative Translation Adjustments	Deficit	Total
	Number of Shares	Amount				
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	-	-	299,664	-	-	299,664
Net loss	-	-	-	-	(2,932,241)	(2,932,241)
Balances, September 30, 2005	48,552,948	\$ 20,077,100	\$ 2,239,393	\$ 460,850	\$ (19,150,035)	\$ 3,627,308

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

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
OPERATING ACTIVITIES				
Net loss	\$ (1,339,438)	\$ (1,102,301)	\$ (2,932,241)	\$ (4,309,977)
Items not requiring use of cash:				
Amortization	24,597	9,263	59,371	28,738
Stock-based compensation	82,268	107,511	244,824	444,403
Exploration expenses (stock-based compensation (recovery))	67,555	(36,383)	54,840	(373,614)
Exploration expense	-	-	-	3,247,476
Unrealized foreign exchange (gains) losses	(44,014)	(329,048)	23,191	(204,045)
Non-controlling interest	(16,296)	-	(24,865)	-
	(1,225,328)	(1,350,958)	(2,574,880)	(1,167,019)
Change in non-cash operating working capital items (Note 6)	239,612	(543,083)	2,403,767	(1,403,645)
	(985,716)	(1,894,041)	(171,113)	(2,570,664)
INVESTING ACTIVITIES				
Cash acquired on acquisition of 41.5% of Ningxia Pacific Mining	-	-	120,983	-
Capital asset additions	(55,842)	(38,264)	(118,187)	(112,218)
	(55,842)	(38,264)	2,796	(112,218)
FINANCING ACTIVITY				
Issuance of common shares	-	28,805	-	281,899
NET DECREASE IN CASH FOR THE PERIOD	(1,041,558)	(1,903,500)	(168,317)	(2,400,983)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES				
ON CASH	44,080	325,997	6,574	200,201
CASH, BEGINNING OF PERIOD	4,866,109	7,280,540	4,030,374	7,903,819
CASH, END OF PERIOD	\$ 3,868,631	\$ 5,703,037	\$ 3,868,631	\$ 5,703,037

JINSHAN GOLD MINES INC.

Notes to the Consolidated Financial Statements

September 30, 2005

(Unaudited)

(Stated in U.S. dollars)

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 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.

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

2. Share Capital

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

During the nine months ended September 30, 2005, the Company granted 605,000 stock options to certain officers, employees and consultants at prices ranging from CDN \$0.47 to CDN \$0.57 with expiry dates ranging from July 22, 2006 to July 7, 2010. The weighted average fair value of the options issued was estimated at CDN \$0.39 per option at the grant date using the Black-Scholes option pricing model. The weighted average assumptions used for the calculation were an expected life of four years, volatility of 100%, a risk-free interest rate of 3.45% and expected dividends of \$Nil. Compensation costs of \$189,880 will be amortized over the vesting periods of the options; of which \$88,356 was recognized in the nine-month period ended September 30, 2005.

Outstanding stock options and warrants

As at September 30, 2005, there were 3,655,234 stock options outstanding with exercise prices and expiry dates ranging from CDN \$0.47 to CDN \$3.60 and July 22, 2006 to July 7, 2010, respectively. During the nine months ended September 30, 2005, 128,400 options were cancelled.

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

JINSHAN GOLD MINES INC.

Notes to the Consolidated Financial Statements

September 30, 2005

(Unaudited)

(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. (“Ivanhoe”), 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. The first two payments of \$500,000 each have been received, and will be split evenly between the Company and Ivanhoe. The balance is scheduled to be paid to the Company within the next 6 months (Note 7(a)).

- (b) On April 7, 2005, the Company completed its earn-in agreement on the Chang Shan Hao (217) Gold Development project (“CSH (217) Gold 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’s 50% participation interest) (Note 7(a)) 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.

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 September 30,		Nine months ended September 30,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Administration and office	116,878	117,764	273,708	313,093
Salaries and benefits	53,942	83,862	227,705	267,719
	\$ 170,820	\$ 201,626	\$ 501,413	\$580,812

- (b) Exploration expenses of \$1,101,549 were recoverable from Ivanhoe, on a cost recovery basis, during the nine months ended September 30, 2005 (2004 – \$1,323,883). At September 30, 2005, an amount of \$112,843 was payable to Ivanhoe; at December 31, 2004, an amount of \$1,807,801 was receivable from Ivanhoe.

JINSHAN GOLD MINES INC.

Notes to the Consolidated Financial Statements

September 30, 2005

(Unaudited)

(Stated in U.S. dollars)

4. Related Party Transactions (continued)

- (c) Accounts payable at September 30, 2005 included \$94,434 (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*

	<u>China</u>	<u>Canada</u>	<u>Total</u>
As at September 30, 2005			
Capital assets	\$ 211,001	\$ 69,905	\$ 280,906
<hr/>			
As at December 31, 2004			
Capital assets	\$ 188,497	\$ 33,593	\$ 222,090

6. Supplemental Cash Flow Information

	Three months ended September 30,		Nine months ended September 30,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Net (increase) decrease in:				
Accounts receivable	\$ 675,094	\$ (154,513)	\$ (239,547)	\$ (249,586)
Receivable from related party	-	(489,434)	1,807,801	(1,155,748)
Prepaid expenses	42,795	(46,862)	175,086	(113,565)
Net increase (decrease) in:				
Accounts payable and accrued liabilities	135,125	147,726	(122,868)	115,254
Payable to related party	(662,904)	-	112,843	-
Deferred exploration expense recovery	49,502	-	670,452	-
	<u>\$ 239,612</u>	<u>\$ (543,083)</u>	<u>\$ 2,403,767</u>	<u>\$ (1,403,645)</u>

JINSHAN GOLD MINES INC.

Notes to the Consolidated Financial Statements

September 30, 2005

(Unaudited)

(Stated in U.S. dollars)

7. Subsequent Events

Subsequent to September 30, 2005:

- (a) The Company entered into a definitive agreement with Ivanhoe to acquire all of Ivanhoe's participating interest in the CSH (217) Gold project in China, Ivanhoe's interests in all other joint venture arrangements between the parties, Ivanhoe's existing contractual rights to participate with the Company in new mineral exploration and development opportunities in the People's Republic of China, Ivanhoe's 50% interest in the balance of \$400,000 due from the JBS sale transaction (Note 3(a)) and cash of approximately \$4.0 million in exchange for the issuance to Ivanhoe of 48,552,948 common shares of the Company.

This transaction is subject to approval by a majority of the disinterested shareholders.

- (b) The Company entered into an agreement with a syndicate of three securities agents to issue up to 24,000,000 Units at a price of CDN\$0.50 per Unit to raise up to CDN\$12 million. Each Unit will consist of one common share and one half a common share purchase warrant. Each whole common share purchase warrant will be exercisable into one common share at a price of C\$0.70 for a period of 18 months from closing.

The agents will be paid a fee of 6% of the gross proceeds raised in the offering. In addition, the agents will receive broker warrants exercisable into common shares, at a price of CDN\$0.60 per common share for 18 months after the closing date, equal to 6% of the number of Units sold under the offering.

This transaction is subject to regulatory approval and the successful completion of the announced transaction with Ivanhoe.

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

	Gold Projects				Nine months ended September 30,	
	Generative	CSH (217) Gold	Dandong (QCZ) Gold	JBS Platinum & Palladium	September 30, 2005	September 30, 2004
Payments to/(recovers from) joint venture companies & partners	\$ 428,000	\$ 298,500	\$ (361,282)	\$ (1,400,000)	\$ (1,034,782)	
Geological consultants	425,905	278,387	568	5,383	710,243	
Engineering & other consultants	10,541	1,319,641	1,063	-	1,331,245	
Project management	35,404	32,473	-	-	67,877	
Maps & reproductions	4,778	7,613	-	-	12,391	
Sampling and assaying	8,163	437,594	-	1,221	446,978	
General & administrative	53,976	131,886	5,470	10,839	202,171	
Salaries & benefits	43,984	187,887	-	422	232,293	
Travel	86,043	239,058	1,329	1,203	327,633	
Amount recovered / recoverable	-	(1,191,032)	176,144	689,321	(325,567)	
Recovery of previously expensed exploration costs upon acquiring 41.5% Ningxia Pacific Mining	-	(219,234)	-	-	(219,234)	
	<u>\$ 1,096,794</u>	<u>\$ 1,522,773</u>	<u>\$ (176,708)</u>	<u>\$ (691,611)</u>	<u>\$ 1,751,248</u>	
Stock-based compensation					<u>54,840</u>	
					<u>\$ 1,806,088</u>	
						Copper Projects
					Zhaotong	Huize-Xuanwei
					Guizhou	
Payments to joint venture companies & partners	\$ 190,000	\$ 1,700,000	\$ -	\$ -	\$ 110,000	\$ 2,000,000
Drilling and other consultants	1,390	329,918	-	320	-	331,628
Geological consultants	329,697	85,082	3,604	39,278	13,764	535,644
Engineering & other consultants	44,731	125,172	-	20,606	13,283	203,792
Project management	83,988	24,383	806	14,283	9,999	139,746
Maps & reproductions	13,298	21,984	247	5,263	-	40,792
Sampling and assaying	15,541	328,690	2,807	20,587	9,320	387,815
General & administrative	43,697	116,928	12,450	8,544	107	191,588
Salaries & benefits	15,036	112,492	93	17,824	88	152,788
Travel	125,807	102,932	42,246	26,488	17,764	364,846
Amount recovered / recoverable	-	(3,285,363)	79,292	(1,057,660)	(32,252)	(4,458,007)
	<u>\$ 863,185</u>	<u>\$ (337,782)</u>	<u>\$ 141,545</u>	<u>\$ (904,467)</u>	<u>\$ 3,048</u>	<u>\$ (109,368)</u>
Stock-based compensation						(373,614)
Costs incurred pursuant to April 2004 restructuring agreement						3,247,476
						<u>\$ 2,764,494</u>

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

	Gold Projects				Three months ended	
	Generative	CSH (217) Gold	Dandong (QCZ) Gold	JBS Platinum & Palladium	September 30, 2005	September 30, 2004
Payments to/(recoveries from) joint venture companies & partners	\$ 275,000	\$ -	\$ (361,282)	\$ -	\$ (86,282)	\$ -
Geological consultants	122,760	153,693	-	-	276,453	233,118
Engineering & other consultants	9,514	925,958	1,063	-	936,535	205,855
Project management	18,863	24,918	-	-	43,781	68,307
Maps & reproductions	712	-	-	-	712	32,059
Sampling and assaying	705	65,049	-	-	65,754	410
General & administrative	9,426	64,899	-	10,189	84,514	263,244
Salaries & benefits	9,883	84,252	-	8	94,143	45,332
Travel	8,660	87,912	-	-	96,572	70,336
Amount recovered / recoverable	-	(787,737)	180,047	(5,712)	(613,404)	126,448
	\$ 455,524	\$ 618,944	\$ (180,172)	\$ 4,485	\$ 898,779	\$ 920,676
Stock-based compensation					67,555	(36,383)
					\$ 966,334	\$ 884,293
	Gold Projects				Copper Projects	
	Generative	CSH (217) Gold	Dandong (QCZ) Gold	JBS Platinum & Palladium	Zhaotong	Huize-Xuanwei Guizhou
Payments to joint venture companies & partners	\$ 140,000	\$ 500,000	\$ -	\$ -	\$ -	\$ -
Drilling and other consultants	1,390	231,408	-	320	-	-
Geological consultants	137,540	50,740	3,117	7,882	2,760	3,816
Engineering & other consultants	15,366	40,354	-	12,588	-	-
Project management	22,949	7,058	206	263	-	1,307
Maps & reproductions	-	358	-	51	-	-
Sampling and assaying	8,853	251,652	-	1,531	-	1,209
General & administrative	22,943	17,263	2,028	205	2,888	5
Salaries & benefits	2,927	59,416	8	4,649	3,298	16
Travel	46,439	45,802	9,358	3,922	14,851	4,507
Amount recovered / recoverable	-	(710,937)	(7,358)	(15,983)	(23,793)	(2,918)
	\$ 398,407	\$ 493,114	\$ 7,359	\$ 15,428	\$ 4	\$ 3,446
Stock-based compensation					2,920	\$ (3,444)
					\$	\$

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

1. Securities Issued

No common shares were issued during the nine months ended September 30, 2005.

The following share purchase options were granted during the nine months ended September 30, 2005:

Date	Number	Optionee	Price Cdn \$	Expiry Date
22-Jul-05	200,000	Consultant	\$ 0.56	22-Jul-06
4-Mar-05	55,000	Employees	0.57	4-Mar-10
4-Mar-05	75,000	Consultant	0.57	4-Mar-10
1-Jul-05	200,000	Employees	0.47	1-Jul-10
7-Jul-05	75,000	Consultant	0.50	7-Jul-10
	<u>605,000</u>			

2. Securities Outstanding

As at September 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.

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

2. Securities Outstanding (continued)

(c) Summary of options and warrants outstanding as at September 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-06
Warrants	4,000,000	2.20	12-Dec-05
	<u>11,100,000</u>		
Options	200,000	\$ 0.56	22-Jul-06
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	515,550	0.80	8-May-08
Options	1,202,684	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	287,000	0.87	1-Dec-09
Options	130,000	0.57	4-Mar-10
Options	200,000	0.47	1-Jul-10
Options	75,000	0.50	7-Jul-10
	<u>3,655,234</u>		

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
September 30, 2005**

(Unaudited)

(Stated in U.S. dollars)

JINSHAN GOLD MINES INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations

September 30, 2005

(Unaudited)

(Expressed in U.S. Dollars)

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.

Proposed Reorganization of the Project Participation Arrangements with Ivanhoe Mines Ltd. ("Ivanhoe Mines")

Management believes that the Company's corporate structure, which consists of a 48.25% interest in the Chang Shan Hao (217) Gold project ("CSH (217) Gold project") and participating or carried interests ranging in size from 10% to 50% in a number of early-stage exploration projects, is overly complex and unattractive to many investors.

In June 2005, the Company's senior management began exploring the concept of reorganizing its project participation arrangements with Ivanhoe Mines. Management concluded that the Company would be better served by acquiring Ivanhoe's interests in the various joint venture mineral project arrangements. By consolidating the parties' interests in these projects, management concluded that it would facilitate future fund raising by improving the Company's financial transparency for present and future shareholders and also provide for added economies through efficiencies in administrative costs. This would also provide the Company with a greater opportunity to develop its existing mineral resource properties and pursue new projects without the limitations imposed upon it by the definitive agreement of April, 2004.

The parties have agreed to fundamentally restructure their current mineral project participation arrangements. In particular, the following events will occur if the transaction is consummated:

- The Company will acquire Ivanhoe Mines' 48.25% participating interest in the CSH (217) Gold project, its 50% interest in the \$400,000 of residual sales consideration from the JBS project, its 10% carried interest in the Shuteen Project and its interest in Pacific Northern Gold and the parties will terminate any existing joint venture arrangements related directly or indirectly to such projects or interests;
- the Company and Ivanhoe Mines will terminate the definitive agreement of April, 2004 and Ivanhoe Mines will transfer all of its direct or indirect rights, interests and resulting obligations to the Company, including its shares in Guizhou, China Platinum & Palladium and Yunnan Southern Copper;
- the parties will implement an exclusion zone extending twenty-five kilometres from the outer perimeter of each party's existing Inner Mongolia mineral projects in which the other party will not acquire any direct or indirect interest;
- Ivanhoe Mines will pay to the Company \$4,002,488;
- the Company will issue to Ivanhoe Mines 48,552,948 common shares.

This restructuring agreement is subject to shareholder approval. A special meeting of the shareholders has been called for November 30, 2005 to consider and vote upon this agreement.

JINSHAN GOLD MINES INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations

September 30, 2005

(Unaudited)

(Expressed in U.S. Dollars)

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.

JINSHAN GOLD MINES INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations

September 30, 2005

(Unaudited)

(Expressed in U.S. Dollars)

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.

JINSHAN GOLD MINES INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations

September 30, 2005

(Unaudited)

(Expressed in U.S. Dollars)

Exploration Properties

Gold

a) CSH (217) Gold Project

Property description - The CSH (217) Gold project consists of a licensed area of 36 square kilometers ("km²") 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.

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 has completed its earn-in obligations and acquired the 96.5% interest by contributing, in aggregate, payments of \$750,000 to the Chinese partner and capital contributions in the amount of \$250,000 to the joint venture company, Ningxia Pacific Mining Co. Ltd. ("NPM"). The Company made the final payment amount and the transfer of interest occurred in April, 2005. 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 September 30, 2005, registered capital contributions to NPM and payments to the Chinese partner aggregated \$6.8 million. In addition, the Company has incurred exploration and other expenditures in respect of this project aggregating \$3.6 million.

Funding arrangement – Under the terms of the definitive agreement dated April 20, 2004, Ivanhoe Mines and the Company have each funded 50% of the exploration expenditures on the CSH (217) Gold project. Ivanhoe Mines has funded a total of \$4.3 million of exploration expenditures to date. (see "Proposed Reorganization of the Project Participation Arrangements with Ivanhoe Mines Ltd.").

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 GeoSystems 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 1,600 ounces of gold to date. In addition, an underground tunnel extending approximately 300 metres in length into a sulphide mineralized zone 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 have 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.

JINSHAN GOLD MINES INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations

September 30, 2005

(Unaudited)

(Expressed in U.S. Dollars)

b) Dadiangou Project

Property description - The Dadiangou project consists of a licensed area of 15 km² in Gansu Province, China. The Dadiangou project is located in the Qinling Fold Belt, a gold producing region that trends west to east through the provinces of Gansu and Shaanxi in central China.

Option agreement- In October 2005, the Company entered into a joint venture agreement with a Chinese partner to acquire a majority interest in the Dadiangou project. Under the terms of the agreement, the Company must incur exploration expenditures of approximately \$3.3 million and make payments to the Chinese partner of approximately \$1.3 million over the first three years of exploration, to earn a 71% interest. The Company can increase its interest to 80% by incurring additional exploration expenditures of approximately \$2.8 million and by making additional payments to the Chinese partner of approximately \$300,000. The Chinese partner can then choose to participate at a 20% level for all future expenditures, or have their ownership interest diluted.

Exploration results – The Dadiangou project hosts multiple gold-bearing shear zones up to 50 metres wide over a strike length estimated to be 3,000 metres. Gold mineralization occurs in vertical lenses within the shear zones associated with quartz and sulfides (mostly pyrite). Free gold is reported to represent 85% of the total gold. Preliminary metallurgical test work by the Chinese partner indicates that the gold mineralization is non-refractive.

The Chinese partner has tested the gold mineralization with three exploration adits, including crosscuts across the zone every 50 metres. Two of the underground drifts and crosscuts were designed to test the vertical continuity of the system. The results of continuous underground channel sampling indicate an average gold grade of approximately 1.5 grams per tonne (g/t) over significant widths (greater than 40 metres in some locations). Jinshan has re-assayed approximately 1,048 pulp samples from the Chinese partner's underground sampling program, which included 22 standardized pulps randomly injected as check samples. The re-assaying was conducted at the SGS Laboratory in Tianjin, China, using standard fire assay techniques. The re-assay program confirmed that the average gold grade of the underground channel samples is approximately 1.5 g/t.

The mineralized zone is open along strike in both directions and has been tested only to a depth of about 100 metres below surface. Jinshan believes that the deposit has the potential to be developed as an open-pit mine. However, the deposit's grade and potential tonnage are still conceptual in nature and it is uncertain if further exploration will result in the discovery of an economic mineral resource. The company is planning an extensive exploration program consisting of surface geological and geochemical surveys, surface diamond drilling, underground development and diamond drilling, and additional metallurgical testing. The first phase of the program will cost approximately US\$1.5 million and will consist of drilling and underground development during the first year of exploration.

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 its joint-venture partner, Ivanhoe Mines, had earned an approximate 20% interest in the JBS Joint Venture. The interest in YYPP was sold back to the Chinese partner.

The first and second payments of \$500,000 each were received in April 2005, and July 2005, respectively, and were shared evenly between the Company and Ivanhoe Mines in accordance with their respective interests. The balance of \$400,000 is scheduled to be paid within the next 6 months and will be retained in its entirety by the Company in accordance with the terms of the proposed reorganization agreement with Ivanhoe Mines.

JINSHAN GOLD MINES INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations

September 30, 2005

(Unaudited)

(Expressed in U.S. Dollars)

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.

JINSHAN GOLD MINES INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations

September 30, 2005

(Unaudited)

(Expressed in U.S. Dollars)

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)

QUARTER ENDED	2005			2004			2003	
	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec
Exploration expenses	\$ 966	\$ 133	\$ 707	\$ 822	\$ 884	\$ 1,342	\$ 538	\$ 1,919
Net loss	\$ 1,339	\$ 435	\$ 1,158	\$ 1,142	\$ 1,102	\$ 2,047	\$ 1,161	\$ 2,339
Net loss per share	\$ (0.03)	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.04)	\$ (0.03)	\$ (0.06)

Fluctuations in the quarterly net loss amounts over the two year period ended September 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 30, 2005 is primarily attributable to the sale of the JBS property.

	Three Months Ended,		
	September 30, 2005	June 30, 2005	September 30, 2004
	(Unaudited)	(Unaudited)	(Unaudited)
Expenses			
Administration and office	\$ 134,474	\$ 112,991	\$ 127,352
Amortization	24,597	15,561	9,263
Investor relations	30,357	13,725	22,925
Exploration expenses	966,334	132,907	884,293
Professional fees	34,528	13,274	87,974
Salaries and benefits	98,300	75,178	72,641
Stock-based compensation	82,268	66,074	107,511
Shareholder information, transfer agent and filing fees	7,298	5,079	1,284
Travel	37,410	8,100	6,319
	1,415,566	442,889	1,319,562
Other Income/(Expenses)			
Interest income	25,470	23,228	11,875
Foreign exchange gain (loss)	34,362	(23,597)	205,386
	59,832	(369)	217,261
Net loss before non-controlling interest	1,355,734	443,258	1,102,301
Non-controlling interest	(16,296)	(8,569)	-
Net loss	\$ 1,339,438	\$ 434,689	\$ 1,102,301

JINSHAN GOLD MINES INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations

September 30, 2005

(Unaudited)

(Expressed in U.S. Dollars)

Three months ended September 30, 2005 and 2004

The Company incurred a net loss of \$1.3 million in the three months ended September 30, 2005 as compared to a net loss of \$1.1 million for the three months ended September 30, 2004. Exploration expenditures for the September, 2005 quarter were \$966,000 versus an amount of \$884,000 in the 2004 quarter. Total exploration expenditures for the quarters ended September 30, 2005 and 2004, excluding recoveries from Ivanhoe Mines, stock-based compensation, and a recovery of \$361,000 from the Dandong (QCZ) Gold project in the 2005 period were \$1.9 million and \$1.7 million, respectively. This change is due primarily to an increase in project expenditures at the CSH (217) Gold project of \$200,000 associated with engineering and other studies undertaken to support mine design and feasibility studies.

Net recoveries of exploration expenses from Ivanhoe Mines were \$764,000 in the 2004 period. For the September, 2005 period, net exploration expenses recovered from Ivanhoe Mines were \$613,000 and a further \$670,000 of net exploration expenditures 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. 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.

General and administrative expenses were \$449,000 in the 2005 quarter as compared to \$435,000 in the 2004 quarter.

Professional fees decreased to \$35,000 during the September 2005 quarter versus an amount of \$88,000 for the corresponding period in 2004. The 2004 amount included \$61,000 which was paid for financial consulting work which was not duplicated in the current period. Travel expenses increased in the 2005 period as the advancement of the CSH (217) Gold project and commencement of other exploration initiatives resulted in a greater number of site visits by administrative personnel.

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

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

Three months ended September 30, 2005 and June 30, 2005

The Company incurred a net loss of \$1.3 million in the three-month period ended September 30, 2005, as compared to the net loss of \$435,000 for the three-month period ended June 30, 2005.

Exploration costs for the June, 2005 quarter were \$133,000 versus an amount of \$966,000 incurred in the September, 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) of \$219,000 on acquisition of the additional 41.5% interest in the CSH (217) Gold project during the June, 2005 quarter. Total exploration expenditures for the quarters ended June 30, 2005 and September 30, 2005, excluding recoveries from Ivanhoe Mines, stock-based compensation, net proceeds from the sale of the JBS property and a recovery of \$361,000 from the Dandong (QCZ) Gold project, were \$1.2 million for the June quarter and \$1.9 million for the September quarter. Exploration expenditure recoveries from Ivanhoe Mines were \$615,000 for the September quarter versus a net charge of \$575,000 for the June quarter; the majority of the September amounts are related to the CSH (217) Gold project whereas the June figure includes a net recovery of \$700,000 related to the JBS property sale.

JINSHAN GOLD MINES INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations

September 30, 2005

(Unaudited)

(Expressed in U.S. Dollars)

General and administrative expenses increased to \$449,000 in the September, 2005 quarter from the \$310,000 in the June, 2005 period. Increases in administration costs, investor relations charges, professional fees, travel costs and salary expenses made up the majority of this difference. These increases resulted generally from an overall build up of corporate activity associated with the reorganization agreement with Ivanhoe Mines as well as expanded operations in China. In particular, increased activity at the CSH (217) Gold project in preparation for a production decision and planned mine construction has necessitated the commencement of the design and implementation of a number of administrative initiatives. Stock-based compensation also increased during the third quarter, these charges fluctuate due to the vesting pattern of the underlying stock options that gave rise to the expense.

The Company incurred a foreign exchange loss for the three months ended June 30, 2005 of \$24,000 and a gain of \$34,000 for the September 2005 quarter. These losses and gains 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.

	<u>Nine Months Ended September 30,</u>	
	<u>2005</u>	<u>2004</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Expenses		
Administration and office	\$ 355,713	\$ 412,328
Amortization	59,371	28,738
Investor relations	56,731	67,948
Exploration expenses	1,806,088	2,764,494
Professional fees	94,453	184,021
Salaries and benefits	256,239	251,223
Stock-based compensation	244,824	444,403
Shareholder information, transfer agent and filing fees	40,592	70,827
Travel	91,236	80,120
	<u>3,005,247</u>	<u>4,304,102</u>
Other Income/(Expenses)		
Interest income	66,636	31,880
Foreign exchange loss	(18,495)	(37,755)
	<u>48,141</u>	<u>(5,875)</u>
Net loss before non-controlling interest	<u>2,957,106</u>	<u>4,309,977</u>
Non-controlling interest	(24,865)	-
Net loss	<u>\$ 2,932,241</u>	<u>\$ 4,309,977</u>

Nine months ended September 30, 2005 and 2004

The Company incurred a net loss of \$2.9 million in the nine months ended September 30, 2005 as compared to a net loss of \$4.3 million for the nine months ended September 30, 2004. This change is primarily due to decreases in the amount of exploration expenditures and stock-based compensation charges recorded in the September, 2005 period.

JINSHAN GOLD MINES INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations

September 30, 2005

(Unaudited)

(Expressed in U.S. Dollars)

Exploration expenditures for the nine months ended September, 2005 were \$1.8 million versus an amount of \$2.8 million in the corresponding period in 2004. Total exploration expenditures for the nine months ended September 30, 2005 and 2004, excluding recoveries from Ivanhoe Mines, net proceeds from the sale of the JBS property, a recovery of \$361,000 from the Dandong (QCZ) Gold project and stock-based compensation, were \$4.1 million and \$4.3 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 \$4.5 million in the 2004 period. For the September, 2005 period, \$670,000 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; a further \$1.2 million has been recovered from Ivanhoe Mines and used to offset exploration expenses during this nine-month period. Until April, 2004, Ivanhoe Mines did not participate in cost sharing arrangements on the CSH (217) Gold project. The recovery for the September, 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 only that nine-month period. The recovery of these accumulated expenditures received in the 2004 period was offset by costs incurred pursuant to the April, 2004 restructuring agreement with Ivanhoe Mines in the amount of \$3.2 million.

General and administrative expenses decreased from \$1.5 million in the 2004 period to \$1.2 million 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.

Professional fees, which include legal fees and audit and other accounting services, were higher in the 2004 period due to the costs associated with the Company's Special Meeting held in March, 2004 and for the cost of financial consulting fees which were not incurred in the 2005 period.

Salary expenses and administration and office costs decreased by \$52,000 in the September, 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 a decrease in the foreign exchange loss recorded for the 2005 period of \$18,000 versus the amount of \$38,000 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.

JINSHAN GOLD MINES INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations

September 30, 2005

(Unaudited)

(Expressed in U.S. Dollars)

Liquidity and Capital Resources

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

	September 30, 2005 (Unaudited)	June 30, 2005 (Unaudited)	December 31, 2004
ASSETS			
Current			
Cash	\$ 3,868,631	\$ 4,866,109	\$ 4,030,374
Accounts receivable	697,483	1,372,614	575,884
Receivable from related party	-	-	1,807,801
Prepaid expenses	189,640	232,388	364,841
	4,755,754	6,471,111	6,778,900
CAPITAL ASSETS	280,906	249,661	222,090
	\$ 5,036,660	\$ 6,720,772	\$ 7,000,990
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 626,057	\$ 490,856	\$ 741,105
Payable to related party	112,843	775,747	-
Deferred exploration expense recovery	670,452	620,950	-
Non-controlling interest in assets of subsidiary	-	16,296	-
	1,409,352	1,903,849	741,105
SHAREHOLDERS' EQUITY			
Share capital	20,077,100	20,077,100	20,077,100
Contributed surplus	2,239,393	2,089,570	1,939,729
Cumulative translation adjustments	460,850	460,850	460,850
Deficit	(19,150,035)	(17,810,597)	(16,217,794)
	3,627,308	4,816,923	6,259,885
	\$ 5,036,660	\$ 6,720,772	\$ 7,000,990

As at September 30, 2005, the Company had a working capital balance of \$3.3 million and cash resources of \$3.9 million. During the three months ended September 30, 2005, net cash outflows were \$1.0 million. The Company received \$1.2 million from Ivanhoe Mines during the nine months ended September 30, 2005, representing primarily reimbursement of costs of the CSH (217) Gold project for this period.

At September 30, 2005, the Company had approximately \$842,000 million held in Canadian funds which amount exposes the Company to risks associated with foreign exchange fluctuations. For the three months ended September 30, 2005, these Canadian denominated funds incurred an unrealized foreign exchange gain of \$44,000 due to the strengthening of the Canadian dollar versus its U.S. counterpart.

JINSHAN GOLD MINES INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations

September 30, 2005

(Unaudited)

(Expressed in U.S. Dollars)

The Company expects to spend approximately \$7.7 million during the balance of 2005 on its share of exploration and development projects, including engineering and infrastructure work at the CSH (217) Gold project, other generative exploration expenses and general and administrative costs. The Company expects to fund these operations from its working capital balance on hand, anticipated proceeds from the closing of the restructuring agreement with Ivanhoe Mines and a planned CDN\$12 million equity financing announced in November 2005. Should a decision be made in 2006 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 these costs would be approximately \$25 million for the 2006 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 \$157,000 for the three-month period ended September 30, 2005 (\$164,000 – 2004) and \$430,000 for the nine-month period ended September 30, 2005 (\$462,000 – 2004).

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares without par value. As at November 21, 2005: 48,552,948 common shares were issued and outstanding; 3,625,234 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, 63,278,182 common shares were outstanding.

JINSHAN GOLD MINES INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations

September 30, 2005

(Unaudited)

(Expressed in U.S. Dollars)

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's 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.
- *There are title risks with respect to the Company's mineral properties* - The acquisition of title to resource properties or interests therein is a very detailed and time-consuming process. Title to and the area of resource concessions may be disputed. The Company has conducted an internal investigation of title to the CSH (217) Gold project. Based on a review of records maintained by the relevant government agencies in China, the CSH (217) Gold project interests are registered in the name of the applicable joint venture company. There is no guarantee of title to any of the Company's properties. The properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. Title may be based upon interpretation of a country's laws, which laws may be ambiguous, inconsistently applied and subject to reinterpretation or change. The Company has not surveyed the boundaries of any of its mineral properties and consequently the boundaries of the properties may be disputed.
- *There are specific risks associated with title to and future development of the CSH (217) Gold project* - While the joint venture company is authorized to explore for gold on the CSH (217) Gold project, it is required to obtain further approvals from regulatory authorities in China in order to explore for minerals other than gold or to conduct mining operations. The laws of China governing the establishment of joint venture companies are ambiguous, inconsistently applied and subject to reinterpretation or change. While the Company believes that the joint venture company has been properly established and has taken the steps necessary to obtain its interest in the CSH (217) Gold project, there can be no guarantee that such steps will be sufficient to preserve the Company's interests in the project.

JINSHAN GOLD MINES INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations

September 30, 2005

(Unaudited)

(Expressed in U.S. Dollars)

- *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.

November 21, 2005