



JINSHAN GOLD MINES INC.

Consolidated Financial Statements

March 31, 2006

(Unaudited)

(Stated in U.S. dollars)

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JINSHAN GOLD MINES INC.

Consolidated Balance Sheets

(Stated in U.S. dollars)

	<u>March 31,</u> <u>2006</u> (Unaudited)	<u>December 31,</u> <u>2005</u> (Audited)
ASSETS		
CURRENT		
Cash	\$ 11,356,042	\$ 15,414,581
Accounts receivable	268,567	569,409
Prepaid expenses	286,608	215,125
	<u>11,911,217</u>	<u>16,199,115</u>
PROPERTY, PLANT AND EQUIPMENT (Note 2)	2,760,539	918,700
	<u>\$ 14,671,756</u>	<u>\$ 17,117,815</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 4(c))	\$ 836,988	\$ 1,206,076
COMMITMENTS (Note 7)		
SHAREHOLDERS' EQUITY		
Share capital (Authorized - unlimited common shares without par value) (Note 3)	35,547,287	35,433,993
Contributed surplus (Note 3)	2,817,190	2,449,090
Cumulative translation adjustments	460,850	460,850
Deficit	(24,990,559)	(22,432,194)
	<u>13,834,768</u>	<u>15,911,739</u>
	<u>\$ 14,671,756</u>	<u>\$ 17,117,815</u>

APPROVED BY THE BOARD

"Dan Kunz"

Director

"Pierre Lebel"

Director

See accompanying notes to the interim consolidated financial statements

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

	Three month ended March 31,	
	2006	2005
EXPENSES		
Administration and office	\$ 181,703	\$ 108,248
Amortization	15,632	19,213
Investor relations	47,677	12,649
Travel	57,418	45,726
Exploration expenses (Schedule A)	1,955,985	706,847
Professional fees	21,889	46,651
Salaries and benefits	148,074	82,761
Stock-based compensation (Note 3)	206,367	96,482
Shareholder information, transfer agent and filing fees	15,671	28,215
	2,650,416	1,146,792
OTHER INCOME/(EXPENSES)		
Interest income	76,656	17,938
Foreign exchange gain(loss)	15,395	(29,260)
	92,051	(11,322)
NET LOSS	\$ (2,558,365)	\$ (1,158,114)
BASIC AND DILUTED LOSS PER SHARE	\$ (0.02)	\$ (0.02)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	127,150,685	48,552,948

See accompanying notes to the interim consolidated financial statements

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, 2005	127,105,896	\$ 35,433,993	\$ 2,449,090	\$ 460,850	\$ (22,432,194)	\$ 15,911,739
Shares issued for:						
Exercise of stock options	152,666	113,294	(39,900)			73,394
Stock compensation charged to operations	-	-	408,000	-	-	408,000
Net loss	-	-	-	-	(2,558,365)	(2,558,365)
Balances, March 31, 2006	127,258,562	\$ 35,547,287	\$ 2,817,190	\$ 460,850	\$ (24,990,559)	\$ 13,834,768

See accompanying notes to the interim consolidated financial statements

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

	Three month ended March 31,	
	2006	2005
OPERATING ACTIVITIES		
Net loss	\$ (2,558,365)	\$ (1,158,114)
Items not requiring use of cash:		
Amortization	15,632	19,213
Stock-based compensation (Note 3)	408,000	83,439
Unrealized foreign exchange (gain)loss	(2,283)	21,587
	(2,137,016)	(1,033,875)
Change in non-cash operating working capital items (Note 6)	(124,334)	1,648,100
	(2,261,350)	614,225
INVESTING ACTIVITIES		
Property, plant and equipment additions	(1,857,471)	(1,645)
FINANCING ACTIVITIES		
Issuance of common shares (net of issue costs)	73,394	-
	73,394	-
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		
ON CASH	(13,112)	(13,973)
NET (DECREASE) INCREASE IN CASH FOR THE PERIOD	(4,058,539)	598,607
CASH, BEGINNING OF PERIOD	15,414,581	4,030,374
CASH, END OF PERIOD	\$ 11,356,042	\$ 4,628,981

Supplemental Cash Flow Information (Note 6)

See accompanying notes to the interim consolidated financial statements

JINSHAN GOLD MINES INC.

Notes to the Interim Consolidated Financial Statements

March 31, 2006

(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 consolidated 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 consolidated 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, 2005, and the notes thereto.

The unaudited interim 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 preparation of these interim consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim consolidated financial statements and the reported amounts of revenues and expenses during the period. As a result, actual amounts may differ from those estimates.

2. PROPERTY, PLANT AND EQUIPMENT

	<u>March 31, 2006</u>			<u>December 31, 2005</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Motor vehicles	\$ 125,734	\$ 50,002	\$ 75,732	\$ 80,874
Machinery and equipment	126,600	18,450	108,150	111,458
Computer equipment	108,092	69,194	38,898	35,783
Furniture and fixtures	90,791	24,439	66,352	60,849
Office equipment	21,401	12,743	8,657	10,784
Computer software	95,626	30,458	65,169	46,807
Capital works in progress	2,397,581	-	2,397,581	572,145
	<u>\$ 2,965,824</u>	<u>\$ 205,285</u>	<u>\$ 2,760,539</u>	<u>\$ 918,700</u>

Capital works in progress consists primarily of equipment and infrastructure for the Company’s Chang Shan Hao (217) Gold project (“CSH (217) Gold project”).

JINSHAN GOLD MINES INC.

Notes to the Interim Consolidated Financial Statements

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(Stated in U.S. dollars)

3. Share Capital

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

During the three months ended March 31, 2006, the Company granted 665,000 stock options to certain officers, employees and consultants at exercise prices ranging from CDN \$0.53 to CDN \$0.95 with expiry dates ranging from January 1, 2009 to February 17, 2011. The weighted average fair value of the options issued was estimated at CDN \$0.57 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 three years, volatility of 96.82%, a risk-free interest rate of 3.98% and expected dividends of \$Nil. Compensation costs of \$296,810 will be amortized over the vesting periods of the options; of which \$133,803 was recognized in the three-month period ended March 31, 2006.

Outstanding stock options and warrants

As of March 31, 2006, there were 5,453,401 stock options outstanding with exercise prices and expiry dates ranging from CDN \$0.47 to CDN \$3.60 and July 22, 2006 to February 17, 2011, respectively.

As of March 31, 2006, there were 23,900,000 warrants outstanding with exercise prices and expiry dates ranging from CDN \$0.60 to CDN \$1.20 and July 2, 2006 to June 20, 2007, respectively.

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 March 31,	
	2006	2005
Administration and office	\$ 136,629	\$107,444
Salaries and benefits	202,935	80,134
	\$ 339,564	\$187,578

- (b) During the three months ended March 31, 2006, exploration expenses of \$ Nil (2005 - \$468,645) were recoverable, on a cost recovery basis, from Ivanhoe Mines Ltd., a significant shareholder of the Company.
- (c) Accounts payable as of March 31, 2006, included \$141,952 (December 31, 2005 - \$93,775), which was due to a company under common control or companies related by way of directors in common.

JINSHAN GOLD MINES INC.

Notes to the Interim Consolidated Financial Statements

March 31, 2006

(Unaudited)

(Stated in U.S. dollars)

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 of March 31, 2006			
Property, plant and equipment	\$ 2,726,606	\$ 33,933	\$ 2,760,539
<hr/>			
As of December 31, 2005			
Property, plant and equipment	\$ 852,625	\$ 66,075	\$ 918,700
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6. Supplemental Cash Flow Information

(a)	Three months ended March 31,	
	<u>2006</u>	<u>2005</u>
Net decrease in:		
Accounts receivable	\$ 316,237	\$ 406,242
Receivable from related party	-	1,481,817
Prepaid expenses	(71,483)	6,293
Net decrease in:		
Accounts payable and accrued liabilities	(369,088)	(246,252)
	<u>\$ (124,334)</u>	<u>\$ 1,648,100</u>
(b)	Three months ended March 31,	
	<u>2006</u>	<u>2005</u>
Transfer of contributed surplus to share capital upon exercise of stock options	\$ 39,900	\$ -

JINSHAN GOLD MINES INC.

Notes to the Interim Consolidated Financial Statements

March 31, 2006

(Unaudited)

(Stated in U.S. dollars)

7. COMMITMENTS

The Company has commitments related to the construction at the CSH (217) Gold project of approximately \$7.5 million, which consists of contracts that will be settled within the next 12 months.

8. SUBSEQUENT EVENTS

- (a) Subsequent to March 31, 2006, the Company granted 50,000 stock options to certain employees at an exercise price of CDN \$1.18 with an expiry date of April 11, 2009. In addition, 100,000 stock options were cancelled.
- (b) Subsequent to March 31, 2006, 1,780,794 warrants were exercised at prices ranging from CDN \$0.60 to CDN \$0.70 and 178,667 stock options were exercised at prices ranging from CDN \$0.47 to CDN \$0.87. As a result, the Company issued 1,959,461 common shares and received net proceeds of CDN \$1,280,000 from these exercises of warrants and stock options.
- (c) In April 2006, the Company released the results of the final feasibility study that included results from Jinshan's 2005 infill drilling campaign. The final feasibility study increased the CSH (217) Gold project's measured and indicated resources by approximately 700,000 ounces of gold, using a 0.5 grams per tonne ("g/t") gold cut-off. The new independent resource estimate, based on a 0.5 g/t gold cut-off, is 110 million tonnes of measured and indicated resources grading 0.83 g/t gold, and containing 2.9 million ounces of gold. The CSH (217) Gold project also contains inferred resources of 18 million tonnes grading 0.78 g/t, and containing an additional 460,000 ounces of gold. The independent final feasibility study was designed to not exceed the current mine permit application and indicates that the mine would be capable of producing approximately 117,000 ounces of gold per year for an initial mine life of approximately nine years at an average cash operating cost of approximately \$253 per ounce. The estimate was calculated by Mario E. Rossi, MSc., Min Eng., of GeoSystems International Inc., Florida, USA, a qualified person as defined by National Instrument 43-101.

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

	Gold Project		Generative			Three months ended March 31, 2006
	CSH (217)		General	Dadiangou	Xinjiang	
	Gold					
Geological consultants	\$ 71,568	\$ 36,773	\$ 3,253	\$ 189,723	\$ 301,317	
Engineering & other consultants	948,057	1,062	63	1,375	950,557	
Project management	142,266	14,647	-	-	156,913	
Maps & reproductions	-	2,500	-	2,088	4,588	
Sampling and assaying	74,563	2,890	-	4,500	81,953	
General & administrative	11,155	8,500	1,195	589	21,439	
Salaries & benefits	87,612	9,653	9,780	18,619	125,664	
Travel	104,280	1,662	-	5,979	111,921	
	<u>\$ 1,439,501</u>	<u>\$ 77,687</u>	<u>\$ 14,291</u>	<u>\$ 222,873</u>	<u>\$ 1,754,352</u>	
Stock-based compensation					201,633	
					<u>\$ 1,955,985</u>	

	Gold Projects				Generative General	Three months ended March 31, 2005
	CSH (217) Gold		Dandong (QCZ) Gold	JBS Platinum & Palladium		
Payments to joint venture companies & partners	\$ 330,000	\$ -	\$ -	\$ 50,000	\$ 380,000	
Geological consultants	30,412	568	5,312	179,089	215,381	
Engineering & other consultants	148,950	-	-	1,027	149,977	
Project management	7,555	-	-	12,186	19,741	
Maps & reproductions	5,396	-	-	4,203	9,599	
Sampling and assaying	151,548	-	410	2,183	154,141	
General & administrative	28,845	3,711	650	30,592	63,798	
Salaries & benefits	49,258	-	390	17,452	67,100	
Travel	68,257	490	1,203	58,848	128,798	
Amount recovered / recoverable	(461,514)	(2,671)	(4,460)	-	(468,645)	
	<u>\$ 358,707</u>	<u>\$ 2,098</u>	<u>\$ 3,505</u>	<u>\$ 355,580</u>	<u>\$ 719,890</u>	
Stock-based compensation recovery					(13,043)	
					<u>\$ 706,847</u>	



JINSHAN GOLD MINES INC.

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

March 31, 2006

(Unaudited)

(Stated in U.S. dollars)

JINSHAN GOLD MINES INC.

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

March 31, 2006

(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.

Jinshan's main property is the Chang Shan Hao (217) Gold project ("CSH (217) Gold project"), which is located in Inner Mongolia, China. Jinshan holds a 96.5% interest in the CSH (217) Gold project, while its Chinese joint venture partner holds the remaining 3.5% interest.

Jinshan's other properties are the Dadiangou project in Gansu Province, China and the Xinjiang project located in the Eastern Uygur Autonomous Region (Xinjiang) of Northwest China.

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, 2005.

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 reliable single measure of the fair value of the Company's stock options at the date of the grant or thereafter.

JINSHAN GOLD MINES INC.

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

March 31, 2006

(Expressed in U.S. Dollars)

Forward Looking Statements

Certain statements made herein, other than statements of historical fact relating to the Company, are forward-looking statements. These include, but are not limited to, statements respecting anticipated business activities, planned expenditures, corporate strategies, participation in projects and financing, the expected timing and success for receipt of a mining license and other required government approvals in respect of the CSH (217) Gold project, the estimated cost and timing to bring the CSH (217) Gold project into commercial production, anticipated future production and date of installation of production facilities on the CSH (217) Gold project, the timing and scope of exploration activities on the Dadiangou project and other statements that are not historical facts. When used in this management's discussion and analysis of financial condition and results of operations ("MD&A"), the words such as, "could," "plan," "estimate," "expect," "intend," "may," "potential," "should," and similar expressions, are forward-looking statements. Although the Company believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. 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. Important factors that could cause actual results to differ from these forward-looking statements include those described under the heading "Risk Factors" included elsewhere in this MD&A. The reader is cautioned not to place undue reliance on forward-looking statements.

This MD&A also contains references to estimates of mineral resources. The estimation of resources is inherently uncertain and involves subjective judgments about many relevant factors. The accuracy of any such estimates is a function of the quantity and quality of available data, and of the assumptions made and judgments used in engineering and geological interpretation, which may prove to be unreliable. There can be no assurance that these estimates will be accurate or that such mineral resources can be mined or processed profitably. Mineral resources that are not mineral reserves do not have demonstrated economic viability. The Company does not assume the obligation to revise or update these forward-looking statements after the date of this document or to revise them to reflect the occurrence of future unanticipated events, except as may be required under applicable securities laws.

JINSHAN GOLD MINES INC.

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

March 31, 2006

(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 Tian Shan Gold Belt. The site is approximately 650 kilometres ("km") northwest of Beijing.

Joint venture 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.

As of March 31, 2006, registered capital contributions to NPM and payments to the Chinese partner aggregated \$10.0 million. In addition, the Company has incurred exploration and other expenditures in respect of this project aggregating \$5.9 million, of which \$1.4 million was incurred during the three months ended March 31, 2006.

Funding arrangement – Under the terms of the definitive agreement dated April 20, 2004, as restructured on November 30, 2005, Ivanhoe Mines Ltd. ("Ivanhoe Mines"), the majority shareholder of the Company, and the Company have each funded 50% of the exploration expenditures on the CSH (217) Gold project to September 1, 2005; Ivanhoe Mines funded a total of \$4.2 million of exploration expenditures to that date. The Company has funded 100% of the project expenses subsequent to September 1, 2005.

Resource estimate – In April 2006, the Company released the results of the final feasibility study that included results from Jinshan's 2005 infill drilling campaign. The final feasibility study increased the CSH (217) Gold project's measured and indicated resources by approximately 700,000 ounces of gold, using a 0.5 grams per tonne ("g/t") gold cut-off. The new independent resource estimate, based on a 0.5 g/t gold cut-off, is 110 million tonnes of measured and indicated resources grading 0.83 g/t gold, and containing 2.9 million ounces of gold. The CSH (217) Gold project also contains inferred resources of 18 million tonnes grading 0.78 g/t, and containing an additional 460,000 ounces of gold. The independent final feasibility study was designed to not exceed the current mine permit application and indicates that the mine would be capable of producing approximately 117,000 ounces of gold per year for an initial mine life of approximately nine years at an average cash operating cost of approximately \$253 per ounce. The estimate was calculated by Mario E. Rossi, MSc., Min Eng., of GeoSystems International Inc., Florida, USA, a qualified person as defined by National Instrument 43-101.

Using a base case gold price of \$425 per ounce, the final feasibility study indicates that the project is forecast to generate a pre-tax internal rate of return of 32% and a net present value ("NPV"), discounted at 5%, of \$71 million. As a sensitivity to the gold price, the final feasibility study indicates that at the current April 2006 gold price of \$600 per ounce, the project internal rate of return is 87%, and the project has an NPV discounted at 5%, of \$212 million. The final feasibility study indicates that the initial going forward capital cost for the run-of-mine ("ROM") development (net of sunk cost) is \$32.3 million. Additional capital requirements of \$28.8 million could be funded through cash flow from operations for the crushing circuit and for additional heap-leach pad capacity.

During the life of the mine, the final feasibility study indicates that approximately 66.7 million tonnes of ore will be placed upon the heap for processing. Approximately 71.3 million tonnes of waste rock will be placed upon waste dumps. The overall strip ratio is 1 (ore) to 1.07 (waste rock).

The mine is designed for a heap-leach processing rate of 20,000 tonnes per day. Near-surface material has been weathered along gold-bearing fractures and is classified as oxide. At depth, the gold is associated with sulphide mineralization. During the initial two years of the mine life, ROM ore will be delivered to the heap-leach pad. A

JINSHAN GOLD MINES INC.

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

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(Expressed in U.S. Dollars)

three-stage crushing plant is expected to be built in Year 2 to process primarily sulphide ore beginning in approximately Year 3 through to the end of the mine life. Based on the metallurgical test work conducted the study assumes the following gold recoveries:

- Oxide (ROM) 80%
- Oxide (Crushed) 85%
- Sulphide (ROM) 40%
- Sulphide (Crushed) 70%

The process for gold recovery has been designed as a heap-leach operation utilizing a multiple-lift, single-use leach pad. Both ROM and crushed ore will be hauled by truck and placed on the pad. Leach solution will be distributed by a buried drip-irrigation system. The solution will be collected in a double-lined pond designed to operate in harsh winter conditions and be pumped to a process plant inside a heated building. Precious metals will be recovered from the pregnant solution in a carbon adsorption plant and the gold and silver recovered will be refined into dore bars.

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 1,500 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 materials have commenced in the city of Baotou, China under the supervision and design of KD Engineering Inc. of Tuscon, Arizona.

The Company has completed, or is in the process of completing, all necessary regulatory studies required to receive final State and Provincial government approval to commence commercial mining activities.

The Ministry of Land and Resources (“MOLAR”) in Beijing has approved the company’s Chinese reserve and resource study. In addition, final applications for Project Registration have been filed with the provincial government of Inner Mongolia Autonomous Region.

The Chinese Regulatory Environmental Impact Assessment (“EIA”) has been completed by Earth Resource Management, of Shanghai, China, in partnership with the Inner Mongolia Environmental Science Academy. The EIA has been reviewed and approved by an expert panel of the Environmental Protection Bureau of Inner Mongolia. The Company expects government issuance of a mining permit in the third quarter of 2006, which will authorize commercial gold mining operations. Assuming all the required permits are received as scheduled, the Company expects that it will be capable of commencing commercial gold production in the fourth quarter of 2006 or in the Spring of 2007.

Five key mine construction and excavation contracts that are already underway include:

1. Construction of a crushing plant to crush over-liner material for the heap leach pads;
2. Excavation and pouring of concrete foundations for the process plant;
3. Excavation of the pregnant solution pond and the overflow pond for the heap leach processing;
4. Construction of the modular process plant by Summit Valley Engineering of Utah, USA, (scheduled for shipment to China in May 2006); and
5. Earthwork preparation for the leach pad.

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The Company completed its final feasibility study, under the direction of KD Engineering of Tucson, Arizona, USA, in the second quarter of 2006. The final feasibility study incorporated the positive results from the 2005 infill drilling campaign. The Company expects that this final feasibility study will support project debt financing of the CSH (217) Gold project to a commercial mining stage.

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.

Joint venture agreement – In September 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.

Since inception in September 2005 and up to March 31, 2006, the Company has incurred exploration and other expenditures in respect of this project aggregating \$206,000, of which \$14,000 was incurred during the three months ended March 31, 2006.

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 sulphides (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 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 \$1.5 million and will consist of surface drilling during the first year of exploration. Preparations are being made for a 5000-metre surface drilling program using two drill rigs. Drilling is expected to commence in July 2006, once a business license is received for the Gansu joint venture company. The drilling is designed to delineate an initial NI 43-101 mineral resource on the project.

c) Xinjiang Projects

The Company has acquired four exploration permits covering 153 km² in the Eastern Xinjiang Uygur Autonomous Region (Xinjiang) of Northwest China. The permits are held under a Chinese-Foreign Joint Venture in which the Company holds a 99% share and the partner, Yunnan Geological and Mining Co. Ltd., holds a 1% share. The permits were granted by the state Ministry of Lands and Resources in Beijing.

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Field programs commenced in early March 2006 and by the end of April 2006, the Company has completed an initial phase of geological mapping and prospecting, with or without stream sediment geochemical sampling, on each of the four permits. More than 600 rock chip samples were collected during the course of geological mapping and prospecting, and submitted to SGS Laboratories in Tianjin, China for Au fire assay and multi-element geochemical analyses. Initial sample results have been received for Au and for some of the multi-element analyses.

Prospective parts of some of the permits, based on initial Au fire assay and multi-element geochemical results, will be followed up with geophysical surveys to define potential favorable structures and sulfide concentrations, respectively, followed by trenching with the intent of defining targets for drill testing in the second half of 2006.

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.

At present, two exploration permits in the Eastern Tian Shan region in China are pending with the MOLAR in Beijing, having already received military clearance and a positive recommendation from the Bureau of Land and Resources ("BOLAR") in Xinjiang. Additionally, eight additional exploration permit applications that, because of new regulations, will involve permitting directly through the BOLAR in Xinjiang without involvement from the MOLAR in Beijing, were originally submitted to the BOLAR in Xinjiang in March 2006, but are now being reconfigured as a series of smaller permit application areas to comply with recently revised regulations.

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Results of Operations

Overview

The Company is in the pre-production 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 activities.

For the three months ended March 31, 2006 and 2005, the Company had no net sales or other operating revenues, no long-term liabilities and no dividends were declared.

Selected Quarterly Data (Unaudited)

(\$ in thousands, except per share information)

QUARTER ENDED	2006	2005				2004			
	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	
Exploration expenses	\$1,956	\$2,484	\$966	\$133	\$707	\$822	\$884	\$1,342	
Net loss	2,558	3,282	1,339	435	1,158	1,142	1,102	2,047	
Net loss per share	(0.02)	(0.06)	(0.03)	(0.01)	(0.02)	(0.02)	(0.02)	(0.04)	

Fluctuations in the quarterly net loss amounts over the two year period ended March 31, 2006, 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 Platinum and Palladium property.

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The statements of operations for the three months ended March 31, 2006, and 2005 are provided in the following table:

	Three Months Ended,	
	March 31, 2006	March 31, 2005
	(Unaudited)	(Unaudited)
Expenses		
Administration and office	\$ 181,703	\$ 108,248
Amortization	15,632	19,213
Investor relations	47,677	12,649
Travel	57,418	45,726
Exploration expenses	1,955,985	706,847
Professional fees	21,889	46,651
Salaries and benefits	148,074	82,761
Stock-based compensation	206,367	96,482
Shareholder information, transfer agent and filing fees	15,671	28,215
	<u>2,650,416</u>	<u>1,146,792</u>
Other Income and Expenses		
Interest income	76,656	17,938
Foreign exchange (loss) gain	15,395	(29,260)
	<u>92,051</u>	<u>(11,322)</u>
Net loss for the period	<u>\$ (2,558,365)</u>	<u>\$ (1,158,114)</u>

Three months ended March 31, 2006 and 2005

The Company incurred a net loss of \$2.6 million for the three months ended March 31, 2006, compared to a net loss of \$1.2 million in the 2005 quarter. This change is primarily due to an increase in exploration expenditures of \$1.2 million from the 2005 quarter to the 2006 quarter.

Exploration expenditures totaled \$2.0 million for the three months ended March 31, 2006, compared to \$707,000 for the 2005 quarter. This increase is primarily due to increased costs for engineering and geological consultants who prepared the feasibility studies and other pre-development activities for the CSH (217) Gold project.

For the three months ended March 31, 2005, exploration costs were reduced by \$469,000, due to the recovery from Ivanhoe Mines of its share of exploration expenditures on projects subject to joint venture agreements.

Stock-based compensation included in exploration expenses for the three months ended March 31, 2006, increased by \$215,000 from the 2005 quarter, due to an increase in the number of stock options granted.

Total exploration expenditures incurred on the Company's projects in China, without giving effect to the cost recoveries received from Ivanhoe Mines or stock-based compensation expenses, were \$1.8 million and \$1.2 million for the three months ended March 31, 2006 and 2005, respectively. This increase of \$600,000 in the 2006 quarter is due to the increase in activities at the CSH (217) Gold project.

General and administrative expenses increased to \$694,000 for the three months ended March 31, 2006, from \$440,000 in the 2005 quarter, primarily due to costs incurred in anticipation of the CSH (217) Gold project starting production later in 2006. Stock-based compensation charges were \$110,000 higher for the three months ended March 31, 2006, compared to the 2005 quarter, primarily due to the increase in the number of stock options granted. Net administration costs, excluding stock-based compensation were \$488,000 for the three months ended March 31,

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2006, and \$343,000 in the 2005 quarter. Increases in administration and office, salaries and benefits, investor relations, and travel costs were primarily responsible for this quarter over quarter increase.

Administration and office, and salaries and benefits increased by \$139,000 from the 2005 quarter to the 2006 quarter, primarily due to the addition of full time employees in anticipation of the CSH (217) Gold project starting production later in 2006.

Investor relations costs increased by \$35,000 for the three months ended March 31, 2006, compared to the 2005 quarter primarily as a result of contracts with two marketing and investor relation services companies that were entered into during the latter half of 2005. These firms will assist the Company in gaining increased exposure to investors, analysts and the media as well as assisting the Company in developing its communication strategies. Other investor relations activities include expenditures for news releases, conferences and printing.

Travel expenses for administrative personnel increased by \$12,000 from the 2005 quarter to the 2006 quarter primarily due to the increased presence by senior management at the Company's project locations during 2006. Advanced planning for potential mine development on the CSH (217) Gold project and implementation of administrative infrastructure necessitated this increased travel to China during 2006.

The small decrease of \$4,000 to amortization charges is primarily the result of certain property, plant and equipment being fully depreciated by the end of 2005.

Professional fees decreased by \$25,000 from the 2005 quarter to the 2006 quarter. Shareholder information, transfer agent and filing fees decreased by \$13,000 from the 2005 quarter to the 2006 quarter. These decreases were primarily due to costs incurred in the 2005 quarter to prepare and file the required NI 43-101 technical report with the regulatory authorities.

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.

Foreign exchange gain for three months ended March 31, 2006, increased by \$45,000 compared to the 2005 quarter. The increase is primarily due to holding higher amounts of cash deposits in Canadian funds and the weakening of the U.S. dollar exchange rate against the Canadian dollar.

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Liquidity and Capital Resources

The balance sheets as of March 31, 2006, and December 31, 2005, are shown in the following table:

	March 31, 2006	December 31, 2005
	(Unaudited)	
ASSETS		
CURRENT		
Cash	\$ 11,356,042	\$ 15,414,581
Accounts receivable	268,567	569,409
Prepaid expenses	286,608	215,125
	11,911,217	16,199,115
PROPERTY, PLANT AND EQUIPMENT	2,760,539	918,700
	\$ 14,671,756	\$ 17,117,815
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 836,988	\$ 1,206,076
SHAREHOLDERS' EQUITY		
Share capital	35,547,287	35,433,993
Contributed surplus	2,817,190	2,449,090
Cumulative translation adjustments	460,850	460,850
Deficit	(24,990,559)	(22,432,194)
	13,834,768	15,911,739
	\$ 14,671,756	\$ 17,117,815

As of March 31, 2006, the Company had a working capital balance of \$11.1 million and cash resources of \$11.4 million. During the three months ended March 31, 2006, net cash outflows from operations were \$2.3 million, and \$1.9 million was expended on property, plant and equipment primarily for the CSH (217) Gold project. Cash inflows of \$73,000 during this period included net proceeds received from the exercise of stock options. The net cash decrease for the three months ended March 31, 2006, was \$4.1 million.

As of March 31, 2006, the Company had approximately \$7.8 million held in Canadian funds and 20.4 million in Chinese Renminbi, which exposes the Company to risks associated with foreign exchange fluctuations. For the three months ended March 31, 2006, Canadian and Chinese denominated funds incurred an unrealized foreign exchange gain of \$2,000 due to the weakening of the U.S. dollar versus its Canadian and Chinese counterpart.

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As of March 31, 2006, the Company has approved and expects to spend approximately \$3.5 million during 2006 on its exploration and development projects, other generative exploration expenses and general and administrative costs, of which \$315,000 has been spent. As of March 31, 2006, the Company has approved and expects to spend approximately \$9.9 million during 2006 on engineering and infrastructure work at the CSH (217) Gold project, of which \$2.3 million has been spent. The Company expects to fund these operations from its working capital balance on hand, and either a debt facility, new equity financings, or a combination of both. It is currently estimated that capital and start-up costs would be approximately \$32.4 million for the 2006 year. Some of the start-up costs are discretionary and are subject to the receipt of a mining license and other regulatory approvals, availability of financing, and a final decision to commence commercial production at the CSH (217) Gold project. The Company anticipates that funding for this project would be either through a debt facility, new equity financings, or a combination of both.

In March 2006, the Company announced that it had engaged Macquarie Bank Ltd. ("Macquarie") as Lead Arranger for a \$35 million project loan facility. The loan facility is expected to be used to fund the mine development and working capital requirements for the CSH (217) Gold project. Macquarie has provided Jinshan with an indicative term sheet, which contains proposed terms and conditions for the establishment of the loan facility. Final terms for the loan facility will be negotiated by both parties once Macquarie completes technical and legal due diligence.

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. Subsequent to March 31, 2006, the Company received \$1.3 million from the exercise of outstanding options and warrants.

Related Party Transactions

Certain administrative costs are paid to 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 \$340,000 and \$188,000 for the three months ended March 31, 2006 and 2005, respectively.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares without par value. As of May 23, 2006, 129,218,023 common shares were issued and outstanding, 5,224,734 share purchase options had been granted and were outstanding, and 22,119,206 common share purchase warrants had been issued and were outstanding. On a fully diluted basis, 156,561,963 common shares were outstanding.

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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. 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, particularly the CSH (217) Gold project, 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 framework 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.

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- *Mining permits and licenses are required* – The further development and exploration of the various mineral properties in which it holds interests, particularly the CSH (217) Gold project, depends upon the Company's ability to obtain mining permits and licenses from various governmental authorities. There can be no assurance that the Company will be successful in obtaining any required mining permits and licenses when needed. 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 mining permits and licenses from various governmental authorities. Failure to obtain mining permits and licenses 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.
- *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.
- *Lack of infrastructure could adversely affect mining feasibility* – The Company's mining properties are located in remote areas, which currently lack basic infrastructure, including sources of electric power, water, housing, food, and transport necessary to develop and operate a major mining project. While Jinshan has established the limited infrastructure necessary to conduct its current exploration and development activities, substantially greater sources of power, water, physical plant, and transport infrastructure in the area will need to be established before Jinshan can conduct mining operations. Lack of availability of the means and inputs necessary to establish such infrastructure may adversely affect mining feasibility. Establishing such infrastructure will, in any event, require significant financing, identification of adequate sources of raw materials and supplies and necessary approvals from national and regional governments, none of which can be assured.
- *Currency risks* – The bulk of the Company's activities are denominated in U.S. currency with other minor activities denominated in Chinese Renminbi and Canadian dollars. During 2006, the Company maintained some of its surplus funds in Canadian dollars and Chinese Renminbi, which amounts expose the Company to risks associated with foreign exchange fluctuations.
- *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.

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- *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 will focus mainly on advancing the CSH (217) Gold project through permitting and production. 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.

May 25, 2006