JINSHAN GOLD MINES INC.

Consolidated Financial Statements
September 30, 2008

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

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

	September 30, 2008	December 31, 2007
ASSETS		
CURRENT		
Cash and cash equivalents	**$ 21,134,481**	$ 26,952,425
Restricted cash (Note 3)	**7,778,692**	-
Accounts receivable	**166,552**	348,914
Prepaid expenses and deposits (Note 4)	**3,695,198**	2,001,980
Inventory (Notes 5 and 6)	**28,479,765**	434,609
	61,254,688	29,737,928
PROPERTY, PLANT AND EQUIPMENT (Note 6)	**52,460,328**	57,727,460
	$ 113,715,016	$ 87,465,388
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**$ 12,947,030**	$ 15,066,485
Short-term loan (Note 7)	**17,615,678**	-
Current portion of asset retirement obligation	**381,081**	346,978
	30,943,789	15,413,463
LONG TERM		
Notes payable (Note 8)	**43,069,161**	44,267,023
Asset retirement obligation	**4,653,177**	4,113,045
	47,722,338	48,380,068
COMMITMENTS AND CONTINGENCIES (Note 16)		
NON-CONTROLLING INTEREST (Note 9)	**174,402**	-
SHAREHOLDERS' EQUITY		
Share capital (Note 10)		
Authorized		
Unlimited common shares without par value		
Issued		
163,889,159 common shares (2007 - 156,561,424)	**74,166,100**	59,809,025
Contributed surplus	**10,299,344**	10,922,519
Accumulated other comprehensive income	**460,850**	460,850
Deficit	**(50,051,807)**	(47,520,537)
	34,874,487	23,671,857
	$ 113,715,016	$ 87,465,388

CONTINUING OPERATIONS (Note 1)

APPROVED BY THE BOARD

"Daniel 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 months ended September 30, 2008	Three months ended September 30, 2007	Nine months ended September 30, 2008	Nine months ended September 30, 2007
REVENUES	**$ 13,096,113**	$ -	**$ 13,096,113**	$ -
COST OF SALES				
Cost of sales excluding depreciation, amortization and depletion	**(7,309,802)**	-	**(7,309,802)**	-
Depreciation, amortization and depletion	**(719,051)**	-	**(719,051)**	-
Accretion of asset retirement obligation	**(84,335)**	-	**(84,335)**	-
	(8,113,188)	-	**(8,113,188)**	-
MINE OPERATING EARNINGS	**4,982,925**	-	**4,982,925**	-
EXPENSES				
Administration and office	**(292,391)**	(247,692)	**(898,515)**	(712,623)
Amortization	**(4,834)**	(10,995)	**(12,938)**	(34,564)
Exploration expenses (See Schedule)	**(1,034,974)**	(1,851,372)	**(3,329,788)**	(4,472,681)
Investor relations	**(87,954)**	(85,028)	**(406,746)**	(240,453)
Professional fees	**(186,264)**	(130,271)	**(659,036)**	(580,061)
Salaries and benefits	**(566,446)**	(219,439)	**(1,154,358)**	(684,660)
Shareholder information, transfer agent and filing fees	**(41,972)**	(51,669)	**(180,053)**	(157,169)
Stock-based compensation	**(249,203)**	(397,738)	**(1,260,445)**	(1,074,864)
Travel	**(62,928)**	(84,456)	**(521,378)**	(290,295)
	(2,526,966)	(3,078,660)	**(8,423,257)**	(8,247,370)
OTHER (EXPENSES) INCOME				
Foreign exchange gain (loss)	**1,667,877**	(1,706,301)	**2,740,111**	(3,045,045)
Interest income	**19,819**	194,761	**161,581**	194,761
Interest and financing expense	**(1,476,965)**	(845,424)	**(1,818,228)**	(856,397)
	210,731	(2,356,964)	**1,083,464**	(3,706,681)
INCOME (LOSS) BEFORE NON-CONTROLLING INTEREST	**2,666,690**	(5,435,624)	**(2,356,868)**	(11,954,051)
NON-CONTROLLING INTEREST	**(174,402)**	-	**(174,402)**	-
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	**$ 2,492,288**	$ (5,435,624)	**$ (2,531,270)**	$ (11,954,051)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE (Note 10)	**$ 0.02**	$ (0.04)	**$ (0.02)**	$ (0.08)
BASIC WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	**163,586,648**	154,384,945	**161,445,001**	150,439,890
DILUTED WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	**164,775,883**	154,384,945	**161,445,001**	150,439,890

See accompanying notes to the interim consolidated financial statements

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

	Number of Shares	Amount	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total
Balances, December 31, 2007	156,561,424	$ 59,809,025	$ 10,922,519	$ 460,850	$ (47,520,537)	$ 23,671,857
Shares issued for:						
Exercise of warrants	5,407,167	11,915,435	(2,306,275)	-	-	9,609,160
Exercise of stock options	1,920,568	2,441,640	(1,027,931)	-	-	1,413,709
Stock-based compensation charged to operations	-	-	1,416,793	-	-	1,416,793
Fair Value of share purchase warrants extended in connection with the 12% senior unsecured promissory notes (Notes 7 and 8)	-	-	1,294,238	-	-	1,294,238
Net income (loss) and comprehensive income (loss)	-	-	-	-	(2,531,270)	(2,531,270)
Balances, September 30, 2008	**163,889,159**	**$ 74,166,100**	**$ 10,299,344**	**$ 460,850**	**$ (50,051,807)**	**$ 34,874,487**

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 months ended September 30, **2008**	Three months ended September 30, 2007	Nine months ended September 30, **2008**	Nine months ended September 30, 2007
OPERATING ACTIVITIES				
Net income (loss)	**$ 2,492,288**	$ (5,435,624)	**$ (2,531,270)**	$ (11,954,051)
Items not requiring use of cash and cash equivalents:				
Depreciation, amortization and depletion	**723,885**	10,995	**731,989**	34,564
Accretion of asset retirement obligation	**84,335**	-	**84,335**	-
Accretion of interest expense	**486,986**	-	**486,986**	-
Stock-based compensation	**254,707**	566,808	**1,416,793**	1,400,816
Unrealized foreign exchange loss (gain)	**(1,749,767)**	1,513,436	**(2,454,057)**	2,936,334
Non-controlling interest	**174,402**	-	**174,402**	-
	2,466,836	(3,344,385)	**(2,090,822)**	(7,582,337)
Change in non-cash operating working capital items (Note 12 (a))	**(4,372,324)**	3,743,130	**(13,637,678)**	1,133,615
	(1,905,488)	398,745	**(15,728,500)**	(6,448,722)
INVESTING ACTIVITIES				
Property, plant and equipment additions	**(8,584,282)**	(12,259,666)	**(32,700,912)**	(24,082,294)
Proceeds from sale of pre-commercial gold production	**-**	4,028,932	**20,906,313**	4,028,932
Restricted cash deposits	**3,889,345**	-	**(7,778,692)**	-
	(4,694,937)	(8,230,734)	**(19,573,291)**	(20,053,362)
FINANCING ACTIVITIES				
Issuance of common shares	**513,418**	818,185	**11,022,869**	6,668,297
Proceeds from short-term loan	**18,909,916**	-	**18,909,916**	-
Proceeds from the private placement offering comprising the 12% senior unsecured promissory notes and share purchase warrants, net of $550,142 in issue costs (Note 8)	**-**	-	**-**	18,189,485
	19,423,334	818,185	**29,932,785**	24,857,782
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(117,981)**	1,220,402	**(448,938)**	1,796,525
NET INCREASE (DECREASE) IN CASH FOR THE PERIOD	**12,704,928**	(5,793,402)	**(5,817,944)**	152,223
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**8,429,553**	33,822,128	**26,952,425**	27,876,503
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 21,134,481**	$ 28,028,726	**$ 21,134,481**	$ 28,028,726
CASH AND CASH EQUIVALENTS ARE COMPRISED OF THE FOLLOWING:				
Cash in bank	**$ 21,096,506**	$ 7,006,030	**$ 21,096,506**	$ 7,006,030
Bank short-term deposits	**37,975**	21,022,696	**37,975**	21,022,696
	$ 21,134,481	$ 28,028,726	**$ 21,134,481**	$ 28,028,726

Supplemental Cash Flow Information (Note 12 (b))

See accompanying notes to the interim consolidated financial statements

1. BASIS OF PRESENTATION AND CONTINUING OPERATIONS

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 application as the latest annual consolidated financial statements, except as discussed herein. 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, 2007, 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. Certain amounts in prior periods have been reclassified to conform to the 2008 presentation.

The preparation of these interim consolidated financial statements in conformity with GAAP 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 expenses during the period. As a result, actual amounts may differ from those estimates.

Effective on July 1, 2008, the Company has determined that the Chang Shan Hao Gold Mine ("CSH Gold Mine") has entered into commercial production. From July 1, 2008, the financial statement presentation reflects revenues and cost of mining operations in the consolidated statement of operations. Commercial production was deemed to have commenced when management determined that operational commissioning of major mine and plant components were completed, operating results were being achieved consistently for a period of time and that there were indicators that these operating results were being sustained. Management determined commencement of commercial production based on the following factors which indicate that planned principal operations had commenced. These included one or more of the following:

(a) A significant utilisation rate of plant capacity is achieved;
(b) A significant portion of available funding is directed toward operating activities;
(c) A pre-determined, reasonable period of time of stable operation has passed; or
(d) A development project significant to the primary business objective of the enterprise has been completed and significant milestones have been achieved.

In its pre-commercial production stage up to and including June 30, 2008, proceeds from the sale of gold produced were offset against mine development costs.

Revenue from the sale of gold is recognized and recorded when all significant risks and rewards of ownership pass to the purchaser including delivery of the product, there is a fixed or determinable

1. BASIS OF PRESENTATION AND CONTINUING OPERATIONS (Continued)

selling price and collectability is reasonably assured. Settlement adjustments, if any, are reflected in revenue when the amounts are determinable. Gold sales revenue is recognized at the fair value of consideration received. Revenue includes refining charges if payment of these amounts can be enforced at the time of sale. Gold sale prices are set at a specified future date after shipment based on spot prices. Incidental revenues from the sale of silver by-product are classified with cost of sales.

The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain financing and generate positive cash flow from the CSH Gold Mine. The Company is monitoring cash flow generated from operations at the CSH Gold Mine against cash requirements for its operating costs, to fund other on-going expenses, for capital expansion plans and for future business opportunities. The Company is also reviewing this in the context of loans that have been secured to finance the development and operations of the CSH Gold Mine. These loans include $47,174,262 (CDN $50,000,000) principal amount of senior unsecured promissory notes, of which $28,304,557 (CDN $30,000,000) principal amount falls due in December 2009 and $18,869,705 (CDN $20,000,000) principal amount falls due in June 2010, and a recently secured bridge loan with the Industrial and Commercial Bank of China ("ICBC") with a principal amount of $18,909,916 (RMB 130,000,000) ("Bridge Loan"), that falls due through installments commencing in January through to March 2009. The bridge loan was granted in contemplation of a larger replacement facility with ICBC that would replace the Bridge Loan and provide capital for the expansion of the CSH Gold Mine. Nevertheless, the need to address these loans will impact the ability of the Company to rely on cash flow from the CSH Gold Mine as its principal source of funding. Even in the context of increased financial performance at the CSH Gold Mine, the Company does not expect that cash flow from the CSH Gold Mine will be sufficient to cover all of its operating requirements, financial commitments and business development priorities. Accordingly, the Company expects that it will need to obtain further financing in the form of debt, equity or a combination thereof. If current market conditions and tightening credit markets persist for an extended time, they could negatively affect the Company's ability to obtain equity financing or external debt financing. There can be no assurance that additional funding will be available to the Company or, if available, that this funding will be on acceptable terms. If adequate funds are not available, the Company may be required to delay or reduce the scope of any or all of its development projects.

2. CHANGES IN ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS

On January 1, 2008, the Company adopted the following provisions of the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections. There was no material impact on the Company's financial condition or operating results, as a result of the adoption of these new standards:

(a) Section 3862 – Financial Instruments – Disclosures and Section 3863 – Financial Instruments – Presentation. These new sections incorporate many of the disclosure requirements of Section 3861, but place an increased emphasis on disclosure about risk, including both qualitative and quantitative information about the risk exposures arising from financial instruments. (see Note 14).

2. CHANGES IN ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS (Continued)

(b) Section 3031 – Section 3031 replaces Section 3030 and establishes standards for the measurements and disclosures of inventories. The new standard provides more extensive guidance on the determination of costs, including allocation of overhead, requires impairment testing and expands the disclosure requirements. There was no material impact on the Company's financial condition or operating results upon the adoption of Section 3031.

(c) Section 1535 – Capital Disclosures, which establishes standards for disclosing information about an entity's capital and how it is managed (see Note 15). Under this standard, the Company will be required to disclose the following, based on the information provided internally to the Company's key management personnel:

- qualitative information about its objectives, policies and processes for managing capital;
- summary quantitative data about what it manages as capital;
- whether during the period it complied with any externally imposed capital requirement to which it is subject; and
- when the Company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

(d) Section 1400 – General Standards of Financial Statement Presentation, to include requirements for management to assess and disclose an entity's ability to continue as a going concern (see Note 1).

CICA issued Section 3064 – Goodwill and Intangible Assets, which replaces Section 3062 and establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. Section 3062 applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2008, and is not expected to have a material impact on the Company's financial condition, operating results, or disclosures.

3. RESTRICTED CASH

The Company signed a contract with an equipment manufacturer to purchase crusher equipment for $15,557,383 to be delivered in late 2008. The Company established a $15,000,000 letter of credit facility with its bank and opened a $14,001,645 standby letter of credit for the purchase of the equipment. As security for the standby letter of credit, which expires on January 15, 2009, the Company placed $14,001,645 as restricted cash with its bank. The Company has reduced its standby letter of credit to $7,778,692 after making progress payments of $6,222,953.

(Stated in U.S. dollars, except as otherwise noted)

4. PREPAID EXPENSES AND DEPOSITS

	September 30, 2008	December 31, 2007
CSH Gold Mine construction deposits	**$ 2,358,724**	$ 1,228,902
Deposits for spare parts	**381,106**	-
Insurance	**122,997**	402,091
Rent deposits	**297,510**	264,385
Other	**534,861**	106,602
	$ 3,695,198	$ 2,001,980

5. INVENTORY

	September 30, 2008	December 31, 2007
Gold in circuit and in process	**$ 23,466,868**	$ -
Gold doré bars	**3,814,371**	-
Consumables	**1,047,732**	429,277
Spare parts	**150,794**	5,332
	$ 28,479,765	$ 434,609

Gold inventories are valued at the lower of average production cost or net realizable value. Production costs include the cost of raw materials, direct labour, mine-site overhead expenses and depreciation and depletion of mining interests. The recovery of gold from certain oxide ores is achieved through a heap leaching process. Under this method, ore is placed on leach pads where it is treated with a chemical solution which dissolves the gold contained ore. The resulting “pregnant” solution is further processed in a plant where the gold is recovered. For accounting purposes, costs are added to ore on leach pads using current mining and leaching costs, including applicable depreciation, depletion and amortization relating to mining interests. Costs are removed from ore on leach pads as ounces of gold are recovered based on the average cost per recoverable ounce on the leach pad. Estimates of recoverable gold on the leach pads are calculated from the quantities of ore placed on the leach pads (measured in tonnes added to the leach pads), the grade of the ore placed on the leach pads (based on assay data), and a recovery percentage (based on ore type). Although the quantities of recoverable gold placed on the leach pad are reconciled by comparing the grades of ore placed on the leach pad to the

(Stated in U.S. dollars, except as otherwise noted)

5. INVENTORY (Continued)

quantities actually recovered, the nature of the leaching process inherently limits the ability to precisely monitor inventory levels. The ultimate recovery of gold from the leach pad is not known until the leaching process has concluded at the end of the mine life.

Consumables and spare parts are valued at the lower of cost or net realizable value.

6. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2008		
	Cost	Accumulated Amortization	Net Book Value
Motor vehicles	**$ 1,272,843**	**$ 327,545**	**$ 945,298**
Machinery and Equipment	**24,807,468**	**2,455,968**	**22,351,500**
Furniture and Office Equipment	**687,767**	**317,917**	**369,850**
Buildings	**4,258,294**	**394,480**	**3,863,814**
Capital works in progress	**12,789,107**	**-**	**12,789,107**
Mineral properties and deferred development	**12,423,043**	**282,284**	**12,140,759**
	$ 56,238,522	**$ 3,778,194**	**$ 52,460,328**

	December 31, 2007		
	Cost	Accumulated Amortization	Net Book Value
Motor vehicles	$ 1,090,237	$ 193,385	$ 896,852
Machinery and Equipment	24,974,179	798,767	24,175,412
Furniture and Office Equipment	625,544	279,723	345,821
Buildings	4,058,146	114,103	3,944,043
Capital works in progress	41,316	-	41,316
Mineral properties and deferred development	28,324,016	-	28,324,016
	$ 59,113,438	$ 1,385,978	$ 57,727,460

(Stated in U.S. dollars, except as otherwise noted)

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

Capital works in progress consist of process plant improvements and construction costs for the expansion project for the CSH Gold Mine.

Mineral properties and deferred development consist of development costs capitalized for the CSH Gold Mine commencing on May 1, 2006, when the Company determined by way of a feasibility study that the CSH Gold Mine had economically recoverable reserves. Capitalization of development costs stopped when the CSH Gold Mine entered into commercial production on July 1, 2008. Deferred development costs included mine operating costs net of proceeds received from the sale of pre-commercial gold production and accordingly, the measurement and valuation of gold inventory at July 1, 2008 resulted in the reclassification of $20,699,229 to inventory from mineral properties and deferred development. A reconciliation of mineral properties and deferred development is provided in the table below:

Balance as of June 30, 2008	**$**	**33,122,272**
Reclassified to inventory		(20,699,229)
Mineral properties and deferred development		12,423,043
Accumulated depletion		(282,284)
Balance as of September 30, 2008	**$**	**12,140,759**

During the nine months ended September 30, 2008, $3,607,746 (2007 - $3,471,579) of interest (including $1,225,352 (2007 - $1,132,240) of accretion on the 12% senior unsecured promissory notes) was capitalized to mineral properties and deferred development.

7. SHORT-TERM LOAN

The Company received $18,909,916 (RMB 130,000,000) of the Bridge Loan proceeds from ICBC in September 2008, to support operations at the CSH Gold Mine during the construction and installation of crushers. The Bridge Loan is unsecured, denominated in RMB and bears an annual interest rate of 6.21%. Interest is payable monthly and the principal amount is repayable in installments of $4,363,826 (RMB 30,000,000) in January 2009, $7,273,045 (RMB 50,000,000) in February 2009, and $7,273,045 (RMB 50,000,000) in March 2009. The Bridge Loan is guaranteed by the Company's significant shareholder, China National Gold Group Corporation with no recourse to the Company. As a condition of its promissory note holders consenting to the unsecured Bridge Loan, the Company has extended to December 14, 2010 the expiry date of 3,860,000 common share purchase warrants to purchase 3,860,000 common shares issued in connection with a note offering that closed in December 2006, and extend to June 26, 2011 the expiry date of 2,450,000 warrants to purchase 2,450,000 common shares in connection with a note offering that closed in June 2007. The holders of the warrants may exercise the warrants at the original exercise price of CDN$1.60 per common share in the case of the warrants issued in connection with the December 2006 note offering and CDN$2.50 in the case of the warrants issued in connection with the June 2007 note offering, until the new expiry date. No other terms of the warrants were changed. As a result of the warrant expiry date extensions, the Company determined the additional value of the warrants taking into account the expiry date extensions and recorded the incremental value as costs of obtaining the Bridge Loan. The fair values totaling $1.3 million were measured using the Black-Scholes option pricing model and were based on risk free annual interest rates ranging from 2.5% to 3.0%, expected lives ranging from 0.21 to 2.74 years, an expected volatility of 62%, and a dividend yield rate of nil. The fair values of the warrants are included in contributed surplus in the shareholders' equity section of the Company's consolidated balance sheet.

8. NOTES PAYABLE

The balances of the notes payable are provided in the table below:

	Note A	Note B	Note C	Total
Balances of the notes payable, December 31, 2007	**$ 26,708,698**	**$ 10,819,046**	**$ 6,739,279**	**$ 44,267,023**
Unrealized foreign exchange gain	(1,866,062)	(754,428)	(466,739)	(3,087,229)
Accretion to September 30, 2008	1,216,841	456,560	215,966	1,889,367
Balances of the notes payable, September 30, 2008	**$ 26,059,477**	**$ 10,521,178**	**$ 6,488,506**	**$ 43,069,161**

The Company amended the indenture for its 12% unsecured promissory notes to include provisions for the distribution of funds received from its subsidiary ("Ningxia Pacific") that operates the CSH Gold Mine. The Company has a $9,800,000 inter-corporate loan receivable from Ningxia Pacific. Under the terms of the amended indenture, Ningxia Pacific is required to repay the inter-corporate loan should it obtain an expansion credit facility to repay the Bridge Loan, repay the inter-corporate loan, and fund the crusher expansion, following which the Company is required to distribute the proceeds received from the inter-corporate loan repayment to the promissory note holders on a pro rata basis. In addition, the Company is required to set up a redemption fund to deposit 50% of the proceeds that the Company receives from Ningxia Pacific as dividends or other cash distributions. To the extent that the redemption fund exceeds $5,000,000, the Company is required to distribute such funds to the promissory note holders on a pro rata basis.

(Stated in U.S. dollars, except as otherwise noted)

9. NON-CONTROLLING INTEREST

At September 30, 2008, there was a 3.5% non-controlling interest in Ningxia Pacific Mining Co. Ltd., which is 96.5% owned by the Company. The balance of the non-controlling interest is shown in the table below:

Balance, December 31, 2007	**$**	**-**
Non-controlling interest's share of mine operating earnings		174,402
Balance, September 30, 2008	**$**	**174,402**

10. SHARE CAPITAL

Outstanding stock options and warrants

As of September 30, 2008, there were 6,982,967 stock options outstanding with exercise prices and expiry dates ranging from CDN $0.50 to CDN $3.60 and November 18, 2008 to May 1, 2014, respectively.

As of September 30, 2008 there were 6,310,000 warrants outstanding with exercise prices and expiry dates ranging from CDN $1.60 to CDN $2.50 and December 14, 2010 to June 26, 2011 respectively.

During the quarter ended September 30, 2008, the expiry dates of the warrants were extended as a condition of the short-term loan (see Note 7).

Earnings per share

Basic earnings per share ("EPS") is calculated by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated to reflect the dilutive effect of exercising outstanding stock options and warrants by applying the treasury stock method.

Earnings used in determining EPS are presented below:

	Three months ended September 30,		**Nine months ended September 30,**	
	2008	2007	**2008**	2007
NET INCOME (LOSS)	**$ 2,492,288**	$ (5,435,624)	**$ (2,531,270)**	$(11,954,051)
Weighted average number of shares, basic	**163,586,648**	154,384,945	**161,445,001**	150,439,890
Dilutive securities:				
Options	**1,072,265**	-	-	-
Warrants	**116,970**	-	-	-
Weighted average number of shares, diluted	**164,775,883**	154,384,945	**161,445,001**	150,439,890
Basic and diluted earnings (loss) per share	**$ 0.02**	$ (0.04)	**$ (0.02)**	$ (0.08)

(Stated in U.S. dollars, except as otherwise noted)

10. SHARE CAPITAL (Continued)

For the calculation of EPS for the three months ended September 30, 2008, stock options and warrants to purchase 6,320,000 shares of common stock at an average exercise price of CDN $2.32 were outstanding, but were not included in the computation of diluted weighted average number of shares (the "EPS Computation") because the exercise prices of the stock options and warrants exceeded the average market price of the common shares. Due to a net loss for the nine months ended September 30, 2008, 13,292,967 stock options and warrants were excluded from the EPS Computation because their effect would have been anti-dilutive. Due to net losses for the three and nine months ended September 30, 2007, 22,762,406 stock options and warrants were excluded from the EPS Computation for the same reason.

11. RELATED PARTY TRANSACTIONS

(a) The Company incurred the following expenses, on a cost recovery basis, with companies that were related by way of directors or shareholders in common. The salaries and benefits costs are included in exploration expense, inventory, and costs of sales as appropriate.

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	**2008**	2007
Administration and office	**$ 207,373**	$ 180,640	**$ 607,056**	$ 514,349
Salaries and benefits	**$ 614,518**	290,337	**$ 1,381,953**	836,698
	$ 821,891	$ 470,977	**$ 1,989,009**	$ 1,351,047

(b) Accounts payable as at September 30, 2008, includes $353,485 (2007 - $368,228), which is due to companies that were under common control or related by way of directors in common.

(c) The Company paid $212,084 (2007 - $226,849) for the three months ended September 30, 2008, and $651,868 (2007 - $236,712) interest expense for the nine months ended September 30, 2008, to its current and former significant shareholders, China National Gold Corporation and Ivanhoe Mines Ltd., respectively.

(d) Prepaid expenses and deposits as of September 30, 2008, include $227,749 (2007 - $227,749), which is deposited with a company that was under common control or related by way of directors in common.

(Stated in U.S. dollars, except as otherwise noted)

12. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Change in non-cash operating working capital items	Three months ended September 30, 2008	Three months ended September 30, 2007	Nine months ended September 30, 2008	Nine months ended September 30, 2007
Net decrease (increase) in:				
Accounts receivable	**$ 129,362**	$ 242,316	**$ 299,737**	$ 39,433
Prepaid expenses and deposits	**2,505,926**	345,215	**(1,693,218)**	(259,179)
Inventory	**(6,053,680)**	(178,621)	**(7,345,927)**	(336,536)
Net increase (decrease) in:				
Accounts payable and accrued liabilities	**(953,932)**	3,334,220	**(4,898,270)**	1,689,897
	$ (4,372,324)	$ 3,743,130	**$ (13,637,678)**	$ 1,133,615

(b) Additional non-cash transactions	Three months ended September 30, 2008	Three months ended September 30, 2007	Nine months ended September 30, 2008	Nine months ended September 30, 2007
Transfer of contributed surplus to share capital upon exercise of stock options and warrants	**$ 355,629**	$ 325,621	**$ 3,334,206**	$ 759,283
Accretion of notes payable	**177,029**	534,959	**1,402,381**	1,132,240
Transfer of mineral properties and deferred development to inventory	**20,699,229**	-	**20,699,229**	-
Cash interest paid	**1,413,894**	1,485,479	**5,863,854**	3,243,328

13. SEGMENTED INFORMATION

(a) Industry Information

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

(b) Geographic Information

	China	Canada	Total
Three months ended September 30, 2008			
Revenues	$ 13,096,113	-	$ 13,096,113
Depreciation, amortization and depletion	719,051	4,834	723,885
Income (loss) from operations	4,025,911	(1,569,952)	2,455,959
Property, plant and equipment	$ 52,426,498	33,830	$ 52,460,328
Nine months ended September 30, 2008			
Revenues	$ 13,096,113	-	$ 13,096,113
Depreciation, amortization and depletion	719,051	12,938	731,989
Income (loss) from operations	2,395,093	(5,835,425)	(3,440,332)
Property, plant and equipment	$ 52,426,498	33,830	$ 52,460,328
As of December 31, 2007			
Property, plant and equipment	$ 57,708,098	19,362	$ 57,727,460

14. FINANCIAL INSTRUMENTS

The fair values of the Company's cash and cash equivalents, accounts receivable, accounts payable and short-term loan approximate their carrying values due to their short term to maturity. The fair values of the notes payable approximate their carrying values.

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest risk, and commodity price risk.

(a) Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in China and Canada and its functional currency is the U.S. dollar. A significant change in the currency exchange rates between the Chinese Renminbi ("RMB") or Canadian dollar relative to the U.S. dollar could have a significant effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. As of September 30, 2008, the Company is exposed to currency risk through the following assets and liabilities denominated in RMB and Canadian dollars:

	September 30, 2008	December 31, 2007
	In Canadian Dollars	
Cash and cash equivalents	**$ 1,472,840**	$ 21,540,662
Accounts receivable	**61,741**	261,192
Accounts payable and accrued liabilities	**(679,939)**	(2,139,315)
Notes payable	**(45,649,004)**	(43,740,256)
	$ (44,794,362)	$ (24,077,717)
	In Chinese Renminbi	
Cash and cash equivalents	**121,047,686**	27,514,458
Accounts receivable	**610,462**	348,267
Accounts payable and accrued liabilities	**(81,168,698)**	(91,398,781)
Short-term loan	**(130,000,000)**	-
Asset retirement obligation	**(34,510,346)**	(32,621,062)
	(124,020,896)	(96,157,118)

Based on the above net exposures as of September 30, 2008, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar and RMB against the U.S. dollar would result in an increase/decrease of approximately $4,594,000 ($3,857,000 for the Canadian dollar and $737,000 for the RMB) in the Company's net income/loss.

(Stated in U.S. dollars, except as otherwise noted)

14. FINANCIAL INSTRUMENTS (Continued)

(b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company sells all of its gold to one creditworthy customer. The Company's cash and short-term bank deposits are held in large Chinese and Canadian financial institutions. Short-term bank deposits are composed of financial instruments issued by Canadian banks and companies with high investment-grade ratings. These investments mature at various dates over the current operating period. The Company does not have any asset backed commercial paper in its short-term bank deposits. The Company's accounts receivable consists primarily of receivable for gold sales due from its customer and goods and services tax due from the Federal Government of Canada.

The Company's maximum exposure to credit risk is as follows:

		September 30, 2008		December 31, 2007
Short-term bank deposits	**$**	**37,975**	$	17,056,195
Restricted cash invested in short-term bank deposits		**7,778,692**		-
Accounts receivable		**166,552**		348,914

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 15.

Accounts payable and accrued liabilities, and short-term loans are due within the next 12 months.

The following table details the Company's contractual obligations as of September 30, 2008.

	Payments Due By Year						
	Total	**2008**	**2009**	**2010**	**2011**	**2012**	**Thereafter**
Principal repayment on notes payable	**$ 47,174,262**	$ -	$ 28,304,557	$ 18,869,705	$ -	$ -	$ -
Operating leases (a)	**91,462**	17,014	52,965	7,161	7,161	7,161	-
Payments to joint venture partner (b)	**1,718,558**	558,531	587,174	-	572,853	-	-
Purchase commitments (c)	**36,017,692**	16,081,423	18,023,871	1,912,398	-	-	-
Total	**$ 85,001,974**	**$ 16,656,968**	**$ 46,968,567**	**$ 20,789,264**	**$ 580,014**	**$ 7,161**	**$ -**

(a) Operating leases are primarily for premises.

(b) Payments to the Dadiangou Gold project joint venture partner.

(c) Purchase commitments relate to contracts signed for the construction of and equipment supply for the crusher expansion for the CSH Gold Mine.

14. FINANCIAL INSTRUMENTS (Continued)

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments included in cash and cash equivalents is limited because these investments, although available for sale, are generally held to maturity and not material. The Company's notes payables and short-term loan have fixed interest rates and therefore, are not subject to interest rate fluctuations.

(e) Commodity price risk

The profitability of the Company and its ability to develop its mineral properties are directly related to the market price of gold. The Company has not hedged any of its future gold sales. The Company's input costs are also affected by the price of fuel. The Company closely monitors gold and fuel prices to determine the appropriate course of action to be taken by the Company. A 10% change in the market price of gold would result in an increase/decrease of approximately $1,309,611 in the Company's net income/loss.

15. MANAGEMENT OF CAPITAL RISK

The Company manages its common shares, stock options, and warrants as capital (see Note 10). The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to operate its mine, pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of operating results, changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, warrants or options, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including operating results, successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Company will need additional capital resources to complete or carry out its exploration and development plans and operations for the next 12 months (see Note 1). The Company has complied with all covenants included in its short-term loan and the indenture for its notes payable.

16. COMMITMENTS AND CONTINGENCIES

(a) In October 2006, the Company signed a ten year service contract with a third party to provide mining services for the CSH Gold Mine commencing in the first quarter of 2007. The value of the mining service each year will vary and is dependent upon the amount of mining work performed.

(b) The Company established a $15,000,000 letter of credit facility with its bank in February 2008 and as of September 30, 2008, had a $7,778,692 standby letter of credit for the purchase of crusher equipment.

(c) The Company signed several contracts for construction and equipment totaling $36,017,692 for the crusher installation project at the CSH Gold Mine. The Company expects these contract expenditures to occur through to 2010.

(d) The Company is from time to time involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which it may be required to pay by reason thereof, will have a material effect on the financial conditions or future results of operations of the Company.

17. SUBSEQUENT EVENTS

Subsequent to September 30, 2008:

(a) In October 2008, the Company terminated its contract for the refining and purchase and sale of gold doré with a third party refiner and entered into an equivalent agreement for the purchase and sale of gold doré with China National Gold Group Corporation (the Company's significant shareholder), who is shipping the gold doré to a designated refiner in China. The new agreement is on substantially the same terms as the original contract with the third party refiner, but the Company has determined that this arrangement will address recent delays in payment and counterparty risks being experienced under the contract with the third party refiner.

(b) 85,000 stock options with exercise prices ranging from CDN $0.50 to CDN $2.20 were cancelled.

JINSHAN GOLD MINES INC.
Consolidated Schedule of Exploration Expenses
(Unaudited)
(Stated in U.S. dollars, except as otherwise noted)

	(1) Gold Mine	Generative			
	CSH Gold Mine	General	Dadiangou	Xinjiang	Three months ended September 30, 2008
Drilling	**$ 359,741**	**$ -**	**$ 55,280**	**$ -**	**$ 415,021**
Geological	**-**	**12,195**	**-**	**-**	**12,195**
Engineering & other	**-**	**11,713**	**128,506**	**64,785**	**205,004**
Sampling and assaying	**-**	**2,954**	**854**	**-**	**3,808**
General & administrative	**-**	**7,831**	**67,264**	**40,419**	**115,514**
Salaries & benefits	**-**	**15,500**	**69,486**	**96,846**	**181,832**
Travel	**-**	**22,263**	**51,642**	**22,191**	**96,096**
	$ 359,741	**$ 72,456**	**$ 373,032**	**$ 224,241**	**$ 1,029,470**
Stock-based compensation					**5,504**
					$ 1,034,974

	(1) Gold Mine	Generative			
	CSH Gold Mine	General	Dadiangou	Xinjiang	Three months ended September 30, 2007
Drilling	$ 415,284	$ -	$ 555,499	$ -	$ 970,783
Geological	-	36,963	157,815	179,050	373,828
Engineering & other	-	-	-	-	-
Sampling and assaying	-	-	10,217	-	10,217
General & administrative	-	5,322	67,857	-	73,179
Salaries & benefits	-	7,525	193,232	14,412	215,169
Travel	-	22,216	15,645	1,265	39,126
	$ 415,284	$ 72,026	$ 1,000,265	$ 194,727	$ 1,682,302
Stock-based compensation					169,070
					$ 1,851,372

(1) From the period May 1, 2006 to June 30, 2008, costs incurred for the development of the CSH (217) Gold Mine have been capitalized. Current exploration expenses relate to the drilling campaign in the Southwest Zone.

JINSHAN GOLD MINES INC.
Consolidated Schedule of Exploration Expenses
(Unaudited)
(Stated in U.S. dollars, except as otherwise noted)

	(1) Gold Mine	Generative			
	CSH Gold Mine	**General**	**Dadiangou**	**Xinjiang**	**Nine Months Ended September 30, 2008**
Drilling	**$ 738,037**	**$ -**	**$ 55,280**	**$ -**	**$ 793,317**
Geological	**-**	**51,316**	**-**	**-**	**51,316**
Engineering & other	**321,292**	**11,713**	**266,545**	**116,230**	**715,780**
Sampling and assaying	**41,839**	**3,513**	**25,245**	**-**	**70,597**
General & administrative	**-**	**33,848**	**180,753**	**143,622**	**358,223**
Salaries & benefits	**-**	**356,470**	**161,557**	**344,949**	**862,976**
Travel	**-**	**128,748**	**141,891**	**50,592**	**321,231**
	$ 1,101,168	**$ 585,608**	**$ 831,271**	**$ 655,393**	**$ 3,173,440**
Stock-based compensation					**156,348**
					$ 3,329,788

	(1) Gold Mine	Generative			
	CSH Gold Mine	General	Dadiangou	Xinjiang	Nine Months Ended September 30, 2007
Drilling	$ 801,434	$ -	$ 1,199,217	$ -	$ 2,000,651
Geological	-	74,634	663,757	711,475	1,449,866
Engineering & other	-	1,084	2,375	-	3,459
Project management	-	-	-	3,150	3,150
Sampling and assaying	-	10,456	10,990	1,218	22,664
General & administrative	-	27,610	72,050	-	99,660
Salaries & benefits	-	102,881	318,048	33,931	454,860
Travel	-	74,892	29,050	8,477	112,419
	$ 801,434	$ 291,557	$ 2,295,487	$ 758,251	$ 4,146,729
Stock-based compensation					325,952
					$ 4,472,681

(1) From the period May 1, 2006 to June 30, 2008, costs incurred for the development of the CSH (217) Gold Mine have been capitalized. Current exploration expenses relate to the drilling campaign in the Southwest Zone.

JINSHAN GOLD MINES INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations
September 30, 2008

(Unaudited)
(Stated in U.S. dollars, except as otherwise noted)

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The following management's discussion and analysis of financial condition and results of operations ("MD&A") was prepared as of November 9, 2008, and should be read in conjunction with the consolidated financial statements and notes thereto of Jinshan Gold Mines Inc. ("Jinshan" or the "Company") for the three and nine months ended September 30, 2008, and for the year ended December 31, 2007. Unless the context otherwise provides, references in this MD&A to Jinshan or the Company refer to Jinshan and each of its subsidiaries on a consolidated basis.

Overview

Jinshan is a mineral company that is currently engaged in the acquisition, exploration, development, and mining of mineral properties in the People's Republic of China ("China"). Jinshan's main property is the Chang Shan Hao Gold Mine ("CSH Gold Mine"), which is located in Inner Mongolia, China. Jinshan holds a 96.5% interest in the CSH Gold Mine, while its Chinese joint venture partner holds the remaining 3.5% interest. Jinshan started up gold production at the CSH Gold Mine in July 2007 and commenced commercial production on July 1, 2008.

The Company's other properties include the Dadiangou project in Gansu Province, where the Company has completed a total of 14,910 metres drilled in 68 diamond drill holes, and an updated National Instrument 43-101 compliant resource estimate is expected to be completed before the end of the year. The Company also holds 12 exploration permits in the Eastern Xinjiang Uygur Autonomous Region ("Xinjiang") of Northwest China.

In September 2008, the Company realigned its management with a greater China focus in anticipation of a significant expansion of the Company's operations in China. Mr. Sun Zhaoxue, Chairman of Jinshan was appointed as the Chief Executive Officer, and Mr. Ma Boping was appointed as Vice President for Corporate Administration. The Company established a new position of Secretary to the Board to coordinate between management and the Board. Mr. Ren Jian was appointed as the Secretary to the Board and Vice President. In addition, senior operating staff of China National Gold Group Corporation ("CNG") assumed senior operating roles at the CSH Gold Mine. Former President and Chief Executive Officer, Jay Chmelauskas, and former Chief Operating Officer, Cal McKee stepped down after the transition.

Jinshan is a reporting issuer in British Columbia, Alberta and Ontario, and the Company's shares trade under the symbol JIN on the Toronto Stock Exchange ("TSX"). Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.

(Stated in U.S. Dollars, except as otherwise noted)

Highlights

	Three months ended September 30, 2008	Nine months ended September 30, 2008	From commencement to September 30, 2008
Commercial gold production (ounces)	18,112	18,112	18,112
Pre-commercial gold production (ounces)	-	23,839	45,833
Total gold production (ounces)	18,112	41,951	63,945

	Three months ended September 30, 2008	Three months ended September 30, 2007	Nine months ended September 30, 2008	Nine months ended September 30, 2007
Net income (loss)	$ 2.5 Million	($ 5.4) Million	($ 2.5) Million	($ 12.0) Million
Basic income (loss) per share	$0.02	($0.04)	($0.02)	($0.08)
Net cash inflows (outflows) from operations	($ 1.9) million	$ 0.4 million	($ 15.7) million	($ 6.4) million
Property, plant and equipment cash expenditures	$ 8.6 million	$ 12.3 million	$ 32.7 million	$ 24.1 million

	Balance, September 30, 2008	Balance, September 30, 2007
Cash and cash equivalents	$ 21.1 Million	$ 28.0 Million
Working capital*	$ 30.3 Million	$ 21.1 Million
Restricted cash	$ 7.8 Million	$ nil

*Working capital consists of current assets less current liabilities

Outlook

The Company initiated gold production at the CSH Gold Mine in July 2007 and for accounting purposes, commenced commercial production on July 1, 2008. The Company continues to work toward achieving improved production levels by optimizing the leach circuit and taking various measures to improve gold recovery in the process plant.

The Company is working with its significant shareholder, CNG, to identify potential projects that can be developed in the near term and other exploration projects in China. The Company is also drawing on CNG's technical and operating experience in China to improve its operations in China. CNG is assisting the Company to resolve current operating problems and reduce production costs at the CSH Gold Mine.

The Company has started construction of the crusher to process sulphide ore starting in 2009. This crusher installation is also expected to increase throughput capacity from 20,000 to 30,000 tonnes of ore per day. The timing of increased capacity is dependent on completion of the crusher construction activities. Furthermore, the increased production capacity requires further approval from various government agencies. Exploration will continue at the CSH Gold Mine during the 2008 field season. In addition, Phase III drilling has been completed at the Dadiangou Project.

The Company continues to operate an exploration office in China and has a dedicated team of employees and consultants to conduct exploration on the Company's various projects in China. While these efforts are ancillary to the Company's main focus on the CSH Gold Mine, the Company intends to continue active exploration efforts to support medium-term and long-term growth of the Company.

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, 2007.

Gold inventory in finished goods, work-in-process, and heap leach ore are valued at the lower of the average production costs or net realizable value. The assumptions used in the valuation of work-in process inventories include estimates of gold contained in the ore stacked on leach pads, assumptions of the amount of gold stacked that is expected to be recovered from the leach pads, and an assumption of the gold price expected to be realized when the gold is recovered. If these estimates or assumptions prove to be inaccurate, the Company could be required to write-down the recorded value of its work-in-process inventories, which would reduce the Company's earnings and working capital. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised net realizable value. The reversal is limited to the amount of the original write-down.

Property, plant and equipment are the most significant assets of the Company and represent capitalized expenditures related to the development of mining properties and related plant and equipment. Capitalized costs are depreciated and depleted using either a unit-of-production method over the estimated economic life of the mine which they relate to, or using the straight-line method over their estimated useful lives. 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. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources. Differences between management's assumptions and market conditions could have a material effect in the future on the Company's financial position and results of operation.

The Company reviews the carrying values of its property, plant and equipment at least annually or whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. An impairment is considered to exist if the total estimated future undiscounted cash flows are less than the carrying amount of the assets. An impairment loss is recognized when the carrying value of those assets is not recoverable and exceeds their fair value. An impairment loss is measured and recorded based on discounted estimated future cash flows. Future cash flows are estimated based on expected future production, metal prices, operating costs and capital costs.

The amounts of reserves and resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any reserve or resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operations.

The Company is required to undertake reclamation activities based on current applicable environmental laws and regulatory requirements. The estimated costs of these reclamation activities depend on labour costs, the environmental impacts of the Company's operations, the effectiveness of the chosen reclamation techniques, and applicable government environmental standards. The Company also estimates expected mine closure dates, interest rates, and foreign currency exchange rates when determining its asset retirement obligation. Changes in any of these factors could cause a significant change in the reclamation expense charged in a period.

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 substantively 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, consultants that the Company considers as employees, and non-employees using the fair value method of accounting. The fair value of the options at the date of the grant is determined using the Black-Scholes option pricing model 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.

Included in the Company's balance sheet are the fair values of the 12% senior unsecured promissory notes ("Notes") and warrants. The fair values of the Notes were determined by discounting the stream of future payments of interest and principal at the estimated prevailing market rate for a debt instrument of comparable maturity and credit quality. The fair value of the warrants on the date issued was determined using the Black-Scholes pricing model. Option pricing models require the input of highly subjective assumptions regarding the expected volatility. Changes in assumptions can materially affect the fair value estimates, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Notes, short term bank loan or the warrants at the date of the issue or thereafter.

There have been no changes made to the Company's critical accounting estimates for the two year period ended September 30, 2008.

Future Accounting Pronouncements

On May 9, 2008, The Canadian Securities Administrators issued Staff Notice 52-320 - Disclosure of Expected Changes in Accounting Policies Relating to Changeover to International Financial Reporting Standards ("Staff Notice 52-320"). The Accounting Standards Board recently confirmed January 1, 2011, as the date International Financial Reporting Standards ("IFRS") will replace current Canadian standards and interpretations as Canadian generally accepted accounting principles for publicly accountable enterprises. Staff Notice 50-320 requires eventual disclosure in the MD&A of expected changes in accounting policies that will result from the adoption of IFRS on January 1, 2011. The Company is currently assessing the impact of adopting IFRS and is developing a plan for the changeover on January 1, 2011.

The Canadian Institute of Chartered Accountants ("CICA") issued Section 3064 – Goodwill and Intangible Assets, which replaces Section 3062 and establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. Section 3062 applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2008, and is not expected to have a material impact on the Company's financial condition, operating results, or disclosures.

Changes in Accounting Policies

On January 1, 2008, the Company adopted the following provisions of the CICA Handbook Sections. There was no material impact on the Company's financial condition or operating results, as a result of the adoption of these new standards:

(a) Section 3862 – Financial Instruments – Disclosures and Section 3863 – Financial Instruments – Presentation. These new sections incorporate many of the disclosure requirements of Section 3861, but place an increased emphasis on disclosure about risk, including both qualitative and quantitative information about the risk exposures arising from financial instruments.

(b) Section 3031 – Section 3031 replaces Section 3030 and establishes standards for the measurements and disclosures of inventories. The new standard provides more extensive guidance on the determination of costs, including allocation of overhead, requires impairment testing and expands the disclosure requirements. There was no material impact on the Company's financial condition or operating results upon the adoption of Section 3031.

(c) Section 1535 – Capital Disclosures, which establishes standards for disclosing information about an entity's capital and how it is managed (see Note 14 to the Company's unaudited consolidated financial statements for the nine months ended September 30, 2008). Under this standard, the Company will be required to disclose the following, based on the information provided internally to the Company's key management personnel:

- qualitative information about its objectives, policies and processes for managing capital;
- summary quantitative data about what it manages as capital;
- whether during the period it complied with any externally imposed capital requirement to which it is subject; and
- when the Company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

(d) Section 1400 – General Standards of Financial Statement Presentation, to include requirements for management to assess and disclose an entity's ability to continue as a going concern (see Note 1 to the Company's unaudited consolidated financial statements for the nine months ended September 30, 2008).

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, the actual nature and scope of any financing transactions, the expected timing and success for receipt of required government approvals, anticipated future production rates at the CSH Gold Mine and efforts being implemented to improve recovery and production rates, the results of the expansion study and a decision on whether to pursue the expansion, anticipated production and capital costs, the timing and scope of exploration activities and other statements that are not historical facts. When used in this 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 and in the Company's Annual Information Form. 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.

Results of Operations

Overview

The Company initiated gold production at the CSH Gold Mine in July 2007. Effective on July 1, 2008, management has determined that the CSH Gold Mine has entered into commercial production and commencing in the third quarter of 2008, the financial statement presentation reflects revenues and cost of mining operations in the consolidated statement of operations. As the CSH Gold Mine entered into commercial production in the third quarter of 2008, financial and production information for the three months ended September 30, 2008, are not comparable to prior years.

For each of the quarters prior to July 1, 2008, the Company had no net sales or other operating revenues, and no dividends were declared.

Selected Quarterly Data (Unaudited)

($ in thousands, except per share information)	2008			2007				2006
QUARTER ENDED	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec
Revenues	$13,096	$0	$0	$0	$0	$0	$0	$0
Exploration expenses	$1,035	$926	$1,369	$2,131	$1,851	$1,678	$943	$798
Net income (loss)	2,492	(3,180)	(1,843)	(4,577)	(5,436)	(4,321)	(2,197)	(2,482)
Basic and diluted earnings (loss) per share	0.02	(0.02)	(0.01)	(0.03)	(0.04)	(0.03)	(0.01)	(0.01)

Fluctuations in the quarterly net loss amounts over the two year period ended September 30, 2008, are primarily due to fluctuations in the level of exploration expenditures, foreign exchange gain or loss on the conversion of the notes payable from Canadian dollars to U.S. dollars, and interest expense for the 12% promissory notes 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; and fluctuations in the recognition of stock-based compensation charged to operations.

Sale proceeds, net of refining charges, received from the sale of pre-commercial gold production prior to July 1, 2008, were credited to deferred development costs. The Company has been selling production from the CSH Mine pursuant to a contract for the purchase and sale of gold and silver with a refiner in China. Under the terms of the contract, the refiner refines the doré bars into 0.9995 pure gold and residual silver. Title to the gold and silver passes to the refiner on the date of payment by the refiner to the Company. The selling price of the refined gold is based on the Shanghai Gold Exchange, which closely tracks the London Gold Fixing, and the Shanghai Huatong Platinum & Silver Exchange for refined silver. Gold and silver sales prices are denominated in Renminbi ("RMB") and sale proceeds are received by the Company in RMB. In October 2008, the Company terminated this contract and entered into an equivalent agreement for the purchase and sale of doré with CNG, who is shipping the doré to a designated refiner in China. The new agreement is on substantially the same terms as the original contract with the refiner, but the Company has determined that this arrangement will address recent delays in payment and counterparty risks being experienced under the contract with the refiner.

Revenue from the sale of gold is recognized and recorded when all significant risks and rewards of ownership pass to the purchaser including delivery of the product, there is a fixed or determinable selling price and collectability is reasonably assured. Settlement adjustments, if any, are reflected in revenue when the amounts are determinable. Gold sales revenue is recognized at the fair value of consideration received. Revenue includes refining charges if payment of these amounts can be enforced at the time of sale. Gold sale prices are set at a specified future date after shipment based on spot prices. Incidental revenues from the sale of silver by-product are classified with cost of sales.

As the CSH Gold Mine entered into commercial production in the third quarter of 2008, financial and production information for the three months ended September 30, 2008, are not comparable to the corresponding quarter in

(Stated in U.S. Dollars, except as otherwise noted)

2007. As such, the following table provides selected financial and operating data for the CSH Gold Mine only for three months ended September 30, 2008.

		Three months ended September 30, 2008
Revenue	$	13,096,113
Cost of sales excluding depreciation, amortization and depletion		(7,309,802)
Depreciation, amortization and depletion		(719,051)
Accretion of asset retirement obligation		(84,335)
Cost of sales		(8,113,188)
Mine operating earnings	$	4,982,925
Gold produced (ounces)		18,112
Gold sold (ounces)		15,490
Total cost per ounce of gold sold	$	524
Cash cost per ounce produced	$	472
Ore mined and processed (tonnes)		1,353,018
Waste mined (tonnes)		4,215,905
Mining cost of ore per tonne	$	7.48
Process cost of ore per tonne	$	1.18
Gold ore grade (g/t)		0.656
Gold recovery rate		51%

Gold revenue for the three months ended September 30, 2008, was $13.1 million, which was realized from the sale of 15,490 ounces of gold at an average selling price of $845 per ounce. For the three months ended September 30, 2008, average gold production at the CSH Gold Mine was 6,200 ounces per month with steadily increasing production to a high of 6,462 ounces in September 2008. However, the Company's target monthly production for 2008 is 9,000 ounces per month. Total gold produced since the startup of the process plant in July 2007 to the end of September 2008, was 63,945 ounces.

Throughout the second and third quarters, the Company engaged process experts from Summit Valley Engineering of Bountiful, Utah, Kappas Cassidy of Reno, Nevada, and KD Engineering of Tucson, Arizona as well as technical experts from CNG to review and make recommendations to improve expected performance of the process plant. These experts visited the mine site and identified areas where production performance could be improved. Their recommendations generally focused on improving the carbon handling procedures in the plant, improving heating elements in the kiln to regenerate the carbon, and installing water softeners for the stripping vessels. The Company is continuing to implement these recommendations, including the removal of inefficient "sick" carbon from the process circuit and the replacement and installation of new kiln components. Other measures taken include monitoring the mining contractor to ensure no oversize ore is being place on the heap leach and using lime that has no coal content. As a result of these continuing enhancements, the process plant CIC efficiency has improved to about 80% from 60%, but still below the expected efficiency of better than 90%. The Company plans to add one more CIC tank to the existing row of five tanks and add a new row of six tanks that are expected to be operational no later than the first quarter of 2009. In addition, extra pumps are being installed to increase the heap leach solution irrigation rate from the current 800 cubic meters per hour to about 1,200 cubic meters per hour. Plans are underway to change the irrigation method from drip tubing to sprinklers. The CSH Gold Mine has experienced an overall gold recovery rate of approximately 37% since the start of gold production. However, the Company has estimated a 51% gold recovery rate for run of mine ore inventory reflecting recent production improvements and expected future benefits of the above noted improvements. This recovery rate covers only the estimated gold recovery after one year of heap leaching. The Company expects that overall recovery rate will be higher than this amount as gold continues to leach from the pad over the course of time. Current estimates of the long-term recovery rate for ore in inventory amounts to approximately 66%. Although improvements have been achieved, there could be other unforeseen factors that may prevent further increases or otherwise adversely affect the production rate.

For the three months ended September 30, 2008, mine operating earnings was $5 million and cost of sales was $8.1 million. The Company is currently reviewing costs and making efforts to realize cost savings. These efforts include utilizing CNG's bulk purchasing power to reduce the purchase price of reagents and materials such as carbon, cyanide, lime, fuel and coal. The Company is also negotiating with its third party mining contractor to reduce mining costs and improve mining efficiency.
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Depreciation, amortization and depletion was $719,000 for the three months ended September 30, 2008, and consist of depreciation, amortization and depletion of capitalized costs using either a unit-of-production method over the estimated economic life of the mine which they relate to, or using the straight-line method over their estimated useful lives.

For the three months ended September 30, 2008, 1,353,000 tonnes of ore with an average grade of 0.656 g/t were mined and stacked on the heap leach pad. As of September 30, 2008, total ore mined since inception was 8,941,000 tonnes with an average grade of 0.709 g/t.

For the three months ended September 30, 2008, the per ounce total cost of gold sold was $524 while the cash cost of production was $472. The cash cost of production is higher than that identified in the 2008 CSH Technical Report, which is mainly a result of increases in the cost of relevant inputs such as fuel. In addition, the actual RMB exchange rate and the estimated gold recovery rate are different than those used in the 2008 CSH Technical Report.

At the start of commercial production on July 1, 2008, the Company recorded $20.7 million of opening gold inventory and as of September 30, 2008, gold inventory recorded in the consolidated balance sheet was $27.3 million. As the CSH Gold mine was not in commercial production prior to July 1, 2008, sale proceeds received from the sale of pre-commercial gold production was offset against pre-commercial gold production costs prior to July 1, 2008.

(Stated in U.S. Dollars, except as otherwise noted)

The cash cost of production is a measure that is not in accordance with Canadian generally accepted accounting principles ("GAAP"). The Company has included cash cost per gold ounce data to supplement its financial statements, which are presented in accordance with GAAP. Non-GAAP measures do not have any standardized meaning prescribed under GAAP, and therefore they may not be comparable to similar measures employed by other companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance, operating results or financial condition prepared in accordance with GAAP. The Company has included cash cost per ounce data because it understands that certain investors use this information to determine the Company's ability to generate earnings and cash flow for use in investing and other activities. The Company believes that conventional measures of performance prepared in accordance with GAAP do not fully illustrate the ability of its operating mine to generate cash flow. The measure is not necessarily indicative of operating results, cash flow from operations or financial condition as determined under GAAP. Cash costs are determined in accordance with the Gold Institute's Production Cost Standard. The following table provides a reconciliation of cost of sales per the financial statements and cash cost per ounce.

	Three months ended September 30, 2008	
		Dollars per gold ounce
Cost of sales	$ 8,113,188	$ 524
Adjustments:		
Depreciation, amortization and depletion	(719,051)	$ (46)
Accretion of asset retirement obligation	(84,335)	$ (5)
Refining costs	(21,914)	$ (1)
Total cash cost of production	$ 7,287,888	$ 472

(Stated in U.S. Dollars, except as otherwise noted)

The consolidated statements of operations for the three months ended September 30, 2008 and 2007 are provided in the following table:

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Increase (Decrease)
Revenues	$ 13,096,113	$ -	$ 13,096,113
Cost of sales			
Cost of sales excluding depreciation, amortization and depletion	(7,309,802)	-	7,309,802
Depreciation, amortization and depletion	(719,051)	-	719,051
Accretion of asset retirement obligations	(84,335)	-	84,335
	(8,113,188)	-	8,113,188
Mine operating earnings	4,982,925	-	4,982,925
Expenses			
Administration and office	(292,391)	(247,692)	44,699
Amortization	(4,834)	(10,995)	(6,161)
Exploration expenses	(1,034,974)	(1,851,372)	(816,398)
Investor relations	(87,954)	(85,028)	2,926
Professional fees	(186,264)	(130,271)	55,993
Salaries and benefits	(566,446)	(219,439)	347,007
Shareholder information, transfer agent and filing fees	(41,972)	(51,669)	(9,697)
Stock-based compensation	(249,203)	(397,738)	(148,535)
Travel	(62,928)	(84,456)	(21,528)
	(2,526,966)	(3,078,660)	(551,694)
Other (Expenses) Income			
Foreign exchange gain (loss)	1,667,877	(1,706,301)	3,374,178
Interest income	19,819	194,761	(174,942)
Interest and financing expense	(1,476,965)	(845,424)	631,541
	210,731	(2,356,964)	2,567,695
Non-controlling interest	(174,402)	-	(174,402)
Net Income (Loss)	$ 2,492,288	$ (5,435,624)	$ 7,927,912

Three months ended September 30, 2008 and 2007

Net income for the three months ended September 30, 2008, was $2.5 million, compared to a net loss of $5.4 million in 2007. The increase of $7.9 million from 2007 to 2008 was primarily due to the increases in mine operating earnings (discussed above), increases in foreign exchange gain and interest income, and a decrease in exploration expense, which were partially offset by interest and financing expense and salaries and wages.

Unrealized foreign exchange gain for the three months ended September 30, 2008, was $1.7 million compared to an unrealized loss of $1.7 million for 2007. The unrealized foreign exchange gain of $1.7 million for the three months ended September 30, 2008, was a result of the conversion of the Canadian dollar denominated notes payable to U.S. dollars at the rate in effect on September 30, 2008. The U.S. dollar exchange rate strengthened slightly against the Canadian dollar during the three months ended September 30, 2008.

Exploration expense decreased by $816,000 for the three months ended September 30, 2008, compared to 2007, primarily because there was reduced drilling activity this year at the Dadiangou project and the Southwest Zone of the CSH Gold Mine.

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. On May 1, 2006, the Company commenced capitalization of development costs for its CSH Gold Mine, as it was determined in the April 2006 feasibility study that the CSH Gold Mine has economically recoverable reserves. Capitalization of development costs stopped when the CSH Gold Mine entered into commercial production on July 1, 2008. Deferred development costs included mine operating costs net of proceeds received from the sale of pre-commercial gold production and accordingly, the measurement and valuation of gold inventory at July 1, 2008, resulted in the reclassification of $32.1 million to inventory.

Interest on notes payable for the three months ended September 30, 2008, increased by $632,000 from 2007 as interest on the Notes are no longer capitalized to deferred development cost starting on July 1, 2008. Interest income decreased by $175,000 from 2007 to 2008 due to the lower cash balance carried during the 2008 quarter.

Salaries and benefits increased by $347,000 for the three months ended September 30, 2008, compared to 2007 primarily due to severance payments made to terminated employees and the overall increase in salary costs for corporate head office employees and other benefit costs.

Stock-based compensation decreased by $149,000 for the three months ended September 30, 2008, compared to 2007, primarily because there were no new stock options granted in the 2008 quarter versus the 2007 quarter and the number of stock options that expired or were cancelled increased this quarter.

Professional fees increased by $56,000 for the three months ended September 30, 2008, compared to 2007 primarily due to increased legal costs for the review of various contracts.

Administration and office expenses for the three months ended September 30, 2008, increased by $45,000 compared with 2007, primarily due to increases in insurance, rent, communications, and administrative support costs.

Travel expenses for administrative personnel decreased by $22,000 for the three months ended September 30, 2008, compared to 2007 primarily due to fewer trips taken by corporate head office staff.

Shareholder information, transfer agent and filing fees decreased by $10,000 for the three months ended September 30, 2008, compared to 2007 primarily due to decreased activity with the transfer agent and filing fees and a decrease in printed material for shareholders.

Amortization expense decreased by $6,000 for the three months ended September 30, 2008, compared to 2007 primarily due to certain fixed assets being fully depreciated.
There was no significant change in investor relations costs for the three months ended September 30, 2008, compared to 2007.

The non-controlling interest amount of $174,000 relates to the 3.5% Chinese joint venture partner's interest in the earnings of Ningxia Pacific Mining Co. Ltd., which is 96.5% owned by the Company.

(Stated in U.S. Dollars, except as otherwise noted)

The consolidated statements of operations for the nine months ended September 30, 2008, and 2007 are provided in the following table:

	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007	Increase (Decrease)
Revenues	$ 13,096,113	$ -	$ 13,096,113
Cost of sales			
Cost of sales excluding depreciation, amortization and depletion	(7,309,802)	-	7,309,802
Depreciation, amortization and depletion	(719,051)	-	719,051
Accretion of asset retirement obligations	(84,335)	-	84,335
	(8,113,188)	-	8,113,188
Mine operating earnings	4,982,925	-	4,982,925
Expenses			
Administration and office	(898,515)	(712,623)	185,892
Amortization	(12,938)	(34,564)	(21,626)
Exploration expenses	(3,329,788)	(4,472,681)	(1,142,893)
Investor relations	(406,746)	(240,453)	166,293
Professional fees	(659,036)	(580,061)	78,975
Salaries and benefits	(1,154,358)	(684,660)	469,698
Shareholder information, transfer agent and filing fees	(180,053)	(157,169)	22,884
Stock-based compensation	(1,260,445)	(1,074,864)	185,581
Travel	(521,378)	(290,295)	231,083
	(8,423,257)	(8,247,370)	175,887
Other (Expenses) Income			
Foreign exchange gain (loss)	2,740,111	(3,045,045)	5,785,156
Interest income	161,581	194,761	(33,180)
Interest and financing expense	(1,818,228)	(856,397)	961,831
	1,083,464	(3,706,681)	4,790,145
Non-controlling interest	(174,402)	-	(174,402)
Net Loss	$ (2,531,270)	$ (11,954,051)	$ 9,422,781

Nine months ended September 30, 2008 and 2007

Net loss for the nine months ended September 30, 2008, was $2.5 million compared to a net loss of $12 million in 2007. The decrease of $9.4 million from 2007 to 2008 is primarily due to the mine operating earnings (discussed above), increase in foreign exchange gains and decreased exploration expenses. These were partially offset by increases in interest and financing expense, and salaries and benefits.

There was an unrealized foreign exchange gain of $3.1 million as a result of the conversion of the Canadian dollar denominated notes payable to U.S. dollars at the rate in effect on September 30, 2008. This unrealized foreign exchange gain was partially offset by an unrealized exchange loss of $449,000 on Canadian dollar cash deposits, resulting in a net foreign exchange gain of $2.7 million for the nine months ended September 30, 2008, compared to a foreign exchange loss of $3 million for 2007. The U.S. dollar exchange rate strengthened against the Canadian dollar during the nine months ended September 30, 2008.

Exploration expense decreased by $1.1 million for the nine months ended September 30, 2008, compared to 2007, primarily because there was reduced drilling activity at the Dadiangou project and the Southwest Zone of the CSH Gold Mine.
Interest on notes payable for the nine months ended September 30, 2008, increased by $962,000 from 2007 as interest on the Notes are no longer capitalized to deferred development cost starting on July 1, 2008. Interest income decreased by $33,000 from 2007 to 2008, due to the lower cash balance carried during the 2008 period.

Salaries and benefits increased by $470,000 for the nine months ended September 30, 2008, compared to 2007 primarily due to severance payments made to terminated employees and the overall increase in salary costs for corporate head office employees and other benefit costs.

Travel expenses for administrative personnel increased by $231,000 for the nine months ended September 30, 2008, compared to 2007, primarily due to increased travel for various Company presentations.

Administration and office expenses for the nine months ended September 30, 2008, increased by $186,000 compared with 2007, primarily due to increases in insurance, rent, communications expenses and administration support costs.

Stock-based compensation increased by $186,000 for the nine months ended September 30, 2008, compared to 2007, primarily due to the increase in the number of stock options granted in July 2007 and the higher weighted average fair value on the stock option grant date that resulted in a full nine months of expense amortization for 2008.

Investor relations costs increased by $166,000 for the nine months ended September 30, 2008, compared to 2007, primarily as a result of increased participation in investor conferences, donations, new presentation and trade show materials, and sponsorships.

Professional fees increased by $79,000 for the nine months ended September 30, 2008, compared to 2007 primarily due to fees and costs incurred for assistance with various accounting matters and legal costs for the review of various contracts.

Shareholder information, transfer agent and filing fees increased by $23,000 for the nine months ended September 30, 2008, compared to 2007, primarily due to increased filing fees for various technical reports and other material that required filing with the regulators.

Amortization expense decreased by $22,000 for the nine months ended September 30, 2008, compared to 2007, primarily due to certain fixed assets being fully depreciated.

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 yearly corporate activity and the level of personnel employed.

(Stated in U.S. Dollars, except as otherwise noted)

Mine Development and Exploration Properties

CSH Gold Mine

Property description - The CSH Gold Mine consists of a licensed area of 36 square kilometres ("km^2") in the western part of Inner Mongolia, northern China. It is centrally positioned within the east-west-trending TianShan 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, the Brigade 217 of the Northwest Geological Bureau, to acquire up to a 96.5% interest in the CSH Gold Mine. In April 2005, the Company completed its earn-in obligations and acquired the 96.5% interest.

The following table shows the cumulative expenditures made as of September 30, 2008.

		Cumulative Balance December 31, 2007	Additions (Reclassifications) During the Period		**Cumulative Balance September 30, 2008**
Exploration	$	7,029,874	1,101,168	$	**8,131,042**
Mineral properties and deferred development	$	28,324,016	(15,900,972)	$	**12,423,044**
Capital expenditures	$	30,303,994	14,923,415	$	**45,227,409**

Updated resource estimate and Development Reports – Since the release of the Company's feasibility study in April 2006, the Company has announced updated resource estimates. The Company also completed a drill program on the CSH Gold Mine, focusing on expanding resources at both the Southwest and Northeast zones.

In February 2008, the Company reported an updated resource estimate on the CSH Gold Mine which included resources from both the Northeast Zone that is the subject of current mining activities and from the Southwest Zone. The National Instrument 43-101 compliant resource estimate was prepared by Mario Rossi of Geosystems International Inc., who reported Measured and Indicated Resources, at a 0.35 g/t cut-off grade, of 43.4 and 127.9 million tonnes, respectively, at an average grade of 0.71 g/t gold for 3.92 million ounces of contained gold. In addition, inferred resources are now estimated at 1.33 million ounces of gold contained within 64.2 million tonnes grading 0.65 g/t gold at a 0.35 g/t cut-off. This updated resource estimate relies on all previous data and the 11,432 metres of drilling completed in 2007. In total, 35,510 metres of drilling in 162 drill holes have been completed in the Northeast and Southwest Zones at the CSH Gold Mine and 18,687 individual assays were used to build the block model.

On March 31, 2008, a technical report entitled *Throughput Expansion Technical Report* (the "2008 CSH Technical Report") was prepared by Joseph Keane of KD Engineering Co, Inc., Mario Rossi of Geosystems International Inc., John Nilsson of Nilsson Mine Services, and Russell Brown of Golder Associates Inc. which included the updated resource estimate and established an expanded mining plan for the CSH Gold Mine.

The original mine production schedule was developed to process 20,000 tonnes of ore per day or a production rate, based on installed capacity of approximately 120,000 ounces of gold per annum. In the 2008 CSH Technical Report, the authors prepared a mine plan for an open pit mine with a heap leach facility at a processing rate of approximately 30,000 tonnes of ore per day over a period of ten years, amounting to an average production of approximately 165,000 ounces of gold per year. The development contemplates open pit mines in both the Northeast and Southwest Zones, along with associated waste dumps, heap leach facility, crusher and ancillary support infrastructure such as maintenance, fuel and administration facilities. Additionally, the projection for overall mine production tonnage increases to indicate an average of 26.5 million tonnes per annum during the next six years and then taper off as the lower benches of the Northeast Pit will be primarily ore. An emphasis has been placed on recovering weathered ore from the Northeast Zone in 2008, and therefore the majority of the strike length of the deposit will be opened up during this period.

Under the expansion framework, a total of 99 million tonnes of ore with an average grade of 0.71 grams per tonne, comprised of approximately 35 million tonnes of proven reserves grading at 0.74 g/t gold, and approximately 64 million tonnes of probable reserves grading at 0.69 g/t gold, will be placed on the heap leach pads during the mine life. The total waste mined is estimated at 121.8 million tonnes for a strip ratio of 1.23:1. Assuming that anticipated production rates can be achieved, it is estimated that a total of 1,648,200 ounces of gold will be recovered from the CSH Gold Mine during the life of the mine.

The 2008 CSH Technical Report concluded that increasing the mining rate capacity to 30,000 tonnes per day will involve additional mining equipment and personnel. In the 2008 CSH Technical Report, it is envisaged that capital infrastructure development for the CSH Gold Mine will evolve in two phases. The crushing plant purchased by the Company is capable of operating at a nominal rate of 30,000 tonnes per day. A leach pad extension for Phase II will need to be installed. Capital costs for Phases I and II are estimated at approximately $68.1 million, which includes costs for the primary, secondary and tertiary crushing systems, infrastructure, and processing facility. The capital cost for future phases, which include leach pad expansion and the addition of an event pond, is estimated at $21.2 million. Accordingly, the estimated aggregate capital costs for the entire project are estimated at approximately $89.3 million.

When the crushing facility is installed, ore will be fed to a primary crusher. The primary crusher discharge will pass to an open circuit secondary crusher, then to a closed circuit tertiary crushing system. The final crusher product will have a size distribution of 80 percent passing eight millimetres. The crushed ore will then be transported to the heap for leaching of the gold.

Operating costs were developed in RMB and converted to U.S. dollars using an exchange rate of 7.1 RMB for each U.S. dollar. In assessing operating costs for the expansion, the 2008 CSH Technical Report divided operating costs into three components: (i) general and administrative ("G&A") expenses; (ii) processing operating costs; and (iii) mining operating costs. Annual costs for G&A are estimated at approximately $6.3 million per year (inclusive of a 15% contingency), or $0.59 per tonne of processed ore. Process cost for ROM weathered rock is estimated at $1.08 per tonne and the processing cost for crushed weathered and sulphide ore is estimated at $1.92 and $2.52 per tonne, respectively. Finally, annual operating costs for mining operations are expected to be variable with material type and time, and are estimated at approximately $1.40 per tonne of ore over the life of the mine.

Using a $600 gold price and a 100% production rate in the cash flow analysis, the 2008 CSH Technical Report indicated an internal rate of return of 38.2% (currently revised to 36%) and a payback period of 4 years. Using these assumptions, the pre-tax net present value at a 10% discount rate of the plan going forward is $87 million (currently revised to $83 million). The 2008 CSH Technical Report also included a sensitivity analysis on the financial conclusions based on changes in the price of gold, recovery rates for gold and silver, gold and silver grade and capital and operating costs. It was concluded that the CSH Gold Mine is particularly sensitive to the prevailing price of gold, the recovery rate of gold and the grade of gold in the ore. The project economics are somewhat less sensitive to changes in capital and operating costs and silver inputs. The sensitivity of recovery rates is particularly relevant in light of the current less than anticipated recovery rates on oxide ore and, depending on the success of efforts to increase recovery rates, the Company expects that this factor will affect relevant financial performance.

Development activities – Construction is underway to install the crusher system and expand processing capacity based on the plan established in the 2008 CSH Technical Report. Eight Metso crushers have been ordered and their fabrication is expected to complete in the fourth quarter of 2008. Ninety-five percent of the China sourced equipment has been contracted for purchase. Meanwhile, construction of the leach pad extension is expected to begin in May 2009.

The crusher construction to date has consisted of earth works, and pouring of some concrete foundations. Crusher construction is currently two months behind schedule due to delays in start up and availability of certain construction materials. It was anticipated that concrete foundations would be completed prior to the cold winter months under the original construction schedule. However, due to the delays, the concrete foundations will not be completed prior to winter. As a result, the Company has decided to slow construction activity during the winter, which will reduce costs compared to full construction activity during winter. Nevertheless, this delay in construction during winter will still ultimately result in additional construction costs of an estimated $2 million due mainly to demobilization and remobilization of construction equipment and workers, and other surcharges for working during winter. It will also result in a delay in the completion of the crusher installation, which is now scheduled for completion in the third quarter of 2009 as compared to its original completion date in the second quarter of 2009.

Oxide ore in the Northeast Zone was expected to be sufficient for mining until the originally scheduled installation of the crusher. However, due to the crusher installation delay, mining of oxide ore will commence sooner than expected in the Southwest Zone in order to facilitate uninterrupted mining operations. The Company believes that there is sufficient run of mine oxide ore in the Northeast and Southwest Zones to continue mining until the scheduled completion of the crusher installation in the third quarter of 2009.

In connection with ongoing engineering and operating analysis, the Company is contemplating the addition of a conveyor system for its mining operations. The addition of this system would result in an increase in capital costs for the crusher installation, while resulting in potentially lower operating costs. A decision to purchase this system and its actual cost are still subject to further review, and engineering studies are underway to consider the installation of conveyors and stackers that would support lower operating costs and perhaps improve heap leach performance. The Company is also considering not installing certain components of the crusher system in order to reduce the crusher installation cost.

Testing of the metallurgical recoveries of the sulphide ore in the Southwest zone is ongoing. At a crush size where 80% of material passes 9.5 mm, initial results show some underperformance to previous testing of sulphide ore crushed to where 80% of material passes 6 mm. Upon completion of the program, which is expected to occur this Fall, the Company intends to review the results against expansion design to determine if there are any modifications or upgrades to the processing facility that might increase operational performance.

During the course of the Company's operations, the Company expects that additional normal business operating permits and licenses that are typical for an operating mine will be required. The Company will make applications for these permits and licenses as and when required during the course of its development and operations. In addition, the Company will require additional operating permits in order to implement its plans to increase throughput from 20,000 to 30,000 tonnes of ore per day.

Exploration activities – Exploration and drilling at the CSH Gold Mine has been completed for the 2008 field season. The first priority for future exploration is to convert inferred resources to the measured and indicated category with additional infill drilling at the Northeast and Southwest Zones. In addition, gold anomalies defined by grid rock sampling during the 2007 field season were tested by trenching and diamond drilling two holes along the strike to the west from the Southwest Zone.

b) Dadiangou Project

Property description – The Dadiangou project consists of a licensed area of 15 km^2 in Gansu Province, China. The 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 can earn a 71% interest by incurring exploration expenditures of approximately $3.7 million and making payments to the Chinese partner of approximately $1.4 million (of which $125,000 has been paid) over the first three years of exploration commencing on September 19, 2006. The Company can increase its interest to 80% by incurring additional exploration expenditures of approximately $3.2 million and by making additional payments of approximately $358,000 to the Chinese partner. The Chinese partner can then choose to participate at a 20% level for all future expenditures, or have their ownership interest diluted. The amounts in the joint venture agreement are denominated in RMB and a rate of 6.9826 RMB per U.S. dollar was used to convert the RMB amounts to U.S. dollars.

The following table shows the cumulative expenditures made as of September 30, 2008.

	Cumulative Balance December 31, 2007	Additions During the Period	**Cumulative Balance September 30, 2008**
Exploration	$ 3,825,906	831,271	$ **4,657,177**

On September 19, 2006, the Company announced the receipt of the business license for the joint venture company, Gansu Pacific Mining Co. Ltd., and paid the Chinese partner $150,000 pursuant to an additional agreement entered into on July 11, 2006. Since the receipt of the business license, the Company has completed Phase I, II, and III drill programs for a total of 14,910 metres drilled in 68 diamond drill holes. The drilling programs have been designed to test the Dadiangou Main Shear Zone ("Zone") along a strike length of approximately four kilometers. In addition to drilling, the Company has completed surface mapping, trenching, soil sampling, and underground channel sampling programs. The Company will now use the results of the 68 diamond drill holes with results from trenching and underground sampling to produce an updated National Instrument 43-101 compliant resource estimate. The resource estimate is expected to be released before the end of 2008.

Exploration results – The Dadiangou project hosts multiple gold-bearing shear zones up to 80 metres wide over a strike length estimated to be 4,000 metres. Gold mineralization occurs within the shear zones associated with quartz and sulphide minerals (predominantly pyrite). Phase I drilling tested the "Zone" over 2,000 metres of strike length with drill holes spaced between 100 and 180 metres apart. Most drill holes were angled at -45º and tested the Zone at depths of up to 350 metres. Phase II drilling extended the known mineralized strike length of the Zone to approximately 3,000 metres and reduced the spacing of drill sections in the central portion of the Zone to 80 to 100 metres in order to provide the data density needed to support a National Instrument 43-101 compliant resource estimation.

The Phase I drill program successfully showed the Zone to be mineralized along its length, width and depth and that it can be considered as a single, large-scale, bulk-tonnage target. The Zone was intersected in every hole in the approximate position and attitude expected, and has a relatively consistent width in both horizontal and vertical profiles. It is narrower at the western end (20 metres) and wider at the eastern end (80 metres) of the drill area, and averages 50 to 60 metres width for approximately three quarters of its central length.

Phase II drilling has generally returned grades and widths consistent with expectations based on Phase I drilling. The most westerly hole competed during the Phase II program, hole 39, returned an intercept of 20 metres (17 metres true width) grading 0.73 grams per tonne gold and leaves the Zone open for further expansion to the west.

In addition to the diamond drilling programs, crews have re-sampled the accessible underground cross-cuts and surface trenches with high-quality channel samples. Outside of the Zone, a property wide soil sampling program has been completed and covers approximately 85% of the 15 square kilometre property with soil samples spaced 50 metres apart on 100 and 200 metre spaced lines. Significant results from the soil sampling program include gold-in-soil anomalies along strike from the Zone to both the east and west and the discovery of the Dadiangou North Anomaly area. The Dadiangou North Anomaly was tested by four drill holes during Phase II drilling which intercepted several smaller gold-bearing zones but failed to delineate significant gold mineralization.

Based on the results of Phase I and II drilling and underground channel sampling, the first National Instrument 43-101 compliant resource estimate at Dadiangou was released on January 31, 2008. The resource estimate was prepared by Mario Rossi, M.Sc., Min.Eng., of Geosystems International Inc., an Independent Qualified Person. An Inferred Resource of 26.3 million tonnes grading 0.92 g/t gold, totaling 778,000 ounces of contained gold, was calculated using a cut-off grade of 0.4 g/t gold. Within this global resource, a 1.9 million-tonne higher-grade core was delineated that grades 2.48 g/t gold and contains 152,000 ounces at the same 0.4 g/t cut-off.

(Stated in U.S. Dollars, except as otherwise noted)

The Phase III diamond drill program was completed in August 2008 and consisted of 17 drill holes for a total of 3,045 metres of drilling. The majority of the drill holes were designed to fill in gaps in the previous resource model within the central portions of the Dadiangou Main Zone. In addition, two holes were completed to the west of previous drilling (DDG08-01 and 02) and extend the total strike length of the drill-tested shear zone to 4,000 metres. Results of the Phase III drilling were in line with expectations based on Phase I and II results.

The Company is actively advancing the Dadiangou project towards a preliminary assessment study. Once the revised resource update is complete, the Company will focus on the completion of a preliminary economic assessment of the project and pushing forward with the studies and documents needed to support a mining license application. Environmental, hydrogeological, metallurgical, and other studies are currently ongoing and will be used to support a preliminary assessment study. The Dadiangou project is envisioned as a potential open-pit, cyanide-leach gold operation. Initial metallurgical testwork shows that gold recoveries in excess of 90% can be obtained by grinding and cyanide leaching of sulphide mineralization from Dadiangou. Additional test work is ongoing to define an optimized process flowsheet.

c) Xinjiang Projects

The Company currently holds 12 exploration permits covering 443 km^2 in the 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% interest and the partner, Yunnan Geological and Mining Co. Ltd., holds a 1% interest. The permits were granted between January 2006 and February 2007 by the MOLAR in Beijing and/or the Xinjiang Bureau of Land and Resources. Four of the initial permits had expiration dates in late 2007, and accordingly the Company has filed application to renew the exploration permits. At the present time the Company is awaiting approval for these renewals.

Field programs commenced in early March 2006 and by the end of 2006, the Company had completed an initial phase of geological mapping, sampling and prospecting on six permits. More than 4,000 rock chip, stream sediment, and soil samples were collected during the course of exploration and submitted to SGS Laboratories in Tianjin, China for gold fire assay and multi-element geochemical analyses. In addition, approximately 150 km^2 have been covered with ground magnetic geophysical surveys.

At present, the Company has no plans to continue with further exploration work on any of the 12 exploration permits. The Company remains active in Xinjiang but is focused on the identification and acquisition of new gold projects with large scale potential.

The following table shows the cumulative expenditures made as of September 30, 2008.

	Cumulative Balance December 31, 2007	Additions During the Period	**Cumulative Balance September 30, 2008**
Exploration	$ 3,062,247	655,393	$ **3,717,640**

Generative Activities

The Company continues on a concerted program to acquire prospective exploration properties and to identify potential acquisitions in China as part of a strategy to expand its project portfolio. The Company has a strong technical exploration team working in China which is exploring for gold in specifically targeted areas of the country. The Company intends to focus its generative efforts on identifying opportunities that have known zones of gold mineralization that are or could be expanded into economic gold deposits.

(Stated in U.S. Dollars, except as otherwise noted)

Liquidity and Capital Resources

The consolidated balance sheets as of September 30, 2008 and December 31, 2007, are shown in the following table:

	September 30, 2008	December 31, 2007
ASSETS		
CURRENT		
Cash and cash equivalents	$ 21,134,481	$ 26,952,425
Restricted Cash	7,778,692	-
Accounts receivable	166,552	348,914
Prepaid expenses and deposits	3,695,198	2,001,980
Inventory	28,479,765	434,609
	61,254,688	29,737,928
PROPERTY, PLANT AND EQUIPMENT	52,460,328	57,727,460
	$ 113,715,016	$ 87,465,388
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 12,947,030	$ 15,066,485
Short-term loan	17,615,678	-
Current portion of asset retirement obligation	381,081	346,978
	30,943,789	15,413,463
LONG TERM		
Notes payable	43,069,161	44,267,023
Asset retirement obligation	4,653,177	4,113,045
	47,722,338	48,380,068
NON-CONTROLLING INTEREST	174,402	-
SHAREHOLDERS' EQUITY		
Share capital	74,166,100	59,809,025
Contributed surplus	10,299,344	10,922,519
Accumulated other comprehensive income	460,850	460,850
Deficit	(50,051,807)	(47,520,537)
	34,874,487	23,671,857
	$ 113,715,016	$ 87,465,388

In the third quarter of 2008, the global economy continued to experience one of the most unsettling times in recent history and has resulted in share prices of mining companies declining significantly. In these turbulent times, management continues to focus on improving cash flow from its CSH Gold Mine by taking the time to properly develop assets, ensuring effective management of capital expenditures, preserving capital, maximizing cash balances and maintaining maximum flexibility with assets.

The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain financing and generate positive cash flow from the CSH Gold Mine. The Company is monitoring cash flow generated from operations at the CSH Gold Mine against cash requirements for its operating costs, to fund other on-going expenses, for capital expansion plans and for future business opportunities. The Company is also reviewing this in the context of loans that have been secured to finance the development and operations of the CSH Gold Mine. These loans include $47 million (CDN $50 million) principal amount of senior unsecured promissory notes, of which $28.2 million (CDN $30 million) principal amount falls due in December 2009 and $18.8 million (CDN $20 million) principal amount falls due in June 2010, and a recently secured bridge loan with the Industrial and Commercial Bank of China ("ICBC") with a principal amount of approximately $19 million (RMB 130 million) ("Bridge Loan"), that falls due through installments commencing in January through to March 2009. The bridge loan was granted in contemplation of a larger replacement facility with ICBC that would replace the Bridge Loan and provide capital for the expansion of the CSH Gold Mine. Nevertheless, the need to address these loans will impact the ability of the Company to rely on cash flow from the CSH Gold Mine as its principal source of funding. Even in the context of increased financial performance at the CSH Gold Mine, the Company does not expect that cash flow from the CSH Gold Mine will be sufficient to cover all of its operating requirements, financial commitments and business development priorities. Accordingly, the Company expects that it will need to obtain further financing in the form of debt, equity or a combination thereof. If current market conditions and tightening credit markets persist for an extended time, they could negatively affect the Company's ability to obtain equity financing or external debt financing. There can be no assurance that additional funding will be available to the Company or, if available, that this funding will be on acceptable terms. If adequate funds are not available, the Company may be required to delay or reduce the scope of any or all of its development projects.

Management has performed a limited review to assess whether there are facts and circumstances that indicate potential impairment of the CSH Gold Mine. Management has considered the expected future gold prices and cost structures, and concluded that there was no indication of a potential impairment for the CSH Gold Mine as of September 30, 2008. However, the ongoing challenging conditions in the financial markets, the commodity markets, and the related uncertainty about the future business environment make an assessment of the mid-to-long term performance by using estimates and assumptions extremely difficult. The Company's annual mineral property impairment test will be performed for the year ending December 31, 2008, as part of the review of the reserves, resources and status of the CSH Gold Mine and financial plans to be determined. The continuation of the global liquidity crisis, the commodity market volatility and its wider implications for the operating environment of the Company's mining operation could result in an impairment of mineral properties in the future.

The Company received $19 million (RMB 130 million) of the Bridge Loan proceeds from ICBC in September 2008, to support operations at the CSH Gold Mine during the construction and installation of crushers. The Bridge Loan is unsecured, denominated in RMB and bears an annual interest rate of 6.21%. Interest is payable monthly and the principal amount is repayable in installments of $4.4 million (RMB 30 million) in January 2009, $7.3 million (RMB 50 million) in February 2009, and $7.3 million (RMB 50 million) in March 2009. The Bridge Loan is guaranteed by CNG with no recourse to the Company. As a condition of its promissory note holders consenting to the unsecured Bridge Loan, the Company has extended to December 14, 2010 the expiry date of 3,860,000 common share purchase warrants to purchase 3,860,000 common shares issued in connection with a note offering that closed in December 2006, and extend to June 26, 2011 the expiry date of 2,450,000 warrants to purchase 2,450,000 common shares in connection with a note offering that closed in June 2007. The holders of the warrants may exercise the warrants at the original exercise price of CDN$1.60 per common share in the case of the warrants issued in connection with the December 2006 note offering and CDN$2.50 in the case of the warrants issued in connection with the June 2007 note offering, until the new expiry date. No other terms have been affected. As a result of the warrant expiry date extensions, the Company recorded the fair values of the warrants taking into account the expiry date extensions as costs of obtaining the Bridge Loan. The fair values totaling $1.3 million were measured using the Black-Scholes option pricing model and were based on risk free annual interest rates ranging from 2.5% to 3.0%, expected lives ranging from 0.21 to 2.74 years, an expected volatility of 62%, and a dividend yield rate of nil. The fair values of the warrants are included in contributed surplus in the shareholders' equity section of the Company's consolidated balance sheet.

As of September 30, 2008, the Company had a working capital balance of $30.3 million and cash resources of $21.1 million. During the three months ended September 30, 2008, net cash outflows from operations were $1.9 million and $8.6 million of cash was spent on property, plant and equipment, primarily for the crusher construction at the CSH Gold Mine. Cash inflows during the three months ended September 30, 2008, amounted to $19 million from the Bridge Loan and $513,000 from the exercise of share purchase warrants and stock options. The net cash increase for the three months ended September 30, 2008, was $12.7 million, net of $3.9 million of cash previously restricted.

During the nine months ended September 30, 2008, net cash outflows from operations were $15.7 million and $32.7 million of cash was spent on property, plant and equipment, primarily for deferred development cost at the CSH Gold Mine. Cash inflows during the nine months ended September 30, 2008, were $20.9 million from the sale of pre-commercial gold production, $19 million from the Bridge Loan and $11 million from the exercise of share purchase warrants and stock options. The net cash decrease for the nine months ended September 30, 2008 was $5.8 million, which included $7.8 million allocated to restricted cash.

The Company signed a contract with an equipment manufacturer to purchase crusher equipment for $15.6 million to be delivered in late 2008. The Company established a $15 million letter of credit facility with its bank and opened a $14 million standby letter of credit for the purchase of the equipment. As security for the standby letter of credit, which expires on January 15, 2009, the Company placed $14 million as restricted cash with its bank. The Company has reduced its standby letter of credit to $7.8 million after making progress payments of $6.2 million.

As of September 30, 2008, of the total $21.1 million in cash and cash equivalents, the Company had approximately CDN $1.5 million ($1.4 million) held in Canadian funds and RMB 121 million ($17.6 million) in Chinese funds, which exposes the Company to risks associated with foreign exchange fluctuations. Included in the Company's total cash and cash equivalents are $38,000 in bank short-term deposits, none of which are invested in asset backed commercial paper. The Company's $7.8 million in restricted cash has been placed in bank short-term deposits, none of which is invested in asset backed commercial paper.

The Company's primary source of cash has been through gold sales, the issuance of common shares and warrants from private placements, exercise of stock options, warrants, and long-term debt. Such proceeds received have been used to fund operations, development of the CSH Gold Mine and exploration expenditures.
The following table details the Company's contractual obligations as of September 30, 2008.

		Payments Due By Year					
	Total	**2008**	**2009**	**2010**	**2011**	**2012**	**Thereafter**
Principal repayment on notes payable	**$ 47,174,262**	$ -	$ 28,304,557	$ 18,869,705	$ -	$ -	$ -
Operating leases (a)	**91,462**	17,014	52,965	7,161	7,161	7,161	-
Payments to joint venture partner (b)	**1,718,558**	558,531	587,174	-	572,853	-	-
Purchase commitments (c)	**36,017,692**	16,081,423	18,023,871	1,912,398	-	-	-
Total	**$ 85,001,974**	**$ 16,656,968**	**$ 46,968,567**	**$ 20,789,264**	**$ 580,014**	**$ 7,161**	**$ -**

(a) Operating leases are primarily for premises.
(b) Payments to the Dadiangou Gold project joint venture partner.
(c) Purchase commitments relate to contracts signed for the construction of and equipment supply for the crusher expansion for the CSH Gold Mine.

In October 2006, the Company signed a ten year service contract with a third party to provide mining services for the CSH Gold Mine commencing in the first quarter of 2007. The value of the mining service each year will vary and is dependent upon the amount of mining work performed.

The Company is from time to time involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which it may be required to pay by reason thereof, will have a material effect on the financial conditions or future results of operations of the Company.

On December 14, 2006, the Company completed a $25.9 million (CDN $ 30 million) ("Note A") private placement offering consisting of senior unsecured promissory notes ("Notes") and 6,000,000 warrants for financing the development of the CSH Gold Mine. The Notes mature on December 14, 2009, are repayable in Canadian dollars, and carry an annual interest rate of 12%. Interest on the Notes is payable on a calendar quarterly basis commencing on June 30, 2007. The Company can elect to prepay the Notes after 18 months from the issue date with no prepayment penalty. The Company has allocated the $25.9 million face value of the private placement offering to the Notes and warrants proportionately, based on their respective fair values. The fair value of the Notes was determined by discounting the stream of future payments of interest and principal at the estimated prevailing market rate of 17% for a debt instrument of comparable maturity and credit quality. The fair value of the warrants was measured using the Black-Scholes option pricing model and was based on a risk free annual interest rate of 3.9%, an expected life of 2 years, an expected volatility of 79%, and a dividend yield rate of nil. The fair value of the warrants, net of $153,000 issue costs, is included in contributed surplus in the shareholders' equity section of the Company's consolidated balance sheet. Each warrant entitles the holder to acquire one common share at CDN $1.60 and expires on December 14, 2010. The Company has the right to accelerate the expiry date of the warrants after 18 months from the issue date, if the Company's common shares trade at or above a volume weighted average share price of CDN $2.75 for 20 consecutive trading days.

On June 26, 2007, the Company concluded an $18.7 million (CDN $20 million) private placement offering consisting of senior unsecured promissory notes ("June 07 Notes") and 4,000,000 warrants. CNG holds $7 million (CDN $7.5 million) ("Note C") of the June 07 Notes. Other third parties hold the remaining $11.7 million (CDN $12.5 million) ("Note B"). The June 07 Notes mature on June 26, 2010, are repayable in Canadian dollars and carry an annual interest rate of 12%. Interest on the June 07 Notes is payable on a calendar quarterly basis commencing on September 30, 2007. The Company can elect to prepay Note B after 18 months from the issue date with no prepayment penalty and Note C after 6 months from the issue date with no prepayment penalty. Note B ranks pari passu with Note A, while Note C is subordinate to Notes A and B. The Company has allocated the $18.7 million face value of the private placement offering to the June 07 Notes and warrants proportionately, based on their respective fair values. The fair value of the June 07 Notes was determined by discounting the stream of future payments of interest and principal at the estimated prevailing market rate of 17% for a debt instrument of comparable maturity and credit quality. The fair value of the warrants was measured using the Black-Scholes option pricing model and was based on a risk free annual interest rate of 4.6%, an expected life of 2 years, an expected volatility of 72%, and a dividend yield rate of nil. The fair value of the warrants, net of the $71,000 issue costs, is included in contributed surplus in the shareholders' equity section of the Company's consolidated balance sheet. Each warrant entitles the holder to acquire one common share at CDN $2.50 and expire on June 26, 2011. The Company has the right to accelerate the expiry date of the warrants after 18 months from the issue dates, if the Company's common shares trade at or above a volume weighted average share price of CDN $4.25 for 20 consecutive trading days.

The Company amended the indenture for its 12% unsecured promissory notes to include provisions for the distribution of funds received from its subsidiary ("Ningxia Pacific") that operates the CSH Gold Mine. The Company has a $9.8 million inter-corporate loan receivable from Ningxia Pacific. Under the terms of the amended indenture, Ningxia Pacific is required to repay the inter-corporate loan should it obtain an expansion credit facility to repay the Bridge Loan, repay the inter-corporate loan, and fund the crusher expansion, following which the Company is required to distribute the proceeds received from the inter-corporate loan repayment to the promissory note holders on a pro rata basis. In addition, the Company is required to set up a redemption fund to deposit 50% of the proceeds that the Company receives from Ningxia Pacific as dividends or other cash distributions. To the extent that the redemption fund exceeds $5 million, the Company is required to distribute such funds to the promissory note holders on a pro rata basis.

(Stated in U.S. Dollars, except as otherwise noted)

The balances of the notes payable are provided in the table below.

		Note A		Note B		Note C		Total
Balances of the notes payable, December 31, 2007	**$**	**26,708,698**	**$**	**10,819,046**	**$**	**6,739,279**	**$**	**44,267,023**
Unrealized foreign exchange gain		(1,866,062)		(754,428)		(466,739)		(3,087,229)
Accretion to September 30, 2008		1,216,841		456,560		215,966		1,889,367
Balances of the notes payable, September 30, 2008	**$**	**26,059,477**	**$**	**10,521,178**	**$**	**6,488,506**	**$**	**43,069,161**

In October 2008, 85,000 stock options with exercise prices ranging from CDN $0.50 to CDN $2.50 were cancelled.

Off-Balance Sheet Arrangements

The Company has a $15 million letter of credit facility with its bank and has an outstanding $7.8 million standby letter of credit, which expires on January 15, 2009. The standby letter of credit is secured by a term deposit with the bank and is to support the Company's purchase of the crusher equipment. Should the Company fail to make scheduled payments for the crusher equipment to the manufacturer, the manufacturer has the right to drawdown on the standby letter of credit to satisfy the scheduled payment obligation.

Related Party Transactions

The Company is a party to a shareholders' cost-sharing agreement with certain other public and private companies, (the "Other Companies") pursuant to which the Company and the Other Companies are equal shareholders in Global Mining Management ("GMM") and, through GMM, share office space, furnishings and equipment and communications facilities (on a cost recovery basis) and the employment of various administrative, office and management personnel in Vancouver, British Columbia. Costs of the shared office facilities and the shared employees are recovered from the Company proportionate to the time spent by the shared employees on matters pertaining to the Company. Certain of the directors and officers of the Company were also officers and directors of GMM. Accordingly, fluctuations in the costs of administrative and personnel costs can be expected commensurate with increases or decreases in yearly corporate activity and the level of personnel employed. The Company has utilized the services of the GMM staff and office since April 1, 2003, and has incurred costs of $615,000 (2007 - $290,000) for the three months ended September 30, 2008 and $1.4 million (2007 - $837,000) for the nine months ended September 30, 2008.

The Company paid $212,000 (2007 - $227,000) for the three months ended September 30, 2008, and $652,000 (2007 - $237,000) for the nine months ended September 30, 2008, to its current and former significant shareholders, CNG and Ivanhoe Mines Ltd., respectively. These represent interest payments on the 12% promissory notes.

In October 2008, the Company terminated its contract for the refining and purchase and sale of gold doré with a third party refiner and entered into an equivalent agreement for the purchase and sale of gold doré with CNG, who is shipping the gold doré to a designated refiner in China. The new agreement is on substantially the same terms as the original contract with the third party refiner, but the Company has determined that this arrangement will address recent delays in payment and counterparty risks being experienced under the contract with the third party refiner.

Financial Instruments

The fair values of the Company's cash and cash equivalents, accounts receivable, accounts payable and short-term loan approximate their carrying values, due to their short-term to maturity. The fair values of the notes payable approximate their carrying values.

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest risk, and commodity price risk.

(a) Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in China and Canada and its functional currency is the U.S. dollar. A significant change in the currency exchange rates between the RMB or Canadian dollar relative to the U.S. dollar could have a significant effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. As of September 30, 2008, the Company is exposed to currency risk through the following assets and liabilities denominated in RMB and Canadian dollars:

	September 30, 2008	December 31, 2007
	In Canadian Dollars	
Cash and cash equivalents	**$ 1,472,840**	$ 21,540,662
Accounts receivable	**61,741**	261,192
Accounts payable and accrued liabilities	**(679,939)**	(2,139,315)
Notes payable	**(45,649,004)**	(43,740,256)
	$ (44,794,362)	$ (24,077,717)
	In Chinese Renminbi	
Cash and cash equivalents	**121,047,686**	27,514,458
Accounts receivable	**610,462**	348,267
Accounts payable and accrued liabilities	**(84,307,767)**	(91,398,781)
Short-term loan	**(130,000,000)**	-
Asset retirement obligation	**(34,510,346)**	(32,621,062)
	(127,159,965)	(96,157,118)

Based on the above net exposures as of September 30, 2008, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar and RMB against the U.S. dollar would result in an increase/decrease of approximately $4,594,000 ($3,857,000 for the Canadian dollar and $737,000 for the RMB) in the Company's net income/loss.

(b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company sells all of its gold to one creditworthy customer. The Company's cash and short-term bank deposits are held in large Chinese and Canadian financial institutions. Short-term bank deposits are composed of financial instruments issued by Canadian banks and companies with high investment-grade ratings. These investments mature at various dates over the current operating period. The Company does not have any asset backed commercial paper in its short-term bank deposits. The Company's accounts receivable consists primarily of receivable for gold sales due from its customers and goods and services tax due from the Federal Government of Canada.

(Stated in U.S. Dollars, except as otherwise noted)

The Company's maximum exposure to credit risk is as follows:

		September 30, 2008		December 31, 2007
Short-term bank deposits	**$**	**37,975**	$	17,056,195
Restricted cash invested in short-term bank deposits		**7,778,692**		-
Accounts receivable		**166,552**		348,914

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage.

Accounts payable and accrued liabilities, and short term loans are due within the next 12 months. The Company's contractual obligations are shown above in the table under the "Liquidity and Capital Resources" section.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments included in cash and cash equivalents is limited because these investments, although available for sale, are generally held to maturity and not material. The Company's notes payables and short term loan have fixed interest rates and therefore, are not subject to interest rate fluctuations.

(e) Commodity price risk

The profitability of the Company and its ability to develop its mineral properties are directly related to the market price of gold. The Company has not hedged any of its future gold sales. The Company's input costs are also affected by the price of fuel. The Company closely monitors gold and fuel prices to determine the appropriate course of action to be taken by the Company. A 10% change in the market price of gold would result in an increase/decrease of approximately $1.3 million in the Company's net income/loss.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares without par value. As of November 9, 2008, 163,889,159 common shares were issued and outstanding, 6,897,967 stock purchase options had been granted and were outstanding, and 6,310,000 common share purchase warrants had been issued and were outstanding. On a fully diluted basis, 177,097,126 common shares were outstanding.

Changes in Internal Controls over Financial Reporting

There has been no change in the Company's internal control over financial reporting that occurred during the nine months ended September 30, 2008, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Risk Factors

The business of mineral exploration and extraction involves a high degree of risk. Material risks and uncertainties affecting the Company, their potential impact, and the Company's principal risk management strategies, are as follows:

Production Estimates for the CSH Gold Mine may be inaccurate

Gold production estimates at the CSH Gold Mine are based on, among other things, the following factors: the accuracy of reserve estimates; the accuracy of assumptions regarding ground conditions and physical characteristics of ores, such as hardness and presence or absence of particular metallurgical characteristics; the accuracy of estimated rates and costs of mining and processing; and the assumption of ongoing timely regulatory approvals where these are required.

Jinshan's actual production may vary from estimates for a variety of reasons, including, among others: actual ore mined varying from estimates of grade, tonnage, dilution, and metallurgical and other characteristics; mining and milling losses being greater than planned; short-term operating factors relating to the ore reserves, such as the need for sequential development of ore bodies and the processing of new or different ore grades; risk and hazards associated with mining, milling and conversion; failure of mining methods; natural phenomena, including but not limited to, inclement weather conditions, earthquakes, pit wall failures, ground movements and cave-ins; significant interruption to production facilities due to fires or failure of critical equipment; and unexpected labour shortages or strikes. At present, production is at approximately 60% of capacity. The differential from maximum production capacity is principally due to lower than expected recoveries from the run-of-mine ore processing operations. While Jinshan has experienced incremental monthly improvements in the production rate over the last several months, there is no guaranty that it will be able to achieve its maximum nameplate production rates. In addition, Jinshan has recorded on its balance sheet as inventory ore that has been mined and stacked on the heap leach pad as at September 30, 2008. Jinshan has reviewed this ore and considered it against the processing rates experienced to date and expected to be experienced in the future, and applied a 51% recovery rate to this ore for purposes of valuing the asset. To the extent that actual gold grade or recovery rate differ from the estimates used for the inventory valuation, then Jinshan will need to adjust the value of this asset, which may, if the content or recovery rate is lower than estimated, result in a write down on its balance sheet.

Failure to achieve production estimates could have a material adverse impact on Jinshan's future cash flows, earnings, results of operations and financial condition.

There can be no assurance that Jinshan will be capable of servicing its debt

The Company will need to refinance the Bridge Loan and may need to refinance the Notes. The Company cannot assure that future financing alternatives available to the Company will be available in amounts sufficient to enable it to service its debt at maturity, or to generate sufficient cash flows from operations to fund these obligations internally. The Company's ability to refinance its debt or obtain additional financing will depend on: its financial condition at the time; restrictions in agreements governing its debt; and other factors, including financial market or industry conditions. As a result, it may be difficult for the Company to obtain financing on terms that are acceptable to it, or at all. Without this financing, the Company could be forced to sell assets under unfavourable circumstances to make up for any shortfall in its payment obligations. In addition, the Company may not be able to sell assets quickly enough or for sufficient amounts to enable it to meet its obligations, which could have a material adverse effect on the Company.

Jinshan has limited experience in placing properties into production

Jinshan has retained a number of individuals with gold production experience or experience in the conduct of commercial mining operations. Nevertheless, prior to the CSH Gold Mine, Jinshan had no experience in placing mineral deposit properties into production, and its ability to operate the CSH Gold Mine.

There can be no assurance that the interest Jinshan holds in its exploration, development and mining properties is free from defects or that material contractual arrangements between Jinshan and entities that foreign governments own or control will not be unilaterally altered or revoked

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. Jinshan has conducted an internal investigation of title to the CSH Gold Mine. Based on a review of records the relevant government agencies in China maintain, the CSH Gold Mine interests are registered in the name of the applicable joint venture company. There is no guarantee of title to any of Jinshan's properties. The properties may be subject to prior unregistered agreements or transfers and undetected defects may affect title. Title is based upon interpretation of the applicable laws, which laws may be ambiguous, inconsistently applied and subject to reinterpretation or change. Jinshan has not surveyed the boundaries of any of its mineral properties and consequently the boundaries of the properties may be disputed.

Mining permits and licenses are required

Jinshan's further development and exploration of the various mineral properties in which it holds interests, particularly the CSH Gold Mine and any proposed increased mining capacity thereof, depends upon its ability to obtain permits and licenses from various governmental authorities. As an example, the national branch of China's National Development and Reform Commission has, in the past, asserted authority over gold production in China, and while this assertion of authority has been rejected by other branches of the Chinese Government as being invalid, an ultimate conclusion of this matter has not been reached. There can be no assurance that the Company will be successful in obtaining all required permits and licenses when needed. Meanwhile, the proposed increased mining capacity at the CSH Gold Mine will require an updated mining permit from MOLAR and other government agencies. While the Company has no reason to believe that applications for such permits will be rejected, there is also no guaranty that any such permit will be forthcoming. Failure to obtain 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.

There can be no assurance that Jinshan will be capable of raising the additional funding that is needed to carry out its production, development and exploration objectives

While Jinshan has completed recent financings in support of the development of the first stage of mine production on the CSH Gold Mine, Jinshan expects that it will require additional funding to support the conduct of its business in respect of the CSH Gold Mine, the Dadiangou Gold Project and other projects and business objectives as these financial requirements currently exceed the working capital available on hand. Cash flow generated from production at the CSH Gold Mine will not necessarily be sufficient to fund expansion plans, all operating cash flow requirements or further exploration and development work. Accordingly, Jinshan expects to finance future obligations and commitments through the exercise of options, warrants, and additional equity or debt financings. There is no assurance that Jinshan will be successful in obtaining required financing as and when needed. Volatile markets for precious and base metals may make it difficult or impossible for Jinshan to obtain debt financing or equity financing on favourable terms or at all. Failure to obtain additional financing on a timely basis may cause Jinshan to postpone its development plans, forfeit rights in some or all of its properties or joint ventures or reduce or terminate some or all of its operations.

Mining operations are subject to numerous hazards that could have a material adverse effect on the financial position of Jinshan

Mining operations are subject to hazards normally encountered in exploration, development and production. These include unexpected geological formations, rock falls, flooding, dam wall failure, accidents or spills; industrial and transportation accidents; unexpected labour shortages, disputes or strikes; cost increases for contracted and/or purchased goods and services; shortages of required materials and supplies; electrical power interruptions; mechanical and electrical equipment failure; changes in the regulatory environment; natural phenomena, such as inclement weather conditions, floods, earthquakes, pit wall failures, tailings dam failures and cave-ins; and other incidents or conditions which could result in damage to plant or equipment or the environment and which could impact production throughput.

There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, Jinshan's properties, personal injury or death, environmental damage, delays in or interruption of or cessation of production from the CSH Gold Mine or in Jinshan's exploration or development activities, costs, monetary losses and potential legal liability and adverse community and/or governmental action, all of which could have an adverse impact on Jinshan's future cash flows, earnings, results of operations and financial condition.

Mining projects are sensitive to the volatility of metal prices

The mining industry is intensely competitive and there is no assurance that, even if commercial quantities of a mineral resource are recovered from the CSH Gold Mine, the Dadiangou Gold Projects or discovered on Jinshan's other properties, a profitable market will exist for the sale of the same. There can be no assurance that metal prices will be such that Jinshan's properties can be mined at a profit. Factors beyond the control of Jinshan may affect the marketability of any minerals discovered. 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. The supply of, and demand for, Jinshan's principal products and exploration targets: gold, copper and silver, is affected by various factors, including political events, economic conditions and production costs.

There are risks associated with conducting business in China

China is, and for the foreseeable future is expected to remain, the country in which Jinshan concentrates most of its business activities and financial resources. Jinshan has applied for and received mining licences and exploration licences for its properties; nevertheless, the legal framework is, in many instances, based on recent political reforms or 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 Jinshan's rights and obligations. Local institutions and bureaucracies responsible for administrating foreign laws may lack a proper understanding of the laws or the experience necessary to apply them in a modern business context. The laws may be applied in an inconsistent, arbitrary and unfair manner and legal remedies may be uncertain, delayed or unavailable. As an example, Jinshan holds its interest in the CSH Gold Mine through a joint venture company. Many aspects of the law regarding Chinese joint venture companies are ambiguous, inconsistently applied and subject to reinterpretation or change. While Jinshan believes that Ningxia, the joint venture company that holds the CSH Gold Mine, has been properly established and has taken the steps necessary to obtain its interest in the CSH Gold Mine, there can be no guarantee that such steps will be sufficient to preserve Jinshan's interest in the CSH Gold Mine.

There are several levels of government with influence over Jinshan's mineral production, development and exploration activities. A loss of support for one or more of the Company's projects by any one of those levels of government could result in substantial disruption in Jinshan's ability to continue operations. Such a loss of support could occur on a national level, such as a change in government policy to discourage foreign investment or nationalization of mining industries or it may occur at a provincial or local level, in which Jinshan's ability to conduct operations is hindered by aggressive or capricious application of jurisdiction within the control of a particular level of government.

In addition to the above risks, Jinshan also faces risk in respect of the repatriation of earning outside China. Chinese regulations provide that, subject to payment of applicable taxes, foreign investors may remit out of China, in foreign exchange, profits or dividends derived from a source within China. Remittance by foreign investors of any other amounts (including, for instance, proceeds of sale arising from a disposal by a foreign investor of any of its investments in China) out of China is subject to the approval of the State Administration of Exchange Control or its local branch office. No assurance can be given that such approval would be granted if Jinshan disposes of all or part of its interest in a project located in China. Further, there can be no assurance that additional restrictions on the repatriation of earnings in China will not be imposed in the future.

Changes in or more aggressive enforcement of laws and regulations could adversely impact Jinshan's business

Mining operations and exploration activities are subject to extensive laws and regulations. Compliance with these laws and regulations increases the costs of exploring, drilling, developing, constructing, operating and closing mines and other facilities. It is possible that the costs, delays and other effects associated with these laws and regulations may impact Jinshan's decision to continue to operate existing mines and other facilities or whether to proceed with exploration or development of properties. Since legal requirements change frequently, are subject to interpretation and may be enforced to varying degrees in practice, Jinshan is unable to predict the ultimate cost of compliance with these requirements or their effect on operations. Furthermore, changes in government, regulations and policies and practices could have an adverse impact on Jinshan's future cash flows, earnings, results of operations and financial condition.

Failure or delays in obtaining necessary approvals could have a materially adverse affect on Jinshan's financial condition and results of operations.

Jinshan may be unable to enforce its legal rights in certain circumstances

In the event of a dispute arising at or in respect of, Jinshan's foreign operations, including the CSH Gold Mine or the Dadiangou Gold Project, Jinshan may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada or other jurisdictions. Jinshan may also be hindered or prevented from enforcing its rights with respect to a governmental entity or instrumentality because of the doctrine of sovereign immunity.

Jinshan does not maintain insurance over certain of its business operations

Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts or slides, fire, floods, earthquakes or other environmental occurrences, and political and social instability. These risks can result in, among other things, damage to and destruction of mineral properties or production facilities, personal injury, environmental damage, delays in mining, monetary losses and legal liability. It is not always possible to obtain insurance against all risks and Jinshan may decide not to insure against certain risks as a result of high premiums or other reasons or in amounts that exceed policy limits. 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 Jinshan.

Jinshan has a limited operating history, and there is no assurance that it will be capable of consistently producing positive cash flows

Jinshan has paid no dividends on its Common Shares since incorporation and does not anticipate doing so in the foreseeable future. To date, Jinshan has generated limited cash flow from the CSH Gold Mine, and no cash flow from its other operations. All Jinshan's exploration projects will need funding from Jinshan. Jinshan has a limited operating history and there can be no assurance of its ability to operate its projects profitably. While Jinshan may in the future generate additional working capital through the operation, development, sale or possible syndication of its properties, there is no assurance that Jinshan will be capable of producing positive cash flow on a consistent basis or that any such funds will be available for exploration, development and production programs.

Jinshan's financial position is subject to fluctuations in currency

Jinshan's operations incur most expenditures in RMB and in U.S. dollars, while most of the funds it raises are Canadian dollars. This renders Jinshan subject to foreign currency fluctuations, which may materially affect its financial position and operating results.

Jinshan is subject to substantial environmental and other regulatory requirements and such regulations are becoming more stringent. Non-compliance with such regulations, either through current or future operations or a pre-existing condition could materially adversely affect Jinshan

Jinshan's operations are subject to environmental regulations in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Jinshan's operations. Government approvals and permits are required in connection with Jinshan's operations. To the extent such approvals are required and not obtained, Jinshan may be delayed or prohibited from proceeding with planned exploration or development of its mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on Jinshan and cause increases in capital expenditures or production costs or reductions in levels of production at producing properties or require abandonment or delays in development of new mining properties.

The actual cost of expanding the CSH Gold Mine may differ significantly from Jinshan's estimates and involve unexpected problems or delays.

The estimates regarding the proposed expansion of the CSH Gold Mine are based on the 2008 CSH Technical Report. This study establishes estimates of reserves and resources, capital and operating costs and project economic returns. These estimates are based, in part, on assumptions about future metal prices. The 2008 CSH Technical Report derives estimates of average cash operating costs based upon, among other things:

- anticipated tonnage, grades and metallurgical characteristics of ore to be mined and processed;

- anticipated recovery rates of minerals from the ore;
- cash operating costs of comparable facilities and equipment; and
- anticipated climatic conditions.

Actual operating costs, production and economic returns may differ significantly from those anticipated by the Technical Report. There are also a number of uncertainties inherent in the development and construction of new mining facilities including the CSH Gold Mine. These uncertainties include:

- the timing and cost, which can be considerable, of the construction of mining and processing facilities;
- the availability and cost of skilled labour, power, water and transportation;
- the availability and cost of appropriate smelting and refining arrangements***;***
- the need to obtain necessary environmental and other government permits, and the timing of those permits; and
- the availability of funds to finance construction and development activities.

The cost, timing and complexities of mine construction and development are increased by the remote location of a property such as the CSH Gold Mine. It is common in new mining operations to experience unexpected problems and delays during development, construction and mine start-up. In addition, delays in the commencement of mineral production often occur. Accordingly, there is no assurance that our future development activities will result in profitable mining operations.

Jinshan's prospects depend on its ability to attract and retain key personnel

Recruiting and retaining qualified personnel is critical to Jinshan's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As Jinshan's business activity grows, it will require additional key financial, administrative, mining, marketing and public relations personnel as well as additional staff on the operations side. Jinshan commenced hiring additional personnel in China when it assumed responsibility for its exploration program in China. Although Jinshan believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

Competition for new mining properties by larger, more established companies may prevent Jinshan from acquiring interests in additional properties or mining operations

Significant and increasing competition exists for mineral acquisition opportunities throughout the world. As a result of this competition, some of which is with large, more established mining companies with substantial capabilities and greater financial and technical resources, the Company may be unable to acquire rights to exploit additional attractive mining properties on terms it considers acceptable. Accordingly, there can be no assurance that the Company will acquire any interest in additional operations that would yield reserves or result in commercial mining operations.

A portion of Jinshan's operations involve exploration and development and there is no guarantee that any such activity will result in the commercial production of mineral deposits.

Other than the CSH Gold Mine, development of Jinshan's mineral properties is contingent upon obtaining satisfactory exploration results. Mineral exploration and development involves substantial expense and a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to adequately mitigate. The degree of risk increases substantially when an issuer's properties are in the exploration as opposed to the development phase. There is no assurance that commercial quantities of ore will be discovered on any of Jinshan's exploration properties other than the CSH Gold Mine. There is also no assurance that, even if commercial quantities of ore are discovered, a mineral property will be brought into commercial production. The discovery of mineral deposits is dependent upon a number of factors not the least of which is the technical skill of the exploration personnel involved.

There are 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 metal 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.

There are risks associated with conducting business through joint ventures

Jinshan conducts certain of its operations through co-operative joint ventures with government-controlled entities. While this connection benefits Jinshan in some respects, there is a substantial inequality with respect to the influence of the parties with the Chinese government. The Chinese government holds a substantial degree of subjective control over the application and enforcement of laws and the conduct of business. This inequality would become particularly detrimental if a business dispute arises between joint venture parties. Jinshan seeks to minimize this by including international arbitration clauses in relevant agreements whenever possible and by maintaining positive relations with both its joint venture partners and local governments, but there can be no guarantee that these measures will be sufficient to protect Jinshan's interest in China.

Counterparties

Jinshan is exposed to various counterparty risks. When Jinshan sells gold to third parties there is a risk for non-payment by the purchasers of its gold. Consequently, non-payment by purchasers may adversely affect the Company's financial position and financial results.

Share Price Volatility

In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those in the resource sector, has experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that such fluctuations will not affect the price of Jinshan's securities.

Qualified Persons

Joseph Keane, a qualified person as defined by National Instrument 43-101 supervised the preparation of the technical and scientific information relating to the 2008 CSH Gold Technical Report in this MD&A. Keith Patterson, P.Geo., the Company's Vice President of Exploration, a qualified person as defined by National Instrument 43-101 supervised the preparation of the technical and scientific information relating to the Dadiangou project, Xinjiang project, and generative activities in this MD&A.

November 9, 2008