JINSHAN GOLD MINES INC.

Consolidated Financial Statements
March 31, 2009

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

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

	March 31, 2009	December 31, 2008
ASSETS		
CURRENT		
Cash and cash equivalents	**$ 5,106,524**	$ 12,142,739
Restricted cash (Note 3)	-	5,215,704
Accounts receivable	**174,764**	148,771
Prepaid expenses and deposits (Note 4)	**6,518,224**	7,176,502
Inventory (Note 5)	**32,815,019**	29,147,278
	44,614,531	53,830,994
PROPERTY, PLANT AND EQUIPMENT (Note 6)	**80,023,984**	66,711,336
	124,638,515	120,542,330
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**23,361,571**	18,932,644
Customer advances (Note 10(e))	**16,812,865**	-
Short-term loan (Note 7)	-	18,672,730
Current portion of notes payable (Note 8)	**22,642,640**	22,930,784
Current portion of asset retirement obligation	**671,098**	590,035
	63,488,174	61,126,193
LONG TERM		
Notes payable (Note 8)	**14,703,299**	14,929,121
Asset retirement obligation	**4,777,667**	4,773,331
	19,480,966	19,702,452
NON-CONTROLLING INTEREST	**369,020**	295,731
SHAREHOLDERS' EQUITY		
Share capital (Note 9)		
Authorized - Unlimited common shares without par value		
Issued - 163,889,159 common shares (2008 - 163,889,159)	**74,166,100**	74,166,100
Contributed surplus	**10,473,753**	10,388,509
	84,639,853	84,554,609
Accumulated other comprehensive income	**460,850**	460,850
Deficit	**(43,800,348)**	(45,597,505)
	(43,339,498)	(45,136,655)
	41,300,355	39,417,954
	$ 124,638,515	$ 120,542,330

NATURE AND CONTINUANCE OF OPERATIONS (Note 1)
COMMITMENTS AND CONTINGENCIES (Note 14)

APPROVED BY THE BOARD

"Daniel Kunz"
Director

"Ian He"
Director

See accompanying notes to the interim consolidated financial statements

JINSHAN GOLD MINES INC.

Consolidated Statements of Operations and Comprehensive Income (Loss)

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

	Three months ended March 31, 2009	Three months ended March 31, 2008
REVENUES	$ **7,685,989**	$ -
COST OF SALES		
Cost of sales excluding depreciation, amortization and depletion	**(4,260,100)**	-
Depreciation, amortization and depletion	**(1,241,386)**	-
Accretion of asset retirement obligation	**(90,540)**	
	(5,592,026)	-
MINE OPERATING EARNINGS	**2,093,963**	-
EXPENSES		
General and administrative	**(929,663)**	(1,676,557)
Exploration expenses	**(326,646)**	(1,368,515)
	(1,256,309)	(3,045,072)
INCOME (LOSS) FROM OPERATIONS	**837,654**	(3,045,072)
OTHER INCOME (EXPENSES)		
Foreign exchange gain	**2,784,365**	1,244,891
Interest income	**2,053**	95,781
Interest on notes payable (Note 8)	**(1,753,626)**	(138,505)
	1,032,792	1,202,167
INCOME (LOSS) BEFORE NON-CONTROLLING INTEREST	**1,870,446**	(1,842,905)
NON-CONTROLLING INTEREST	**(73,289)**	-
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	$ **1,797,157**	$ (1,842,905)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE (Note 9)	$ **0.01**	$ (0.01)
BASIC WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (Note 9)	**163,889,159**	158,681,013
DILUTED WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (Note 9)	**163,896,786**	158,681,013

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	Share Capital	Contributed Surplus	Subtotal	Accumulated Other Comprehensive Income	Deficit	Subtotal	Total
Balances, December 31, 2007	156,561,424	$ 59,809,025	$ 10,922,519	$ 70,731,544	$ 460,850	$ (47,520,537)	$ (47,059,687)	$ 23,671,857
Shares issued for:								
Exercise of warrants	5,407,167	11,915,435	(2,306,276)	9,609,159	-	-	-	9,609,159
Exercise of stock options	1,920,568	2,441,640	(1,027,931)	1,413,709	-	-	-	1,413,709
Stock-based compensation charged to operations	-	-	1,505,959	1,505,959	-	-	-	1,505,959
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	-	-	-	1,294,238
Net income and comprehensive income	-	-	-	-	-	1,923,032	1,923,032	1,923,032
Balances, December 31, 2008	163,889,159	$ 74,166,100	$ 10,388,509	$ 84,554,609	$ 460,850	$ (45,597,505)	$ (45,136,655)	$ 39,417,954
Stock-based compensation charged to operations			85,244	85,244	-	-	-	85,244
Net income and comprehensive income	-	-	-	-	-	1,797,157	1,797,157	1,797,157
Balances, March 31, 2009	**163,889,159**	**$ 74,166,100**	**$ 10,473,753**	**$ 84,639,853**	**$ 460,850**	**$ (43,800,348)**	**$ (43,339,498)**	**$ 41,300,355**

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 March 31, 2009	Three months ended March 31, 2008
OPERATING ACTIVITIES		
Net income (loss)	$ **1,797,157**	$ (1,842,905)
Items not requiring use of cash and cash equivalents:		
Depreciation, amortization and depletion	**1,247,045**	3,913
Accretion of asset retirement obligation	**90,540**	-
Accretion of interest expense on notes payable	**562,204**	-
Accretion of interest expense on short-term loan	**485,769**	-
Stock-based compensation	**85,244**	603,160
Unrealized foreign exchange gain	**(1,139,463)**	(1,131,419)
Non-controlling interest	**(73,289)**	-
	3,055,207	(2,367,251)
Change in non-cash operating working capital items (Note 11(a))	**(2,697,365)**	(7,032,383)
	357,842	(9,399,634)
INVESTING ACTIVITIES		
Property, plant and equipment additions	**(10,486,349)**	(9,164,688)
Proceeds from sale of pre-commercial gold production	**-**	10,927,703
Restricted cash deposits (Note 3)	**5,215,704**	(14,001,645)
	(5,270,645)	(12,238,630)
FINANCING ACTIVITIES		
Issuance of common shares	**-**	5,517,143
Customer advances (Note 10(e))	**16,812,865**	
Short-term loan repayment (Note 7)	**(18,909,916)**	-
	(2,097,051)	5,517,143
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(26,361)**	(398,106)
NET DECREASE IN CASH AND CASH EQUIVALENTS FOR THE PERIOD	**(7,036,215)**	(16,519,227)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**12,142,739**	26,952,425
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ **5,106,524**	$ 10,433,198
CASH AND CASH EQUIVALENTS ARE COMPRISED OF THE FOLLOWING:		
Cash in bank	$ **5,106,524**	$ 10,394,040
Bank short-term deposits	**-**	39,158
	$ **5,106,524**	$ 10,433,198

Supplemental cash flow information (Note 11(b))
See accompanying notes to the interim consolidated financial statements

1. NATURE AND CONTINUANCE OF 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, 2008, 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 2009 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.

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business. The Company has a working capital deficiency of $18,873,643 and has an accumulated deficit of $43,800,348. 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 Chang Shan Hao Gold Mine ("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 $39,676,242 (CDN $50,000,000) (see Note 8) principal amount of senior unsecured promissory notes, of which $23,805,745 (CDN $30,000,000) principal amount falls due in December 2009 and $15,870,497 (CDN $20,000,000) principal amount falls due in June 2010, and trade credit extension by the Company's significant shareholder, China National Gold Group Corporation ("CNG"), of $16,812,865 (RMB 115,000,000) that represents advances on future gold sales. The Company is currently negotiating with Chinese banks for a project loan facility to complete construction of the CSH Gold Mine expansion. See other contractual obligations in Note 13(c). 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 during the next twelve months. Accordingly, the Company expects that it will need to obtain further financing in the form of debt, equity or a combination thereof for the next twelve months. 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

(a) Goodwill and Intangible Assets (Section 3064)

On January 1, 2009, the Company adopted Section 3064 – Goodwill and Intangible Assets, issued by the Canadian Institute of Chartered Accountants ("CICA"), which replaced Section 3062 and establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. Section 3064 applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2008. There was no material impact on the Company's financial condition, operating results, or disclosures as a result of the adoption of Section 3064.

(*b*) Business Combinations (Sectio*n 1582), Consolidated Financial Statements (Section 1601), and Non-controlling interests (Section 1602)*

In January 2009, the CICA issued Handbook Sections 1582, Business Combinations, ("Section 1582"), 1601, Consolidated Financial Statements, ("Section 1601") and 1602, Non-controlling Interests, ("Section 1602") which replaces CICA Handbook Sections 1581, Business Combinations, and 1600, Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two sections must also be adopted at the same time. The Company is evaluating the impact of the adoption of these new Sections on its consolidated financial statements.

3. RESTRICTED CASH

The Company signed a contract with an equipment manufacturer in 2008 to purchase crusher equipment for $15,557,383 to be delivered in early 2009. The Company established a credit facility with its bank and opened a standby letter of credit for the purchase of the equipment and made payments as required. The Company did not reissue its standby letter of credit which expired on January 15, 2009 as the Company paid the final amount owing of $3,889,346 on February 19, 2009 to the equipment supplier to discharge this obligation.

In December 2008, the Company's subsidiary in China, Inner Mongolia Pacific Mining Co. Ltd. ("Inner Mongolia Pacific"), received $1,326,358 from the local Chinese tax authority. These funds were temporarily held on behalf of the local Chinese tax authority and therefore, not available for use by the Company and were returned to the local Chinese tax authority in January 2009.

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

4. PREPAID EXPENSES AND DEPOSITS

	March 31, 2009	December 31, 2008
Refundable CSH Gold Mine construction deposits	**$ 4,710,036**	$ 3,975,699
Prepaid taxes	**771,961**	1,476,319
Rent deposits	**319,361**	358,875
Permit advance	**292,544**	426,063
Insurance	**215,131**	304,757
Other	**168,962**	-
Deposits for spare parts	**40,229**	634,789
	$ 6,518,224	$ 7,176,502

5. INVENTORY

	March 31, 2009	December 31, 2008
Gold in process	**$ 30,791,349**	$ 26,639,495
Gold doré bars	**1,380,119**	1,013,325
Consumables	**565,281**	1,328,923
Spare parts	**78,270**	165,535
	$ 32,815,019	$ 29,147,278

Inventory totaling $5,591,244 (2008 -$nil) plus selling costs of $782 (2008 - $nil) was recognized in cost of sales for the three months ended March 31, 2009.

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

6. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2009		
	Cost	Accumulated Amortization and Depletion	Net Book Value
Motor vehicles	**$ 1,184,136**	**$ 417,210**	**$ 766,926**
Machinery and equipment	**25,644,564**	**3,619,874**	**22,024,690**
Furniture and office equipment	**726,494**	**424,701**	**301,793**
Buildings	**4,275,801**	**586,446**	**3,689,355**
Capital works in progress	**36,713,048**	**-**	**36,713,048**
Mineral properties and deferred development	**17,541,371**	**1,013,199**	**16,528,172**
	$ 86,085,414	**$ 6,061,430**	**$ 80,023,984**

	December 31, 2008		
	Cost	Accumulated Amortization and Depletion	Net Book Value
Motor vehicles	$ 1,184,136	$ 364,471	$ 819,665
Machinery and equipment	24,922,822	3,014,996	21,907,826
Furniture and office equipment	722,972	358,973	363,999
Buildings	4,275,801	489,978	3,785,823
Capital works in progress	27,840,421	-	27,840,421
Mineral properties and deferred development	12,572,974	579,372	11,993,602
	$ 71,519,126	$ 4,807,790	$ 66,711,336

Capital works in progress consists of the crusher construction 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 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 $20,401,790 to inventory from mineral properties and deferred development.

A reconciliation of mineral properties and mine development is provided in the table below:

Balance as of December 31, 2007	$	28,324,016
Additions to mineral properties and deferred development		4,650,748
Reclassification on commencement of commercial operations to inventory		(20,401,790)
Accumulated depletion		(579,372)
Balance as of December 31, 2008	$	11,993,602
Additions to mineral properties and deferred development		4,968,397
Depletion during the period		(433,827)
Balance as of March 31, 2009	**$**	**16,528,172**

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

During the three months ended March 31, 2009, $141,348 (2008 - $nil) of interest and $58,236 (2008 - $nil) of accretion on the 12% senior unsecured promissory notes were capitalized to capital works in progress.

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 was unsecured, denominated in RMB and bears an annual interest rate of 6.21%. Interest was payable monthly and the principal amount was repayable in installments of $4,421,192 (RMB 30,000,000) in January 2009, $7,368,654 (RMB 50,000,000) in February 2009, and $7,368,654 (RMB 50,000,000) in March 2009. The principal amount was fully repaid by March 26, 2009. Principal repayments of $14,600,000 (RMB 100,000,000) were funded by a prepayment of future gold sales from CNG. The Bridge Loan was guaranteed by the Company's significant shareholder, 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 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 $1,294,238 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. The fair value of the warrant extension was allocated to the Bridge Loan proceeds resulting in a Bridge Loan fair value of $17,615,678 in September 2008.

Accretion of $485,769 was recorded for the Bridge Loan for the three months ended March 31, 2009, and $808,469 for the year ended December 31, 2008.

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

8. NOTES PAYABLE

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

	Note A	Note B	Note C	Total
Balances of notes payable, December 31, 2007	$26,708,698	$10,819,046	$6,739,279	$ 44,267,023
Unrealized foreign exchange gain	(5,429,323)	(2,191,334)	(1,349,697)	(8,970,354)
Accretion to December 31, 2008	1,651,409	619,266	292,561	2,563,236
Balances of notes payable, December 31, 2008	$22,930,784	$ 9,246,978	$5,682,143	$ 37,859,905
Unrealized foreign exchange gain	(652,085)	(262,827)	(161,258)	(1,076,170)
Accretion to March 31, 2009	363,941	135,577	62,686	562,204
Balances of notes payable, March 31, 2009	$22,642,640	$ 9,119,728	$5,583,571	$ 37,345,939
Less: current portion (due December 14, 2009)				**22,642,640**
Balances of notes payable, March 31, 2009				**$ 14,703,299**

On September 30, 2008, the Company amended the indentures for its 12% unsecured promissory notes to include provisions for the distribution of funds received from its subsidiary, Inner Mongolia Pacific. The Company has a $9,800,000 inter-corporate loan receivable from Inner Mongolia Pacific. Under the terms of the amended indenture, Inner Mongolia Pacific is required to repay the inter-corporate loan should it obtain an expansion credit facility to repay the Bridge 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 the Company receives from Inner Mongolia 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. As of March 31, 2009, Inner Mongolia Pacific has not secured an expansion facility and there have been no dividends or other cash distributions.

The notes payable are accreted using the effective interest method over the life of the notes payable to bring their balances from their carrying values to their face values at the maturity dates. Of the total accretion of $562,204 (2008 – $599,553) (see Note 11(b)), $58,236 (2008 - $599,553) was capitalized and $503,968 (2008 - $nil) was expensed for the three months ended March 31, 2009.

9. SHARE CAPITAL

(a) Outstanding stock options and warrants

As of March 31, 2009, there were 5,107,300 stock options outstanding with exercise prices and expiry dates ranging from CDN $0.50 to CDN $2.45 and April 11, 2009 and July 20, 2013, respectively.

As of March 31, 2009, 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 and June 26, 2011, respectively.

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

9. SHARE CAPITAL (Continued)

(b) Earnings (loss) per share

Earnings (loss) used in determining earnings per share ("EPS") are presented below:

	Three months ended March 31, 2009	Three months ended March 31, 2008
Net income (loss)	**$ 1,797,157**	$ (1,842,905)
Weighted average number of shares, basic	163,889,159	158,681,013
Dilutive securities:		
Options	7,627	-
Warrants	-	-
Weighted average number of shares, diluted	163,896,786	158,681,013
Basic and diluted earnings (loss) per share	$ 0.01	$ (0.01)

For the calculation of EPS for the three months ended March 31, 2009, 50,000 stock options were dilutive. The remaining 5,057,300 stock options and 6,310,000 warrants were not included in the computation of diluted weighted average number of shares (the "EPS Computation") because the average exercise price of CDN$1.87 of these stock options and warrants exceeded the average market price of the common shares of CDN$0.59 making them anti-dilutive. Due to a net loss for the three months ended March 31, 2008, all 16,792,867 stock options and warrants were excluded from the EPS Computation because their effect would have been anti-dilutive.

10. RELATED PARTY TRANSACTIONS

The following transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(a) The Company incurred the following expenses, on a cost recovery basis, with Global Mining Management ("GMM"), 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 March 31, 2009	Three months ended March 31, 2008
Administration and office	**$ 139,593**	$ 193,052
Salaries and benefits	**249,429**	309,329
	$ 389,022	$ 502,381

(b) Accounts payable of $59,461 (December 31, 2008 - $240,328) as of March 31, 2009, is due to GMM.

(c) Prepaid expenses and deposits as of March 31, 2009, include $227,749 (December 31, 2008 - $227,749) which is deposited with GMM.

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

10. RELATED PARTY TRANSACTIONS (Continued)

(d) For the three months ended March 31, 2009, the Company paid $241,399 in interest expense to CNG, and for the three months ended March 31, 2008, the Company paid $218,893 in interest expense to its former significant shareholder, Ivanhoe Mines Ltd., on the 12% unsecured promissory Note C (see Note 8).

(e) 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 delays in payment and counterparty risks being experienced under the contract with the third party refiner. Other transactions for the three months ended March 31, 2009, are outlined below (see Note 12 (c)).

	Three months ended March 31,	
	2009	2008
Gold sales made to CNG	**$ 7,685,989**	$ -
Silver sales made to CNG	**37,310**	-
Prepayment of future gold sales from CNG	**16,812,865**	-

The Company has agreed to apply future gold deliveries to CNG at the then gold spot prices against the customer advances. The customer advances do not have any other terms of repayment and were made by CNG to assist the Company to meet its debt obligations.

(f) The Company paid to subsidiaries of CNG, $32,162 (RMB 219,643) (2008 - $nil) in salaries and benefits for certain senior managers of Jinshan and Inner Mongolia Pacific and $17,220 (RMB 117,600) (2008 - $nil) for capital works in progress to supervise and manage the crusher installation project. At March 31, 2009, accounts payable including the customer advance totaled $16,932,855 (RMB 115,820,728) (December 31, 2008 -$76,190) is due to CNG and its subsidiaries.

11. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Change in non-cash operating working capital items:

	Three months ended March 31,	
	2009	2008
Net (increase) decrease in:		
Accounts receivable	**$ (52,354)**	$ (105,555)
Prepaid expenses and deposits (see Note 4)	**658,278**	(812,898)
Inventory (see Note 5)	**(3,667,741)**	(187,047)
Net increase (decrease) in:		
Accounts payable and accrued liabilities	**364,452**	(5,926,883)
	$ (2,697,365)	$ (7,032,383)

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

11. SUPPLEMENTAL CASH FLOW INFORMATION (Continued)

(b) Additional information:

	Three months ended March 31, 2009	Three months ended March 31, 2008
Transfer of contributed surplus to share capital upon exercise of stock options and warrants	**$ -**	$ 1,480,396
Accretion of notes payable (see Note 8)	**562,204**	599,553
Cash interest paid	**1,699,376**	2,977,351

12. 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 March 31, 2009			
Revenues	**$ 7,685,989**	**$ -**	**$ 7,685,989**
Depreciation, amortization and depletion	**1,241,386**	**5,659**	**1,247,045**
Income (loss) from operations	**1,822,478**	**(984,824)**	**837,654**
As of March 31, 2009			
Property, plant and equipment	**79,991,110**	**32,874**	**80,023,984**
Three months ended March 31, 2008			
Revenues	$ -	$ -	$ -
Depreciation, amortization and depletion	-	(3,913)	(3,913)
Loss from operations	(1,368,515)	(1,676,557)	(3,045,072)
As of December 31, 2008			
Property, plant and equipment	66,672,866	38,470	66,711,336

(c) Major customer information

The Company sells all of its gold production exclusively to its current significant shareholder, CNG (see Note 10 (e)). Sales of gold during the quarter to CNG totaled $7,685,989 (2008 - $nil). The sales were made in China. The sales to CNG do not constitute economic dependence for the Company as there are many other customers in China to whom gold can be sold.

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

13. FINANCIAL INSTRUMENTS

The fair values of the Company's cash and cash equivalents, accounts receivable, accounts payable, and customer advances 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.

Based on the net currency rate exposures as of March 31, 2009, 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 $7,681,024 ($3,347,628 for the Canadian dollar and $4,333,396 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, CNG who is also the Company's significant shareholder. 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 a receivable for gold sales due from its customer and goods and services tax refund due from the Federal Government of Canada, all of which are not outstanding for more than 180 days.

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

	March 31, 2009	December 31, 2008
Cash in bank	**$ 5,106,524**	$ 12,140,045
Short-term bank deposits	**-**	2,694
Restricted cash	**-**	5,215,704
Accounts receivable	**174,764**	148,771

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due (see Note 1). The Company manages liquidity risk through the management of its capital structure and financial leverage.

Accounts payable and accrued liabilities, customer advances, current portion of notes payable, and current portion of asset retirement obligation are due within the next 12 months. Customer advances are repaid with future gold sales (see Note 10(e)).

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

13. FINANCIAL INSTRUMENTS (Continued)

(c) Liquidity risk (continued)

Contractual obligations as of March 31, 2009, consist of the following:

	Payments Due By Year						
	Total	**2009**	**2010**	**2011**	**2012**	**2013**	**Thereafter**
Principal repayment on notes payable	**$ 39,676,242**	$ 23,805,745	$ 15,870,497	$ -	$ -	$ -	$ -
Operating leases (a)	**52,130**	31,405	4,14	4,145	4,14	4,145	4,145
Purchase commitments (b)	**19,636,148**	16,994,792	395,683	2,245,67	-	-	-
Total	**$ 59,364,520**	**$ 40,831,942**	**$ 16,270,325**	**$ 2,249,81**	**$ 4,14**	**$ 4,145**	**$ 4,145**

(a) Operating leases are primarily for premises.

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

(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 payable has a fixed interest rate and therefore, is not subject to interest rate fluctuations but changes to exchange rates could affect interest payable (see Note 13(a)).

(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 energy. The Company closely monitors gold and energy 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 $768,598 in the Company's net income/loss.

14. COMMITMENTS AND CONTINGENCIES

The following commitments and contingencies existed at March 31, 2009 (see also Note 13(c)):

(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 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.

JINSHAN GOLD MINES INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations
March 31, 2009
(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 May 5, 2009, 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 months ended March 31, 2009 and the year ended December 31, 2008. 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 gold production company based in Vancouver, Canada 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. The Company also holds 2 exploration permits in the Eastern Xinjiang Uygur Autonomous Region of Northwest China known collectively as the Xinjiang project.

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 March 31, 2009	From commencement to March 31, 2009
Commercial gold production (ounces)	9,328	42,999
Pre-commercial gold production (ounces)	-	45,833
Total gold production (ounces)	9,328	88,832

	Three months ending March 31, 2009	Three months ending March 31, 2008
Net income (loss)	$ 1.8 Million	($1.8) Million
Basic income (loss) per share	$0.01	($0.01)
Net cash inflows (outflows) from operations	$ 0.3 Million	($9.4) Million
Property, plant and equipment cash expenditures	$ 10.4 Million	$9.2 Million

	Balance, March 31, 2009	Balance, March 31, 2008
Cash and cash equivalents	$5.1 Million	$10.4 Million
Working capital*	($18.9) Million	$19.2 Million

*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 has started installation and related construction of the crusher to process sulphide ore with completion scheduled for the third quarter of 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.

The Company is drawing on China National Gold Corporation's ("CNG") technical and operating experience in China to improve operations at the CSH Gold Mine. Together with CNG's technical expertise, the Company will focus its efforts to resolve operating inefficiencies and improve gold production. CNG is also assisting the Company to reduce production costs at the CSH Gold Mine by using its bulk purchasing power to reduce mining and processing costs.

The Company is working with CNG to identify potential projects that have a high potential to be developed in the near term. The Company's objective is to identify projects that may also include the potential for further exploration to increase upon the existing resource base of the project. Other exploration projects are also being reviewed.

During 2009, the Company will focus on obtaining financing for the crusher expansion project, repayment or refinancing of the 12% promissory notes, and acquisition of new projects. The Company is in discussions with various financial institutions inside and outside China to obtain financing in the form of debt, equity or a combination thereof. However, 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.

The Company has reviewed its plans for the Dadiangou project and is currently reviewing the possible sale of the project.

The Company continues to operate an exploration office in China and has a dedicated team of employees 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, 2008. There have been no changes made to the Company's critical accounting estimates for the two year period ended March 31, 2009.

Inventory

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

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.

Mineral reserves and resources

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.

Asset retirement obligation

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 labor 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.

Income taxes

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 substantively enacted 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.

Stock-based compensation

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.

Financial instruments

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.

Future Accounting Pronouncements

Business Combinations (Section 1582), Consolidated Financial Statements (Section 1601), and Non-controlling Interests (Section 1602)

In January 2009, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 1582, Business Combinations, ("Section 1582"), Section 1601, Consolidated Financial Statements, ("Section 1601") and Section 1602, Non-controlling Interests, ("Section 1602") which replaced CICA Handbook Section 1581, Business Combinations, and Section 1600, Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two sections must also be adopted at the same time. The Company is evaluating the impact of the adoption of these new Sections on its consolidated financial statements.

International Financial Reporting Standards ("IFRS")

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 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 prepared a diagnostic and conversion report (the "IFRS Report") to assess the impact of IFRS. The IFRS Report aimed to determine material adjustments to Jinshan's financial statements required in order to present the information in accordance with IFRS. Under IFRS, the Company's financial statements will require increased note disclosure of items such as new accounting policies, significant accounting judgments and estimates, additional classes of property, plant and equipment and the additions and dispositions by asset class to be shown. Changes will be required to the vesting method used to calculate the fair values of stock-based compensation which will in turn change exploration expense, contributed surplus, and share capital. The Company will be required to review its material residual values deducted from the cost of its property, plant and equipment to ensure they are at fair market value as these affect depreciation and property, plant and equipment values. Standards and interpretations are continually being issued which could impact the conversion of future financial statements to IFRS. While the Company has begun assessing the adoption within the context of the IFRS Report, the full financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Changes in Accounting Policies

Goodwill and Intangible Assets (Section 3064)

On January 1, 2009, the Company adopted Section 3064 – Goodwill and Intangible Assets, issued by the CICA which replaced Section 3062 and establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. Section 3064 applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2008. There was no material impact on the Company's financial condition, operating results, or disclosures as a result of the adoption of Section 3064.

Forward-Looking Information

Certain statements made herein, other than statements of historical fact relating to Jinshan, represents forward-looking information. In some cases, this forward-looking information can be identified by words or phrases such as "may", "will", "expect", "anticipate", "contemplates", "aim", "estimate", "intend", "plan", "believe", "potential", "continue", "is/are likely to", "should" or the negative of these terms, or other similar expressions intended to identify forward-looking information. This forward looking information includes, among other things, the timing of completion of the installation of the crusher and expansion at the CSH Gold Mine; projected revenues and cash flows from gold production at the CSH Gold Mine; anticipated development, capital costs and operating costs; the completion of project financing for the CSH Gold Mine crusher installation and expansion and further financings contemplated by the Company; the potential acquisition of additional gold or other mineral property assets; the results of the testing and analysis program being conducted on the CSH Gold Mine; the timing and receipt of an updated mining license for the CSH Gold Mine; the results of production and recovery rates once crusher operations commence; the results of discussions with Jinshan's joint venture partners regarding the earn-in on the Dadiangou project; the timing and scope of exploration activities on the Dadiangou and Xinjiang projects; and statements respecting anticipated business activities, planned expenditures, corporate strategies, participation in projects and financing, and other statements that are not historical facts.

By their nature, forward-looking information involves numerous assumptions, both general and specific, which may cause the actual results, performance or achievements of Jinshan and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Some of the key assumptions include, among others, the absence of any material adverse change in Jinshan's operations or in foreign exchange rates, the prevailing price of gold, effective tax rates and other assumptions underlying the financial performance of the CSH Gold Mine as listed in the Throughput Expansion Technical Report ("2008 CSH Technical Report") prepared in March 2008; Jinshan's ability to obtain regulatory approvals on a timely basis; continuing positive labour relations; the absence of any material adverse effects as a result of political instability, terrorism, natural disasters, litigation or arbitration and adverse changes in government regulation; the availability and accessibility to Jinshan of financing; and the performance by counterparties of the terms and conditions of all contracts to which Jinshan and its subsidiaries are a party. The forward-looking information is also based on the assumption that none of the risk factors identified in this MD&A that could cause actual results to differ materially from the forward-looking information actually occurs.

Forward-looking information contained herein is stated as of the date of this MD&A based on the opinions, estimates and assumptions of management. There are a number of important risk, uncertainties and other factors that could cause actual actions, events or results to different materially from those described as forward-looking information. In particular, important factors that could cause actual results to differ from this forward-looking information include those described under the heading "Risk Factors" in this MD&A. Jinshan disclaims any obligation to update any forward-looking information, whether as a result of new information, estimates, opinions or assumptions, future events or results or otherwise except to the extent required by law. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The forward-looking information in this MD&A is expressly qualified by this cautionary statement. The reader is cautioned not to place undue reliance on forward-looking information.

Results of Operations

Overview

The Company initiated gold production at the CSH Gold Mine in July 2007. Effective on July 1, 2008, management determined that the CSH Gold Mine 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 March 31, 2009, are not comparable to prior years.

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 sold production from the CSH Gold Mine pursuant to a contract for the purchase and sale of gold and silver with a third party 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 ships the 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 delays in payment and counterparty risks that were being experienced under the contract with the third party 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, a fixed or determinable selling price, and reasonable assurance of collectability. Settlement adjustments, if any, are reflected in revenue when the amounts are determinable. All gold revenue is received from one customer, CNG. Gold sales revenue is recognized at the fair value of consideration received net of refining charges. Gold sale prices are based on market spot prices at a specified date before shipment. Incidental revenues from the sale of silver by-product are classified with cost of sales.

The following table provides selected financial and operating data for the CSH Gold Mine for the three months ended March 31, 2009:

		Three months ended March 31, 2009
Revenue	$	7,685,989
Cost of sales excluding depreciation, amortization		(4,260,100)
Depreciation, amortization and depletion		(1,241,386)
Accretion of asset retirement obligation		(90,540)
Cost of sales		(5,592,026)
Mine operating earnings	$	2,093,963
Gold produced (ounces)		9,328
Gold sold (ounces)		8,605
Total cost per ounce of gold sold	$	650
Cash cost per ounce	$	507

Gold revenue for the three months ended March 31, 2009 was $7.7 million which was realized from the sale of 8,605 ounces of gold at an average selling price of $893 per ounce. For the three months ended March 31, 2009, gold production at the CSH Gold Mine averaged 3,109 ounces per month. The Company's target monthly production level is 9,000 ounces per month. The Company has identified that the primary contributor to lower production in the winter months relates to increasingly cold weather that slows the cyanide solution flow and its reactive properties. Gold production for April 2009 improved to 5,435 ounces as the weather began to warm up.

Total gold produced since the startup of the process plant in July 2007 to the end of March 2009, was 88,832 ounces. Total silver revenue and production for three months ended March 31, 2009 were $37,000 and 3,948 ounces, respectively.

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

Throughout the second and third quarters of 2008, 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 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 that no oversized ore is placed 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 is still below the expected efficiency of better than 90%. The Company has added one more CIC tank to the existing row of five tanks and installed a new row of six tanks that became operational in November 2008. In addition, extra pumps have been installed in February 2009 to increase the heap leach solution irrigation rate from 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 actual overall gold recovery rate of approximately 40% since the start of gold production. However, the Company uses a 51% gold recovery rate for run of mine ("ROM") ore inventory to reflect recent production gains and expected future benefits of the above noted improvements. This recovery rate covers only the estimated gold recovery after one year of leaching the current inventory of ROM ore on the leach pad. The Company expects that the 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 cumulative recovery rate for the current inventory of ore on the leach pad amounts to approximately 66%, although the Company has not recorded this rate for purposes of its inventory calculation or otherwise reflected this rate in its financial statements. Further discussion on the expected gold production improvement when the three stage crushing facility comes into operation in Q3 2009 can be found under "Mine Development and Exploration Properties" in this MD&A.

The following table provides certain operating data:

	Three months ended March 31, 2009	**From commercial production to March 31, 2009**
Ore mined and placed on pad (tonnes)	1,665,154	4,733,560
Average grade of ore (grams per tonne)	0.681	0.699
Recoverable gold at 51% recovery rate (ounces)	18,585	54,244
Ending gold inventory (ounces)	49,793	49,793
Waste rock mined (tonnes)	733,255	7,154,295

The following table provides certain unit costs for three months ended March 31, 2009:

	Three months ended March 31, 2009
Cost of mining per tonne of ore	$ 1.69
Cost of mining waste per tonne of ore	$ 0.54
Other mining costs per tonne of ore	$ 0.64
Total mining costs per tonne of ore	**$ 2.87**
Cost of reagents per tonne of ore	$ 0.80
Other processing costs per tonne of ore	$ 0.27
Total processing cost per tonne of ore	**$ 1.07**

For the three months ended March 31, 2009, mine operating earnings were $2.1 million, and cost of sales was $5.6 million. Cost of sales is made up of mining costs, processing costs and general and administration costs. The Company has made recent efforts to realize cost savings, which include utilizing CNG's bulk purchasing power to reduce the purchase price of reagents and materials such as carbon, cyanide, lime, fuel and coal used in processing. The Company successfully negotiated amendments to the mining contract with its third party mining contractor that reduce mining costs and improve mining efficiency effective in December 2008. As a result of these changes, the Company has begun to realize reduced costs through reduced mining costs, prices for reagents and materials.

For the three months ended March 31, 2009, the Company incurred pre-stripping costs in the Southwest Zone and as a result, capitalized $5 million of pre-stripping costs to mineral properties and deferred development.

Depreciation, amortization and depletion was $1.2 million for the three months ended March 31, 2009 , 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 March 31, 2009, the per ounce total cost of gold sold was $650 while the cash cost of production was $507. The cash cost of production is higher than that estimated in the 2008 CSH Technical Report and is mainly a result of increases in the cost of relevant inputs such as cyanide, lime, and fuel, differences in the RMB exchange rate and differences in the gold recovery from those estimated in the 2008 CSH Technical Report.

The per ounce total cost of gold sold was $650 for the three months ended March 31, 2009, compared to $628 for the three months ended December 31, 2008, primarily because gold production decreased by 40% to 9,328 ounces from 15,593 ounces for the respective periods. The decrease in production is due primarily to more mixed and sulphide ore being mined and lower recovery rates experienced during winter, as the cold weather slows the cyanide solution flow and its reactive properties.

At the start of commercial production on July 1, 2008, the Company recorded $20.4 million of opening gold inventory and as of March 31, 2009, gold inventory recorded in the consolidated balance sheet was $32.2 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 used to offset mine development costs prior to July 1, 2008.

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 of production per ounce:

	Three months ended March 31, 2009	
		Dollars per gold ounce
Cost of sales	$ 5,592,026	$ 650
Adjustments:		
Depreciation, amortization and depletion	(1,241,386)	(133)
Accretion of asset retirement obligation	(90,540)	(10)
Selling costs	(782)	(0)
Total cash costs	$ 4,259,318	$ 507

Selected Quarterly Data (Unaudited)

($ in thousands, except per share information)	2009	2008				2007			
QUARTER ENDED	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
Revenues	$7,686	$16,275	$13,096	$0	$0	$0	$0	$0	$0
Exploration expenses	$327	$1,958	$1,035	$926	$1,369	$2,131	$1,851	$1,678	$943
Net income (loss)	1,797	4,454	2,492	(3,180)	(1,843)	(4,577)	(5,436)	(4,321)	(2,197)
Basic and diluted earnings (loss) per share	0.01	0.03	0.02	(0.02)	(0.01)	(0.03)	(0.04)	(0.03)	(0.01)

For each of the quarters prior to July 1, 2008, the Company had no net sales or other operating revenues. The Company has never declared any dividends.

Fluctuations in the quarterly net loss amounts leading up to commercial production in the third quarter of 2008 were 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.

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

The consolidated statements of operations for the three months ended March 31, 2009 and 2008 are provided in the following table:

	For Three Months ended March 31, 2009	For Three Months ended March 31, 2008	Increase (Decrease)
Revenues	$ 7,685,989	$ -	$ 7,685,989
Cost of sales			
Cost of sales excluding depreciation, amortization and depletion	(4,260,100)	-	4,260,100
Depreciation, amortization and depletion	(1,241,386)	-	1,241,386
Accretion of asset retirement obligation	(90,540)	-	90,540
	(5,592,026)	-	5,592,026
Mine operating earnings	2,093,963	-	2,093,963
Expenses			
Administration and office	(233,665)	(287,975)	(54,310)
Amortization	(5,659)	(3,913)	1,746
Exploration expenses	(326,646)	(1,368,515)	(1,041,869)
Investor relations	(42,253)	(113,350)	(71,097)
Professional fees	(302,762)	(303,189)	(427)
Salaries and benefits	(243,329)	(215,084)	28,245
Shareholder information, transfer agent and filing fees	(36,864)	(65,421)	(28,557)
Stock-based compensation	(20,812)	(533,165)	(512,353)
Travel	(44,319)	(154,460)	(110,141)
	(1,256,309)	(3,045,072)	(1,788,763)
Other Income (Expenses)			
Foreign exchange gain	2,784,365	1,244,891	1,539,474
Interest income	2,053	95,781	(93,728)
Interest on notes payable	(1,753,626)	(138,505)	(1,615,121)
	1,032,792	1,202,167	(169,375)
Non-controlling interest	(73,289)	-	(73,289)
Net income (loss)	$ 1,797,157	$ (1,842,905)	$ 3,640,062

Three months ended March 31, 2009 and 2008

Net income of $1.8 million for the three months ended March 31, 2009, compared to a net loss of $1.8 million in 2008. The increase of $3.6 million from 2008 to 2009 was primarily due to an increase in mine operating earnings, an increase in foreign exchange gain, and a decrease in exploration and stock-based compensation expense. These were partially offset by $1.5 million increase in interest paid on notes payable and an additional $0.2 million in other interest and financing expense.

There was an unrealized foreign exchange gain of $1.2 million as a result of the conversion of the Canadian dollar denominated notes payable to U.S. dollars at the rate in effect on March 31, 2009. In addition, there was an unrealized foreign exchange gain of $1.6 million as a result of the conversion of RMB financial results to U.S. dollars. This resulted in a combined foreign exchange gain of $2.8 million compared to a foreign exchange gain of $1.2 million for the quarter ended March 31, 2008. The U.S. dollar exchange rate strengthened against the Canadian dollar during the quarter ended March 31, 2009.

Exploration expense decreased by $1.0 million for the three months ended March 31, 2009, compared to 2008, primarily because the Company scaled down many of its exploration activities.

Stock-based compensation decreased by $0.5 million for the three months ended March 31, 2009, compared to 2008, primarily because there was a significant decrease in the number of stock options granted in 2008 compared to 2007, and the number of stock options that expired or were cancelled increased in 2008 resulting in a reversal of expenses.

Interest on notes payable for the three months ended March 31, 2009, increased by $1.6 million from 2008 as interest on the Notes are no longer capitalized to deferred development cost starting on July 1, 2008. Interest income decreased by $94,000 from 2008 to 2009 due to the lower cash balance carried during the 2009 quarter.

Salaries and benefits increased by $28,000 for the three months ended March 31, 2009, compared to 2008 primarily due to severance payments made to terminated employees.

Travel expenses for administrative personnel decreased by $110,000 for the three months ended March 31, 2009, compared to 2008 primarily due to fewer trips taken by corporate head office staff.

Investor relations decreased by $71,000 for the three months ended March 31, 2009, compared to 2008 primarily due to decreased participation in investor conferences.

The non-controlling interest amount of $73,000 relates to the 3.5% Chinese joint venture partner's interest in the earnings of Inner Mongolia Pacific Mining Co. Ltd. ("Inner Mongolia Pacific"), a Chinese joint venture company, which is 96.5% owned by the Company.

Shareholder information, transfer agent and filing fees decreased by $29,000 for the three months ended March 31, 2009, compared to 2008 primarily due to decreased activity with the transfer agent and filing fees and a decrease in printed material for shareholders.

Administration and office expenses for the three months ended March 31, 2009, decreased by $54,000 compared to 2008, primarily due to management efforts to reduce overhead expenses.

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

Mine Development and Exploration Properties

a) 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, including an Exploration Permit of 25.91 km^2 contiguously surrounding a Mining Permit of 10.09 km^2. It is centrally positioned within the east-west-trending Tian Shan Gold Belt. The site is approximately 650 kilometres ("km") northwest of Beijing.

Joint venture agreement - In April 2002, the Company entered into a joint venture agreement with a Chinese partner, 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 joint venture is operated through Inner Mongolia Pacific.

The following table shows the cumulative expenditures made as of March 31, 2009.

	Cumulative Balance December 31, 2008	Additions During the Period	**Cumulative Balance March 31, 2009**
Exploration	$ 8,836,363	$ -	$ **8,836,363**
Mineral properties and deferred development	$ 11,993,602	$ 4,534,570	$ **16,528,172**
Capital expenditures	$ 58,544,586	$ 9,595,191	$ **68,139,777**

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, 41,623 metres of drilling in 182 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, 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 with an estimated 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 estimate 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. An emphasis has been placed on recovering weathered ore from the Northeast Zone in 2008, and therefore most of the surface area of the deposit has been 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 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 upgrades. The capital cost for future phases, which include leach pad expansion and an additional event pond, is estimated at $21.2 million. Accordingly, the estimated total 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 nine 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 $0.63 per tonne of processed ore. Process cost is estimated at $2.12 per tonne. Finally, annual operating costs for mining operations are expected to be variable with material type and time, and are estimated at approximately $3.10 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 project going forward was $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 to recovery rates is particularly relevant in light of the current lower than anticipated recovery rates on weathered ore being processed through ROM operations as described below and, depending on the success of efforts to increase recovery rates, this factor has and may continue to affect relevant financial performance.

The Company's ROM operations have encountered lower than estimated quantities of available oxidized ore and a resultant greater than estimated quantity of mixed and sulfide ore in the pit. The Company has determined that this factor is the largest contributor to gold production underperforming the 9,000 ounce per month design expectations. The Company expects gold production to improve when the three stage crushing facility comes into operation, which is scheduled to occur in Q3 2009.

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

Monthly commercial gold production for the months of July 2008 to March 2009 is shown in the table below.

	2008						2009				Total
Month	July	August	September	October	November	December	January	February	March	April	
Ounces Produced	5,229	6,395	6,454	5,358	5,237	4,998	4,561	2,408	2,359	5,435	48,434

The chart evidences incremental improvements in the production rate through to October 2008, and then a gradual decrease in the production rate from that month through to March. This pattern is consistent with the Company's experience in 2007/2008 and the Company has identified that the primary contributor to lower production in the winter months relates to increasingly cold weather that slows the cyanide solution flow and its reactive properties. Gold production for April 2009 improved to 5,435 ounces as the weather began to warm up.

As a result of the variance experienced from actual ROM extraction and refining process, as compared to the estimates contained for ROM ore in the 2008 CSH Technical Report, the Company has undertaken a test program and mine analysis. This program developed in consultation with and operated under the review of KD Engineering, Geosystems International, and Nilsson Mine Services, qualified persons responsible for the 2008 CSH Technical Report, is focussing, in particular, on the contemplated sulphide ore (referred to as "Fresh Ore") and crushing operations that will form the bulk of future mining operations. While the Company has experienced gold grades that are consistent with the resource estimates, the discrepancy experienced with recovery rates prompted the Company to undertake further metallurgical analysis in advance of mining of Fresh Ore and completion of construction of the crusher installation. Testing includes verifying estimates from the 2008 CSH Technical Report on mineralogy throughout the deposit, verifying Fresh Ore recovery rates and modelling adjustments in certain key operating inputs such as transitioning from a 6 meter to 12 meter bench height and changing the crush size from 6 millimetres to 9 millimetres.

The test program includes locked cycle column leach tests on 15 composite samples from the Northeast and Southwest deposits. Samples have been selected to represent possible variability in ores along strike, across strike, and with depth within the deposits. The samples have been collected from material that is scheduled to be mined in 2009 and 2010 and, depending on the results of this work, additional test work may be necessary to adequately characterize material to be mined in later years.

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.

Construction efforts for the 30,000 tonne per day, three stage crushing facility is scheduled for completion in Q3 2009 with initial testing of the crushers scheduled to begin in July 2009. For the mixed and sulfide ore at the CSH Gold Mine, three stage crushing is required to allow more efficient heap leach recovery of gold. More than half of the new crushers have now arrived at site and the remainder are expected to arrive on site by May 2009. Completed portions of the crusher installation include: all earth work and foundations; over 30,000 cubic meters of concrete poured; and over 2,500 tonnes of steel structures completed. Domestic equipment supply contracts are signed, including conveyor belts, dust collectors, boilers and electric equipment, such as transformers and motors. Construction of the required leach pad extension is scheduled to begin in May 2009.

Weathered 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 to the third quarter of 2009, mining of weathered ore in the Southwest Zone commenced in April 2009, in order to facilitate uninterrupted mining operations. The Company believes that there is sufficient ROM weathered ore in the Northeast and Southwest Zones to continue mining until the scheduled completion of the crusher installation in the third quarter of 2009.

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 an updated mining permit and additional operating permits in order to implement its plans to increase throughput from 20,000 to 30,000 tonnes of ore per day.

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

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 its Chinese partner, Nuclear Industry Northwest Economic and Technology Company ("NINETC") to acquire a majority interest in the Dadiangou project. Under the terms of the original agreement, the Company could have earned a 71% interest by incurring exploration expenditures of approximately $3.7 million over the first three years of exploration commencing on September 19, 2006 and making payments to NINETC of approximately $1.4 million (of which $0.125 million has been paid). The Company could have increased its interest to 80% by incurring additional exploration expenditures of approximately $3.2 million and by making additional payments of approximately $0.4 million to NINETC. NINETC could have then chosen to participate at a 20% level for all future expenditures, or have their ownership interest diluted.

As of April 3, 2009 the Company and NINETC have entered into a supplemental agreement which locks in the Company's ownership of the Dadiangou project at 53%. This percentage was arrived at based upon cumulative expenditures made by the Company and the previously agreed upon value of the property contributed by NINETC. In addition, the Company will no longer be required to make the remaining expenditures described above to NINETC.

The following table shows the cumulative expenditures made as of March 31, 2009.

	Cumulative Balance December 31, 2008	Additions During the Period	**Cumulative Balance March 31, 2009**
Exploration	$ 5,427,902	$ 162,226	$ **5,590,128**

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 NINETC $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.

An updated resource estimate incorporating the Phase III drilling results was released on December 1, 2008. The National Instrument 43-101 compliant resource estimate was prepared by Mario Rossi, M.Sc., Min. Eng., of Geosystems International Inc., an Independent Qualified Person. This updated resource estimate relies on data from all three phases of drilling (14,910 metres in 68 drill holes), underground channel sampling, and surface trench sampling. At a 0.4 gram per tonne cut-off, Indicated Resources total 20.0 million tonnes at 0.87 grams per tonne for 544,910 ounces of contained gold and Inferred Resources total 16.6 million tonnes at 0.96 grams per tonne for 497,950 ounces of contained gold. Within this overall resource, a higher grade core has been defined that includes Indicated Resources of 5.6 million tonnes at 2.05 grams per tonne for 369,250 ounces of contained gold and Inferred Resources of 3.8 million tonnes at 2.07 grams per tonne for 253,560 ounces of contained gold.

The Company has reviewed its plans for the Dadiangou project and is currently reviewing the possible sale of the project.

c) Xinjiang Projects

The Company currently holds 2 exploration permits covering 96 km^2 in the Xinjiang Uygur Autonomous Region ("Xinjiang") of Northwest China that expire in June 2009.

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

d) Generative activities

The Company continues to review prospective exploration properties and potential acquisitions in China as part of a strategy to expand its project portfolio. 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 within specifically targeted areas of the country.

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

Liquidity and Capital Resources

The consolidated balance sheets as of March 31, 2009 and December 31, 2008 are shown in the following table:

	March 31, 2009	December 31, 2008
ASSETS		
CURRENT		
Cash and cash equivalents	$ 5,106,524	$ 12,142,739
Restricted cash	-	5,215,704
Accounts receivable	174,764	148,771
Prepaid expenses and deposits	6,518,224	7,176,502
Inventory	32,815,019	29,147,278
	44,614,531	53,830,994
PROPERTY, PLANT AND EQUIPMENT	80,023,984	66,711,336
	$ 124,638,515	120,542,330
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 23,361,571	18,932,644
Customer advances	$ 16,812,865	-
Short-term loan	-	18,672,730
Current portion of notes payable	22,642,640	22,930,784
Current portion of asset retirement obligation	671,098	590,035
	63,488,174	61,126,193
NON-CURRENT		
Notes payable	14,703,299	14,929,121
Asset retirement obligation	4,777,667	4,773,331
	19,480,966	19,702,452
NON-CONTROLLING INTEREST	369,020	295,731
SHAREHOLDERS' EQUITY		
Share capital	74,166,100	74,166,100
Contributed surplus	10,473,753	10,388,509
	84,639,853	84,554,609
Accumulated other comprehensive income	460,850	460,850
Deficit	(43,800,348)	(45,597,505)
	(43,339,498)	(45,136,655)
	41,300,355	39,417,954
	$ 124,638,515	$ 120,542,330

Since the second half of 2008, the global economy continues to experience one of the most unsettling times in recent history and has resulted in share prices of many 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 consolidated financial statements for the three months ended March 31, 2009, have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business. The Company has a working capital deficiency of $18.9 million and an accumulated deficit of $43.8 million. 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 $39.7 million (CDN $50.0 million) principal amount of senior unsecured promissory notes, of which $23.8 million (CDN $30.0 million) principal amount falls due in December 2009 and $15.9 million (CDN $20.0 million) principal amount falls due in June 2010, and trade credit extension by CNG of $16.8 million (RMB 115 million) that represents advances on future gold sales. The Company is currently negotiating with Chinese banks for a project loan facility to complete construction of the CSH Gold Mine expansion. 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 during the next twelve months. 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 period of time, the Company's ability to obtain equity financing or external debt financing may be negatively affected. 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.

The Company received $19 million (RMB 130 million) of the Bridge Loan proceeds from Industrial and Commercial Bank of China ("ICBC") in September 2008, to support operations at the CSH Gold Mine during the construction and installation of crushers. The Bridge Loan was unsecured, denominated in RMB with an annual interest rate of 6.21%, which was payable monthly. The principal amount was fully repaid by March 26, 2009. Principal repayments of $14.6 million (RMB 100 million) were funded by a prepayment of future gold sales from CNG. The Bridge Loan was guaranteed by CNG for no consideration. 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 extended 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 March 31, 2009, the Company had a working capital deficiency of $18.9 million and cash resources of $5.1 million. During the three months ended March 31, 2009, net cash outflows from operations were $0.3 million while $10.4 million of cash was spent on property, plant and equipment, primarily for the crusher construction at the CSH Gold Mine. The net cash decrease for the three months ended March 31, 2009, was $7.0 million.

The Company signed a contract with an equipment manufacturer to purchase crusher equipment for $15.6 million to be delivered in early 2009. The Company established a $15.0 million letter of credit facility with its bank and opened a $14.0 million standby letter of credit for the purchase of the equipment. As security for the standby letter of credit, which expired on January 15, 2009, the Company placed $14.0 million as restricted cash with its bank. On February 19, 2009, the Company made the remaining payment to discharge this obligation.

As of March 31, 2009, of the total $5.1 million in cash and cash equivalents, the Company had approximately CDN $3.0 million ($2.4 million) held in Canadian funds and RMB 8.2 million ($1.2 million) in Chinese funds, which exposes the Company to risks associated with foreign exchange fluctuations.

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, short-term loan 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 March 31, 2009.

		Payments Due By Year					
	Total	**2009**	**2010**	**2011**	**2012**	**2013**	**Thereafter**
Principal repayment on notes payable	**$ 39,676,242**	$ 23,805,745	$ 15,870,497	$ -	$ -	$ -	$ -
Operating leases (a)	**52,130**	31,405	4,145	4,145	4,145	4,145	4,145
Purchase commitments (b)	**19,636,148**	16,994,792	395,683	2,245,673	-	-	-
Total	**$ 59,364,520**	**$ 40,831,942**	**$ 16,270,325**	**$ 2,249,818**	**$ 4,145**	**$ 4,145**	**$ 4,145**

(a) Operating leases are primarily for premises.

(b) 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. In November 2008, this contract was amended and restated to set fixed rate mining costs and extend the term to November 2018.

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 $30.0 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 March 31, 2007. The Company can elect to prepay the Notes at any time 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 at any time 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 $20.0 million) private placement offering consisting of senior unsecured promissory notes ("June 07 Notes") and 4,000,000 warrants. CNG holds $7.0 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 at any time 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 at any time 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.

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

On September 30, 2008, the Company amended the indentures for its 12% unsecured promissory notes to include provisions for the distribution of funds received from its subsidiary, Inner Mongolia Pacific. The Company has a $9.8 million inter-corporate loan receivable from Inner Mongolia Pacific. Under the terms of the amended indenture, Inner Mongolia Pacific is required to repay the inter-corporate loan should it obtain an expansion credit facility to repay the Bridge 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 the Company receives from Inner Mongolia Pacific as dividends or other cash distributions. To the extent that the redemption fund exceeds $5.0 million, the Company is required to distribute such funds to the promissory note holders on a pro rata basis. As of March 31, 2009, Inner Mongolia Pacific has not secured an expansion facility and there have been no dividends or other cash distributions.

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

	Note A	**Note B**	**Note C**	**Total**
Balances of notes payable, December 31, 2007	$26,708,698	$10,819,046	$6,739,279	$ 44,267,023
Unrealized foreign exchange gain	(5,429,323)	(2,191,334)	(1,349,697)	(8,970,354)
Accretion to December 31, 2008	1,651,409	619,266	292,561	2,563,236
Balances of notes payable, December 31, 2008	$22,930,784	$ 9,246,978	$5,682,143	$ 37,859,905
Unrealized foreign exchange gain	(652,085)	(262,827)	(161,258)	(1,076,170)
Accretion to March 31, 2009	363,941	135,577	62,686	562,204
Balances of notes payable, March 31, 2009	$22,642,640	$ 9,119,728	$5,583,571	$ 37,345,939
Less: current portion (due December 14, 2009)				**22,642,640**
Balances of notes payable, March 31, 2009				**$ 14,703,299**

Profit and other cash distributions by the Company's subsidiaries in China must comply with China's tax and foreign exchange regulations. Such distributions must also be approved by various regulatory authorities such as the State Administration for Exchange Control.

Off-Balance Sheet Arrangements

As at March 31, 2009, the Company had no off-balance sheet arrangements.

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 $0.4 million (2008 - $0.5 million) for the three months ended March 31, 2009. Accounts payable of $59,000 (2008 - $0.3 million) was owed to GMM and prepaid expenses and deposits of $0.2 million (2008 - $0.2 million) remain deposited with GMM as of March 31, 2009. Effective May 2008, GMM and its affiliated companies were no longer related parties to Jinshan.

For the three months ended March 31, 2009, the Company paid $0.3 million in interest expense to CNG, and for the three months ended March 31, 2008, the Company paid $0.2 million in interest expense to its former significant shareholder, Ivanhoe Mines Ltd., on the 12% unsecured 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.
The Company received $7.7 million (2008 - $nil), net of gold refining costs, from CNG for the sale of gold for the three months ended March 31, 2009. As of March 31, 2009, silver sales made to CNG totalled $37,000 (2008 - $nil). Prepayments of future gold sales from CNG totalled $16.8 million (2008 - $nil).

The Company has agreed to apply future gold deliveries to CNG at the then gold spot prices against the customer advances. The customer advances do not have any other terms of repayment and were made by CNG to assist the Company to meet its debt obligations.

The Company paid $32,000 (RMB 0.2 million) (2008 - $nil) in salaries and benefits for some senior managers of Jinshan and Inner Mongolia Pacific and $17,000 (RMB 0.1 million) (2008 - $nil) for capital works in progress to subsidiaries of CNG to supervise and manage the crusher installation project during the three months ended March 31, 2009. At March 31, 2009, accounts payable including the customer advance totalled $16.9 million (RMB 116 million) (2008 - $nil) was due to CNG and its subsidiaries.

Financial Instruments

The fair values of the Company's cash and cash equivalents, accounts receivable, accounts payable and customer advances 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.

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

(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.

Based on the net currency rate exposures as of March 31, 2009, 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 $7.7 million ($3.4 million for the Canadian dollar and $4.3 million 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 refunds due from the Federal Government of Canada all of which are not outstanding for more than 180 days.

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

	March 31, 2009	December 31, 2008
Cash in bank	**$ 5,106,524**	$ 12,140,045
Short-term bank deposits	**-**	2,694
Restricted cash	**-**	5,215,704
Accounts receivable	**174,764**	148,771

(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, customer advances, current portion of notes payable, current portion of asset retirement obligation are due within the next 12 months. Customer advances are repaid with future gold sales. 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 payable has a fixed interest rate and therefore, is 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 energy. The Company closely monitors gold and energy 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 $768,598 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 May 5, 2009, 163,889,159 common shares were issued and outstanding, 5,107,300 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, 175,306,459 common shares were outstanding.

Changes in Internal Control over Financial Reporting

In the Company's evaluation of the effectiveness of internal control over financial reporting as at December 31, 2008, management identified a material weakness and concluded that the Company did not maintain effective control over financial reporting as at December 31, 2008. Since December 31, 2008, the Company has taken the following steps to enhance its overall internal control over financial reporting and to address the material weakness identified at December 31, 2008.

(a) The Company together with its legal counsel held special sessions to communicate and educate new board members and employees about the Company's Code of Conduct, whistle blowing procedures, and the internal control and regulatory financial reporting requirements of a Canadian public company.

(b) The Company has changed the reporting responsibilities of its subsidiaries to the corporate head office to strengthen oversight and monitoring of activities. The accounting department of Inner Mongolia Pacific now reports directly to the office of the Chief Financial Officer at corporate head office.

(c) Policies and procedures were changed and training sessions for management were conducted to enhance the understanding of the Company's Delegation of Authority and approval process.

(d) The Company has started a comprehensive fraud risk assessment that will include a process to identify and evaluate the risk of fraud, including management override that could result in misstatements to any account in the financial statements.

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:

Jinshan's indebtedness and the conditions imposed on it by its financing agreements could materially and adversely affect Jinshan's business and results of operations.

As of March 31, 2009, Jinshan had amounts outstanding under the Notes of Cdn $50 million, as well as trade credit, including an advance on gold sales to CNG of $16.8 million (RMB 115,000,000). Jinshan may also incur additional indebtedness in the future. Jinshan's indebtedness could have several important consequences, including but not limited to the following:

- a portion of Jinshan's cash flow will be used towards repayment of its existing debt, which will reduce the availability of cash to fund working capital needs, capital expenditures, acquisitions and other general corporate requirements;

- Jinshan expects that it will need to secure financing to satisfy the amounts owing on maturity of some or all of the Notes;

- Jinshan's ability to obtain additional financing in the future at all or on reasonable terms may be restricted; and

- Jinshan may be more vulnerable to economic downturns, may be limited in its ability to withstand competitive pressures and may have reduced flexibility in responding to changing business, regulatory and economic conditions.

Jinshan's financing agreements include various conditions and covenants that require Jinshan to obtain lender consents prior to carrying out certain activities and entering into certain transactions. In some cases, Jinshan must, among other requirements, seek, and may be unable to obtain, lenders' consents to amend its constitution; or incur additional debt, create additional charges on or further encumber assets, provide additional guarantees or dispose of certain assets, except where such debt, charges, encumbrances, guarantees or disposals are of a type specifically permitted, whether or not there is any failure by Jinshan to comply with the other terms of such agreements. Failure to meet these conditions or obtain these consents could materially and adversely affect Jinshan's business and results of operations.

Compliance with the various terms of Jinshan's loans is, however, subject to interpretation and there can be no assurance that Jinshan has requested or received all consents from its lenders that would be advisable under its financing documents. As a result, it is possible that a lender could assert that Jinshan has not complied with all the terms under its financing documents. Any failure to service Jinshan's indebtedness, comply with a requirement to obtain a consent or perform any condition or covenant could lead to a termination of one or more of Jinshan's credit facilities, acceleration of amounts due under such facilities and cross-defaults under certain of Jinshan's other financing agreements, any of which could materially and adversely affect Jinshan's business and results of operations.

Jinshan will need to obtain further financing.

Jinshan will require further financing to pursue its business objectives and meet its loan obligations. Cash flow from existing operations will be insufficient to fund all project development initiatives and address maturing loans and other costs, and accordingly, the Company will need to rely on external sources of financing. The most immediate financing requirement relates to project financing to fund the balance of the capital costs for the crusher installation and expansion, which Jinshan intends to source from a Chinese bank. Thereafter, further financing will be required. To date Jinshan has relied upon a mixture of equity capital and debt financing to fund its operations. It may seek future funding through the exercise of options and warrants, the debt and equity markets or through project participation arrangements with third parties, but it cannot be assured that it will be able to obtain additional funding when it is required and whether it will be available on commercially acceptable terms. If Jinshan fails to obtain the funding that it needs when it is required, it may have to forego or delay development plans, forfeit rights in some or all of its properties or joint ventures or reduce or terminate some or all of its operations.

The Company's business will be dependent on the CSH Gold Mine for substantially all of its revenues and cash flows from operating activities in the near term.

While Jinshan intends to continue investing in additional mining and exploration projects in the future, the CSH Gold Mine is likely to be the Company's only significant operational mining project in the short term and the Company expects that this mine will produce substantially all of the Company's revenues and cash flows in the near term. Consequently, delays or difficulties encountered in production could materially and adversely affect the

Company's business and results of operations. In addition, the Company's business and results of operations could be materially and adversely affected by any events which impact the CSH Gold Mine, including among other things, equipment failure or shortages, adverse weather, transportation problems, changes in relevant government policy and/or any permitting or licensing delays.

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 cash flow from the CSH Gold Mine, and no cash flow from its other operations. 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.

The operating costs of the CSH Gold Mine may differ from Jinshan's estimates.

The estimates regarding operating costs of the CSH Gold Mine are based on the 2008 CSH Technical Report. 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 2008 CSH Technical Report. Accordingly, there is no assurance that future operating activities will result in profitable mining operations.

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 2008 CSH 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 labor, 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 the Company's future development activities will result in profitable mining operations.

Fluctuations in exchange rates could materially and adversely affect Jinshan's operating cash flows and profitability.

Fluctuations in the U.S. $ relative to RMB or in the U.S. $ relative to the Canadian dollar ("Cdn $") could materially and adversely affect the cash flow and earnings of Jinshan. The majority of Jinshan's operating costs are denominated in RMB, and although Jinshan's revenue is denominated in RMB, the RMB gold price effectively moves in line with the U.S.$ gold price. A significant portion of Jinshan's loan obligations and general and administrative expenses is denominated in Cdn $. Therefore, if the U.S. $ weakens relative to the RMB, or if the U.S. $ weakens relative to the Cdn $, Jinshan's consolidated financial results could be materially and adversely affected.

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.

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 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 of recovery and costs of mining and processing; and the assumption of ongoing timely regulatory approvals where these are required.

At present, gold production from run-of-mine operations since the start of commercial production in July 2008 has averaged 56% of the originally estimated production rate. The differential from estimated production capacity is due to several factors, including a greater than anticipated amount of sulphide ore in the weathered material being mined through run of mine operations and lower than estimated carbon capture in the processing plant. The Company is still in the process of attempting to address several of these factors. Crushing operations should address much of the recovery limitations arising from the sulphide ore, and the Company anticipates that the recovery rate will improve. Nevertheless, there can be no guarantee of the extent to which crushing of material, or any other changes in operations, will affect recovery rates at the CSH Gold Mine. The Company is undertaking a testing and analysis program to verify assumptions and conclusions in the mine plan, particularly as it relates to crushed material operations, and depending on the results of such test program the Company may determine that it needs to adjust its mine plan, adjust reserves and otherwise modify the conclusions regarding financial performance of the CSH Gold Mine. Ultimately, failure to achieve production estimates could have a material adverse impact on Jinshan's future cash flows, earnings, results of operations and financial condition.

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.

Fluctuations in the market price for gold could materially and adversely affect Jinshan's Share Price and Jinshan's business and results of operations.

Substantially all of Jinshan's revenues and cash flows are and will continue to be derived from the sale of gold doré. Therefore, the financial performance of Jinshan is exposed to gold price fluctuations. Historically, the market price for gold has fluctuated widely and has experienced periods of significant decline. The gold price in China is highly influenced by the international gold price, which is denominated in U.S. dollars. Gold prices may be influenced by numerous factors and events which are beyond the control of Jinshan. These factors and events include world demand, forward selling activities, gold reserve movements at central banks, costs of production by other gold producers and other macro-economic factors such as expectations regarding inflation, interest rates, currency exchange rates (especially the strength of the U.S.$), as well as general global economic conditions and political trends. If gold prices should fall below or remain below Jinshan's cost of production for any sustained period due to these and other factors and events, Jinshan's share price and results of operations could be materially and adversely affected.

The Company relies substantially on third party contractors to conduct its mining operations.

The Company has retained a contractor to conduct the open pit mining operations at the CSH Gold Mine. Although the Company maintains supervision over the contractor, such an arrangement with a contractor carries risks associated with the possibility that the contractors may (i) have economic or other interests or goals that are inconsistent with the Company's, (ii) take actions contrary to the Company's instructions or requests, or (iii) be unable or unwilling to fulfill its obligations. Unanticipated problems with the third party contractor could materially and adversely affect the Company's business and results of 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 there is substantial competition for such persons. 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. Meanwhile, if Jinshan is not able to retain its existing management and technical personnel its business may be harmed. Although Jinshan believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

Mineral Reserve and resource estimates are subject to uncertainties.

Jinshan's ore reserves and mineral resources are estimates based on a number of assumptions, any adverse changes in which could require Jinshan to lower its ore reserves and mineral resources.

The estimation of reserves and 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. Should Jinshan encounter mineralization different from that predicted by past drilling, sampling and similar examination, mineral resource and/or ore reserve estimates may have to be adjusted downward. This downward adjustment could materially affect Jinshan's development and mining plans, which could materially and adversely affect Jinshan's business and results of operations. There can be no assurance that these estimates will be accurate or that such mineral resources can be mined or processed profitably. Furthermore, mineral resources that are not mineral reserves do not have demonstrated economic viability.

The grade of ore ultimately mined may differ from that indicated by drilling results. Short term factors relating to ore reserves, such as the need for orderly development of ore bodies or the processing of new or different grades, may also materially and adversely affect Jinshan's business and results of operations. Material changes in ore reserves resulting from unexpected changes to the gold price, grades, production costs, stripping ratios and recovery rates many affect their economic viability. Ore reserves are reported as general indicators of mine life and should not be interpreted as assurances of mine life or of the profitability of current or future operations.

The economic viability of ore reserves and mineral resources may also be affected by such factors as permit regulations and requirements, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions.

Jinshan's mining operations have a finite life amid eventual closure of these operations will entail costs amid risks regarding ongoing monitoring, rehabilitation amid compliance with environmental standards.

The key risks for mine closure are (i) long-term management of permanent engineered structures (dam walls, spillways, wetlands, roads, waste dumps) and acid rock drainage; (ii) achievement of environmental closure standards; (iii) orderly retrenchment of employees and contractors; and (iv) relinquishment of the site with associated permanent structures and community development infrastructure and programs to new owners. The successful completion of these tasks is dependent on the ability to successfully implement negotiated agreements with the relevant government, community and employees. The consequences of a difficult closure range from increased closure costs and handover delays to ongoing environmental impacts and corporate reputation damage if desired outcomes cannot be achieved, which could materially and adversely affect Jinshan's business and results of operations.

Jinshan's operations depend on an adequate and timely supply of water, electricity, chemicals and other critical supplies.

Timely and cost effective execution of Jinshan's mining projects is dependent on the adequate and timely supply of water, electricity, chemicals and other critical supplies. Jinshan's mining projects will consume a substantial amount of water and electricity in the production process. At the CSH Gold Mine, Jinshan relies on the local rivers and water table for its water supply, and relies on the local power grids to supply the electricity to meet its requirements. Diesel generators have been installed at the mine site; however these generators are intended as a back-up device only, to be used to maintain vulnerable production components during times when the local power grids are unable to meet the CSH Gold Mine's electricity demands. The generators cannot supply sufficient electricity to operate the full production process. Chemicals and supplies are transported to the operations by road and this supply can be interrupted during periods of bad weather.

There can be no assurance that Jinshan will receive adequate supplies of water from local sources or electricity from the local power grids to meet its requirements. There is a risk that those in control of the local power grids will oversell the capacity of those power grids, and that resulting power shortfalls or outages at the CSH Gold Mine could occur. If Jinshan is unable to procure the requisite quantities of water or electricity in time and at commercially acceptable prices or if there are significant disruptions in the supply of electricity or water to any of Jinshan's project sites including the CSH Gold Mine, the performance of Jinshan's business and results of operations could be materially and adversely affected, and in the worst case scenario, result in a shutdown of a project's operation.

Jinshan's mining operations face material risk of liability, delays and increased production costs from design defects, environmental and industrial accidents, and other factors.

By its nature, the business of mineral exploration, project development, mining and processing, contains elements of significant risk and hazards. The continuous success of Jinshan's business is dependent on many factors such as:

- discovery and/or acquisition of new ore reserves;
- securing and maintaining title to tenements and obtaining necessary consent for exploration and mining;
- successful design and construction of mining and processing facilities;
- successful commissioning and operating of mining and processing facilities; and
- the performance of the processing facility.

Mining operations are subject to technical risk in that they may not perform as designed. Increased development costs, lower output or higher operating costs may all combine to make a project less profitable than that expected at the time of the development decision. This would have a negative impact on Jinshan's expected cash flow. No assurance can be given that Jinshan would be adequately compensated by third party project design, construction and supply companies in the event of equipment failure or that a project did not meet its expected design specifications.

The business may also be disrupted by a variety of events that, in most cases, are beyond the control of Jinshan. Such events could result in disruptions to Jinshan's operations, increases in its operating costs or personal injuries, labour disruption and other risks encountered in the course of operating a mine. For example, an environmental event concerning changes in the water table (man-made or naturally occurring) or landslides, could materially and adversely affect the CSH Gold Mine. The occurrence of any of these events could result in damage to or destruction of production facilities, personal injury, environmental damage, business interruption, delay in production, increased production costs, monetary losses and possible legal liability (including compensatory claims, fines and penalties) to Jinshan, which could materially and adversely affect Jinshan's business and results of operations.

Jinshan's operations are exposed to risks in relation to mishandling of dangerous articles.

Jinshan's exploration, mining and gold production operations involve the handling and storage of explosive, toxic and other dangerous articles. More stringent laws, regulations and policies may be implemented by the relevant China authorities, and there can be no assurance that Jinshan will be able to comply with any future laws, regulations and policies in relation to the handling of dangerous articles economically or at all. In addition, there can be no assurance that accidents arising from the mishandling of dangerous articles will not occur in the future. Should Jinshan fail to comply with any relevant laws, regulations or policies or should any accident occur as a result of the mishandling of dangerous articles, Jinshan's business and results of operations may be materially and adversely affected, and Jinshan may be subject to penalties and/or civil and/or criminal liabilities.

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.

Jinshan may undertake strategic acquisitions or investments, which may prove to be difficult to integrate and manage or may not be successful.

In the future, Jinshan may consider making strategic acquisitions or investments as a means of pursuing Jinshan's corporate strategy. It is possible that Jinshan may not identify suitable acquisition or investment opportunities, or if it does identify suitable opportunities, that it may not complete those transactions on terms commercially acceptable to Jinshan or at all. The inability to identify suitable acquisition targets or investments or the inability to complete such transactions could materially and adversely affect Jinshan's competitiveness and growth prospects. In the event Jinshan successfully completes an acquisition or investment, it could face difficulties managing the investment or integrating the acquisition with its operations. There can be no assurance that Jinshan will be able to achieve the strategic purpose of such an acquisition or investment. These difficulties could disrupt Jinshan's ongoing business, distract its management and employees, and increase its expenses, any of which could materially and adversely affect Jinshan's business and results of 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.

Mining permits and licenses are required.

Pursuant to applicable law, all mineral resources in China are owned by the State. Thus, Jinshan's further development and exploration of the various mineral properties in which it holds interests, particularly the CSH Gold Mine and any expansion 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 expansion of production 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 the interest Jinshan holds in its exploration, development and mining properties is free from defects or that material contractual arrangements between Jinshan and entities owned or controlled by foreign governments 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.

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.

Restrictions on foreign investment in China could materially and adversely affect Jinshan's business.

In China, foreign companies have in the past been, and are currently, required to operate within a framework that is different from that imposed on domestic Chinese companies. However, the Chinese Government has been opening up opportunities for foreign investment in mining projects and this process is expected to continue, especially following China's accession into the World Trade Organization. However, if the Chinese Government should reverse this trend, or impose greater restrictions on foreign companies, or seek to nationalize Jinshan's Chinese operations, Jinshan's business and results of operations could be materially and adversely affected.

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 has elected not to insure against certain risks as a result of high premiums or other reasons or has agreed to policy limits on certain coverage that may not cover all potential liabilities for similar reasons. Should such liabilities arise, they could reduce or eliminate any further profitability and result in increasing costs and a decline in the value of the securities of Jinshan.

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.

One of the main environmental issues in the gold mining industry is wastewater and tailings management. Wastewater and tailings can contain substances that are potentially harmful to human beings and the environment, especially in large quantities. There can be no assurance that Jinshan will not be subject to claims for damages to persons or property resulting from the release into the environment of wastewater or tailings residue by Jinshan's operations. Furthermore, higher environmental protection standards may be imposed by China in the future, which could increase Jinshan's costs of compliance.

In either event, such costs and liabilities could materially and adversely affect Jinshan's business and results of operations.

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. 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 Inner Mongolia Pacific, 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 earnings 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 for 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.

Jinshan owns its projects through CJV companies which are established pursuant to CJV agreements. Jinshan's CJV partners have rights under the CJV Agreements that may affect Jinshan's interests, including discretion as to earn-in and the right to trigger early termination of the CJV agreement.

Pursuant to the provisions of the CJV Law, the CJV companies have been, or will be, established as legal persons with limited liability. A party shares, or will share, in the profits, and bears, or will bear, the losses and risks, of a CJV company in proportion to the percentage of its equity interest in the CJV company.

Under the terms of some of the CJV agreements, including the Dadiangou CJV, Jinshan is obligated to complete earn-in expenditures and payments to the CJV partner in order to earn its interest in the CJV. If Jinshan does not complete all expenditures it will not secure its full, or in some cases any, interest in the property. Meanwhile, even if expenditures are completed, earn-in expenditures are subject to review by the partner and can be disputed as being inapplicable. In the case of the Dadiangou project the partner has disagreed with the applicability of certain expenses that Jinshan has attributed to its earn-in and has delayed the transfer of title to the relevant Exploration License to the CJV, and the parties are currently in discussion regarding the potential to adjust a portion of the equity interest in the applicable CJV to address this disagreement.
A party to a CJV agreement is entitled to terminate the CJV agreement prior to its expiration by delivering written notice to the other party if: (i) the other party materially breaches the CJV agreement or the articles of association of the CJV company, and such breach is not cured (depending on the terms of the CJV agreement) within 90 or 180 days of written notice to such party; or (ii) the other party or the CJV company becomes bankrupt, or is the subject of proceedings for liquidation or dissolution, or ceases to carry on business, or becomes unable to pay its debts as they come due.

All of Jinshan's mining and exploration rights are currently held by CJV companies. If Jinshan is unable to come to an agreement with a CJV partner as to the exploitation of the areas with mining and mineral rights, the CJV company will be unable to exploit the same.

A CJV company is a joint venture company - it does not confer the same level of control as a wholly-owned subsidiary.

Under all of the existing CJV agreements, Jinshan is entitled to:

- appoint a majority of the directors of the CJV company; and
- appoint the general manager of the CJV company, who is responsible for the day-to-day operation and management of the CJV company and implementing resolutions of the board.

Therefore, Jinshan controls the day-to-day management and operations of the CJV companies. However, this control is qualified in that:

- under the CJV Law and the CJV agreements, certain decisions require the unanimous consent of the directors present at a meeting of the board (including the consent of directors appointed by the CJV partner);

- the CJV partner is entitled to terminate the CJV agreement in specified circumstances; and
- the CJV partner may breach its obligations to contribute to an increase in the registered capital of the CJV company, which may result in Jinshan deciding to make an additional capital contribution to the CJV company in order to satisfy the capital requirements of the CJV company.

Additionally, if a dispute arises between Jinshan and a CJV partner and the partners are unable to amicably resolve the dispute, Jinshan may be involved in lengthy proceedings to resolve the dispute, which could materially and adversely affect Jinshan's business and results of operations.

There are risks associated with conducting business through joint ventures with government-controlled entities.

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.

A controlling shareholder holds corporate control over Jinshan.

China Gold holds approximately 41% of the outstanding Common Shares. Accordingly, China Gold is able to substantially influence the outcome of any matter submitted to a vote of shareholders, including election of directors and matters requiring a special shareholders' resolution such as amendments to Jinshan's articles, mergers, amalgamations and the sale of all or substantially all of Jinshan's assets.

Certain directors of Jinshan are directors or officers of other mineral resource companies and there is the potential that such directors will encounter conflicts of interest with Jinshan.

Certain of the directors and officers of Jinshan are directors or officers of other mineral resource companies and, to the extent that such other companies may participate in ventures in which Jinshan may participate, the directors of Jinshan may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. Such other companies may also compete with Jinshan for the acquisition of mineral property rights. In the event that any such conflict of interest arises, a director or officer who has such a conflict will disclose the conflict to a meeting of the directors of Jinshan and, if the conflict involves a director, the director will abstain from voting for or against the approval of such participation or such terms. In appropriate cases, Jinshan will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict. In accordance with the provisions of the British Columbia *Business Corporations Act*, the directors and officers of Jinshan are required to act honestly in good faith, with a view to the best interests of Jinshan.

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.

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