# JINSHAN GOLD MINES INC.

Annual Information Form

For the Year Ended
December 31, 2009

Dated March 31, 2010

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**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; projected revenues and cash flows from gold production at the CSH Gold Project; performance of the crusher and recovery rates from the processing facility; obtaining regulatory confirmations and updated and expanded permits for the CSH Gold Project to cover all resources and reserves and the entire contemplated mine life; anticipated operating costs; the potential acquisition of additional gold or other mineral property assets; the potential sale of the Dadiangou Gold Project; 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 Project as listed in the CSH Technical Report; Jinshan’s ability to obtain regulatory confirmations and 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 AIF 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 AIF 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 AIF. 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 AIF is expressly qualified by this cautionary statement. The reader is cautioned not to place undue reliance on forward-looking information.

## PRELIMINARY NOTES

### Date of Information

Unless otherwise indicated, all information contained in this Annual Information Form ("AIF") is current as of December 31, 2009.

### Qualified Persons

Disclosure of a scientific or technical nature in this AIF in respect of the CSH Gold Project was prepared by or under the supervision of Dr. Qinping Deng, an independent qualified person for the purposes of NI 43-101.

### Currency and Exchange Rates

In this AIF, unless otherwise specified, all references to "dollars" and to "$" are to United States dollars, references to "Cdn.$" are to Canadian dollars and references to RMB are to the Chinese Yuan Renminbi. The Bank of Canada noon buying rates for the purchase of one United States dollar using Canadian dollars were as follows for the indicated periods:

| | Year Ended December 31 | | |
|---|---|---|---|
| | **2009** | **2008** | **2007** |
| End of period | 1.0466 | 1.2112 | 0.9801 |
| High for the period | 1.3000 | 1.2969 | 1.1853 |
| Low for the period | 1.0292 | 0.9719 | 0.9170 |
| Average for the period | 1.1420 | 1.0660 | 1.0748 |

The Bank of Canada noon buying rate on March 30, 2010 for the purchase of one United States dollar using Canadian dollars was Cdn.$1.0189 (one Canadian dollar on that date equalled U.S.$0.9815).

The Bank of Canada noon buying rate on March 30, 2010 for the purchase of one United States dollar using RMB was RMB 6.8238 (one RMB on that date equalled U.S.$0.1465).

### Defined Terms and Abbreviations

Throughout this AIF, there are terms that are defined in the document and used only in the relevant section in which they are defined. There are also a number of defined terms and abbreviations that are used consistently throughout the document as follows:

"**ABC Term Loan**" means the term loan of RMB290 million received by IMPM from the Agricultural Bank of China on September 14, 2009;

"**BDASIA**" means Behre Dolbear Asia Inc., the author of the CSH Technical Report;

"**Brigade 217**" means Brigade 217 of the Northwest Geological Bureau of China, Jinshan's CJV partner in the CSH Gold Project;

"**China**", "**PRC**" or "**State**" means the People's Republic of China;

"**China Gold**" means China National Gold Group Corporation;

"**China Gold HK**" means China National Gold Group Hong Kong Ltd., a wholly owned subsidiary of China Gold;

"**CIM**" means the Canadian Institute of Mining, Metallurgy and Petroleum;

"**CJV**" means "Co-operative Joint Venture", a form of foreign investment enterprise established under the laws of China;

"**CNG Bridge Credit Facility**" means the temporary credit facility of RMB210 million received by IMPM from China Gold in June 2009;

"**CNG Term Loan Facility**" means the loan facility of $40 million received by Jinshan from China Gold HK in December 2009;

"**CNRC**" means China National Railway Corporation;

"**Common Shares**" means common shares in the capital of Jinshan;

"**CSH Gold Project**" means Chang Shan Hao gold project located in Inner Mongolia, China;

"**CSH Technical Report**" means the technical report regarding the CSH Gold Project entitled "Independent Technical Report on the Changshan Hao Gold Mine" dated March 30, 2010;

"**Dadiangou Gold Project**" means the Dadiangou project of Jinshan located in Gansu Province, China;

"**DDH**" means diamond drill holes;

"**December 2006 Placement**" has the meaning set forth under "General Development of the Business – Three Year History – 2007";

"**g/t**" means grams per tonne;

"**ICBC**" means Industrial and Commercial Bank of China;

"**ICBC Bridge Loan**" means the bridge loan of RMB130 million received by IMPM from ICBC in September, 2008;

"**IMPM**" means Inner Mongolia Pacific Mining Co. Ltd.;

"**Jiama Project**" means the Jiama polymetallic mineral property located in Tibet, China that is owned by China Gold HK and an unrelated third party;

"**Jinshan**" or the "**Company**" means Jinshan Gold Mines Inc.;

"**June 2007 Placement**" has the meaning set forth under "General Development of the Business – Three Year History – 2007";

"**$km^2$**" means square kilometres;

"**$m^2$**" means square metres;

"**m**" means metres;

"**mm**" means millimetres;

"**MI 52-110**" means Multilateral Instrument 52-110 of the Canadian Securities Administrators;

"**NINETC**" means the Nuclear Industry Northwest Economic and Technology Company;

"**NI 43-101**" means National Instrument 43-101 of the Canadian Securities Administrators;

"**oz**" means ounce;

"**ROM**" means run-of-mine;

"**tpd**" means tonnes per day;

"**TSX**" means the Toronto Stock Exchange;

**CORPORATE STRUCTURE**

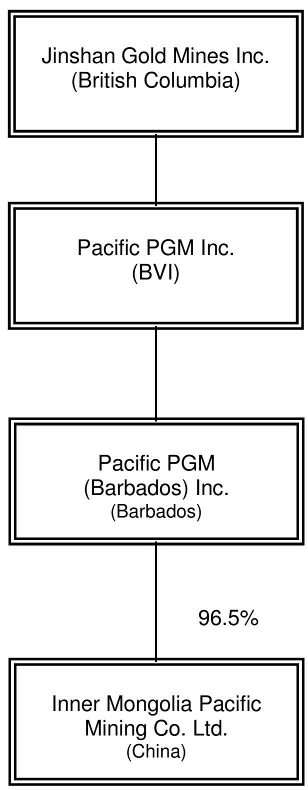
**Name and Incorporation**

Jinshan was incorporated pursuant to the *Company Act* (British Columbia) under the name Pacific Minerals Inc. on May 31, 2000. The Company changed its name to Jinshan Gold Mines Inc. on March 9, 2004. In April 2004, Jinshan transitioned to the British Columbia *Business Corporations Act*.

Jinshan's corporate head office and registered and records office is located at Suite 1030, One Bentall Centre, 505 Burrard Street, Box 31, Vancouver, British Columbia, Canada, V7X 1M5.

## Intercorporate Relationships

The corporate structure of Jinshan, its material subsidiaries, the percentage ownership that Jinshan holds in such subsidiaries (if it is not wholly-owned) and the jurisdiction of incorporation of such corporations is set out in the following chart:



## GENERAL DEVELOPMENT OF THE BUSINESS

### Overview

Jinshan conducts business in one operating segment consisting of acquisition, exploration and production of mineral properties. Jinshan's main property is the CSH Gold Project, which is located in Inner Mongolia, China. Jinshan holds a 96.5% interest in the CSH Gold Project, through its interest in IMPM.

Jinshan's principal, recent focus has been the continued expansion and development of the CSH Gold Project. Jinshan commenced pre-commercial gold production from the CSH Gold Project in July 2007, and the project entered commercial production in July 2008. Jinshan undertook an expansion program in 2009 to increase production throughput to 30,000 tpd and install a crusher facility. The crusher reached nameplate operating capacity of 30,000 tpd in March 2010. Going forward, the Company intends to pursue an expansion strategy, by which it identifies and acquires an interest in additional mineral properties.

China Gold, a Chinese state-owned enterprise owns an indirect approximately 40% interest in Jinshan through its subsidiary, China Gold HK.

### Three Year History

*2007*

On June 26, 2007, Jinshan completed a private placement financing consisting of units for gross proceeds of Cdn.$20 million (the "June 2007 Placement"). Each unit was comprised of one Cdn.$1,000 principal amount 12% unsecured promissory note due June 2010 and 200 share purchase warrants with an exercise price of Cdn.$2.50 per share. Ivanhoe Mines Ltd. ("Ivanhoe"), Jinshan's largest individual shareholder at the time of the June 2007 Placement, purchased Cdn.$7.5 million of the units. The June 2007 Placement was on substantially the same terms as a Cdn.$30 million private placement of units consisting of promissory notes and warrants that was completed in December 2006 and in which the promissory notes matured in December 2009 (the "December 2006 Placement").

Throughout 2007, Jinshan installed processing and production facilities on the CSH Gold Project, while CNRC began pre-stripping, waste rock removal and mining of ore. By the Spring of 2007, most of the initial development work was completed and Jinshan entered a pre-commercial production phase in July 2007.

Throughout the Summer of 2007, Jinshan conducted a drilling program at the Dadiangou Gold Project. Upon completion of this program, Jinshan was able to identify an inferred gold resource on the property.

*2008*

In the first quarter of 2008, Jinshan completed a resource estimate and expansion and feasibility study on the CSH Gold Project, which updated an original feasibility study and mine plan prepared in 2006. In the update, the Company reported an increase in measured and indicated resources to 171.3 million tonnes grading an average of 0.71 g/t gold, for 3.92 million contained ounces, plus inferred resources of 64.2 million tonnes grading an average of 0.65 g/t gold, for 1.33 million ounces, all at a cut-off grade of 0.35 g/t gold. The Company also reported total reserves (inclusive of resources) of approximately 99 million tonnes grading 0.71 g/t gold; comprised of approximately 35 million tonnes of proven reserves grading

0.74 g/t gold, and approximately 64 million tonnes of probable reserves grading at 0.69 g/t gold and reported an updated mine plan in which production would be expanded to 30,000 tpd.

In May 2008, China Gold HK purchased all of the outstanding common shares in Jinshan held by Ivanhoe, along with the Cdn.$7.5 million of promissory notes from the June 2007 Placement. As a result of this transaction, China Gold HK became Jinshan's largest individual shareholder with an equity interest of approximately 41%. Concurrent with the transaction a number of changes to the board of directors were made, including the appointment of Messrs. Zhaoxue Sun as Chairman and Zhanming Wu and Bing Liu, each from China Gold, as directors, the resignation of Peter Meredith and R. Edward Flood as directors, and the appointment of Mr. Yunfei Chen as an independent director.

In July 2008, Jinshan's operations at the CSH Gold Project were designated as being in commercial production.

In September 2008, Jinshan received the ICBC Bridge Loan of RMB130 million ($19,116,000) from ICBC. The ICBC Bridge Loan was guaranteed by China Gold for no consideration and bore interest at a rate of 6.57%, with repayment due in instalments through to March 2009. Proceeds of the ICBC Bridge Loan were used to support operations at the CSH Gold Project. As a condition to the promissory note holders under the December 2006 Placement and the June 2007 Placement consenting to the ICBC Bridge Loan, Jinshan agreed to extend the expiry date of the 3,860,000 warrants issued under the December 2006 Placement to December 14, 2010 and the expiry date of the 2,450,000 warrants issued under the June 2007 Placement to June 26, 2011, as well as make certain incremental amendments to the note indentures governing the promissory notes.

In September 2008, the Company underwent further management changes, with the appointment of Mr. Sun as Chief Executive Officer, along with the addition of Messrs. Boping Ma and Jian Ren as Vice Presidents of the Company, and the concurrent resignations of Messrs. Jay Chmelauskas and Calvin McKee as Chief Executive Officer and Chief Operating Officer, respectively.

In December 2008, the Company announced an updated resource estimate on its Dadiangou Gold Project. The Company reported an indicated resource amounting to approximately 20,000,000 tonnes grading 0.87 g/t gold for approximately 545,000 ounces of contained gold and inferred resources amounting to approximately 16,600,000 tonnes grading 0.96 g/t gold for approximately 500,000 ounces of contained gold, all at a cut-off grade of 0.40 g/t gold. The estimate was prepared by Geosystems International, Inc.

*2009*

In March 2009, the Company completed the final payment on the ICBC Bridge Loan.

Commencing in early 2009, the Company suspended all exploration work at the Dadiangou Gold Project and by mid-2009 commenced a process to identify a purchaser for the project. Following discussions with NINETC, the Company's joint venture partner on the Dadiangou Gold Project, the parties entered into a supplemental agreement by which they agreed to divide the proceeds from any future sale of the Dadiangou Gold Project as to 53% for Jinshan and 47% for NINETC. All further work obligations and payments of the Company under the applicable CJV agreement were suspended.

In June 2009, IMPM received the CNG Bridge Credit Facility of RMB210 million ($31,000,000) from China Gold. The CNG Bridge Credit Facility was unsecured, bore interest at a rate of 5.31% per annum and matured and was repayable in full on September 30, 2009.

In August 2009, the crusher was installed at CSH in contemplation of changing production from ROM to crushing of ore before loading on the leach pad and an increased production rate to 30,000 tpd.

Throughout the balance of 2009 and early 2010 the Company worked on bringing the crusher to full operational capacity.

In September 2009, IMPM secured the ABC Term Loan of RMB290 million ($42,000,000) from the Agricultural Bank of China. The ABC Term Loan bears interest at a rate of 5.184% per annum, with repayment due in accordance with the following instalments: RMB10 million ($1,466,340) in September 2010, RMB10 million (U.S. $1,466,340) in September 2011 and further instalments of RMB30,000,000 ($4,399,020) due in successive three-month intervals starting in September 2012 through to September 2014, when the remaining outstanding balance is scheduled to be repaid in full. Proceeds of the ABC Term Loan were used to support the funding of the CSH Gold Project expansion program, including construction costs and repayment of funds advanced by China Gold under the CNG Bridge Credit Facility.

In September 2009, Jinshan entered into a memorandum of understanding with China Gold and another partner to acquire a 100% interest in the Jiama Project.

In October and November 2009 the Company underwent changes to its Board of Directors and management. Mr. Xin Song was appointed as Chief Executive Officer and Director of the Company following the concurrent resignation of Mr. Zhaoxue Sun as Chief Executive Officer. Mr. Zhaoxue Sun continued to act as Chairman of the Board of Directors. Messrs. Gregory Hall and John King Burns were appointed to the Board of Directors following the concurrent resignation of Mr. Daniel Kunz from the Board of Directors and resulting casual vacancy. Meanwhile in November, Ms. Heather King was appointed as Vice President of Finance following the resignation of Mr. Rick Low as Vice President of Finance.

In December 2009, Jinshan received the CNG Term Loan Facility of U.S. $40 million from China Gold. The CNG Term Loan Facility is unsecured, bears interest at a rate of 6% per annum and matures and becomes repayable on December 6, 2011. Proceeds of the CNG Term Loan Facility were used to redeem the Cdn.$30 million of the December 2006 Promissory Notes that matured on December 14, 2009 and to redeem, ahead of maturity, Cdn.$12.5 million of the June 2007 Promissory Notes. A further Cdn.$7.5 million of June 2007 Promissory Notes remain outstanding and are held by China Gold HK.

*2010*

In March 2010, the Company announced an updated resource and reserve estimate on the CSH Gold Project. Proven and probable reserves as of December 31, 2009 were reported at approximately 138 million tonnes of ore with an average grade of 0.67 g/t gold, representing approximately 3.0 million ounces of contained gold. Measured and indicated resources, using 0.3 g/t gold cut-off grade, stand at 243 million tonnes averaging 0.64 g/t gold, amounting to approximately 4.99 million ounces of gold (inclusive of reserves) in the deposit after two and half years mining, as well as nominal inferred resources.

In March 2010, the crusher at the CSH Gold Project commenced operation at its full nameplate capacity of approximately 30,000 tpd.

In March 2010, the Company obtained an order of relevant Canadian securities commissions to early-adopt IFRS as its financial reporting standard.

**Trends and Outlook**

Throughout the balance of 2010, the Company expects its principal focus to relate to consolidating operations at the CSH Gold Project using the newly installed crusher. The Company is also advancing the process by which it proposes to acquire the Jiama Property. An agreement on the commercial terms for such a transaction remains outstanding pending completion of an independent review process as required under securities laws for related party transactions. Following completion of this review process, the parties contemplate pursuing an agreement on pricing and other commercial terms. The Company has also started to investigate potential mineral property acquisitions outside of China. In December 2009, the Company signed an MOU to jointly investigate and develop mineral properties in Mongolia with a local company.

The Company and NINETC have undergone a sale process for the sale of the Dadiangou Gold Project and anticipate completing the sale of their interest in the near future.

**DESCRIPTION OF THE BUSINESS**

**Laws and Regulations Relating to Mining in China**

*Mineral Resource Laws*

Under the Mineral Resources Law of the PRC, all mineral resources of the PRC are owned by the State. The Ministry of Land and Resources of the PRC is responsible for the supervision and administration of the exploration and mining of mineral resources nationwide. The geology and mineral resources departments of the Chinese Government in the respective provinces, autonomous regions and municipalities are responsible for the supervision and administration of the exploration and mining of mineral resources within their own jurisdictions. Enterprises engaged in the mining or exploration of mineral resources must obtain mining permits and exploration permits, as the case may be, which are transferable for consideration only in certain circumstances as provided under PRC laws and regulations, subject to approval by relevant administrative authorities.

According to the "Mineral Resources Law of the PRC", the "Administrative Measures on Registration of Tenement of Mineral Resources Exploration and Survey" and the "Administrative Measures on Registration of Mineral Resources Exploitation", before exploration and mining activities relating to mineral resources can commence, the project company must first obtain exploration permits and the mining permits, which generally entitle the project company to the exploration and mining rights attached to the relevant mineral project. Furthermore, if the mining activities involve gold resources, a Gold Operating Permit issued by the National Development and Reform Commission ("NDRC") must also be obtained.

Holders of exploration permits and of mining permits are subject to exploration right usage fees and mining right usage fees, respectively. Mining right usage fees are payable on an annual basis. The annual rate of mining right usage fee is RMB1,000 per $km^2$ of mining area. Exploration right usage fees are also calculated according to the size of the exploration area and are payable on an annual basis. The annual rate of exploration right usage fees for the first year to the third year of exploration is RMB100 $km^2$ of exploration area. From the fourth year of exploration onwards, the rate increases by RMB100 $km^2$ of exploration area per year and is subject to a maximum rate of RMB500 $km^2$ per year. In addition, holders of mining permits are subject to mineral resource compensation fees, which are to be calculated as a certain percentage of the sales revenue of such holders. The mineral resources compensation fee shall be paid for the first half of each year on or before July 31 of the year, and be paid for the second half of the year on or before January 31 of the following year.

*Rights and Obligations of Holders of Exploration Permits*

The holder of an exploration permit has, among others, the following rights:

- right to carry out exploration of the designated subject in the designated area and within the prescribed time as recorded on the exploration permit;
- right to set up apparatus for power supply, water supply and communication channels in the exploration area and its adjacent areas, without prejudice to the original equipment for power supply, water supply and communication channels;
- access to the exploration area and its adjacent areas;
- right to temporarily use the land legally in accordance with the needs of the exploration project;

- priority in obtaining the mining right of mineral resources as specified on the exploration permit;
- priority in obtaining the exploration right of other newly discovered minerals within the designated exploration area;
- upon fulfilment of the prescribed minimum expenditure requirements, right to transfer the exploration right to a third party upon government approval; and
- right to sell the mineral products extracted from the surface of the land in the exploration area, except for those mineral products which are required by the State Council to be sold to designated entities.

The holder of an exploration permit has, among others, the following obligations:

- to commence and complete the exploration work within the term of the exploration permit;
- to carry out the exploration work in accordance with the exploration plan and to ensure that there is no occurrence of unauthorised mining activities in the designated area;
- to carry out integrated exploration and assessment activities on the para-genetic and associated mineral resources;
- to submit an exploration report of the mineral resources to the relevant government authority for approval;
- to file with the exploration result of mineral resources for record as required;
- to act in line with the laws and regulations relating to labour safety, land rehabilitation and environment protection; and
- to take steps to eliminate potential safety hazard upon the completion of the exploration work.

*Rights and Obligations of Holders of Mining Permits*

The holder of a mining permit has, among others, the following rights:

- to engage in mining activities in the designated area and within the term prescribed under the mining permit;
- to set up production facilities and amenities within the designated area;
- to sell the mineral products, except for those minerals which are required by the State Council to be sold to designated entities; and
- to acquire the land use rights legally based on the requirement of its production and construction.

The holder of a mining permit has, among others, the following obligations:

- to carry out mining activities in the designated area and within the term of the mining permit;
- to effectively protect and reasonably extract the mineral resources and integrate the use of the mineral resources;

- to pay resources tax and mineral resources compensation fees;
- to comply with laws and regulations relating to labour safety, soil and land conservation, land rehabilitation and environment protection; and
- to submit a report on the utilisation of mineral resources to the relevant government authority.

*Laws and Regulations Relating to the Administration of Gold*

Under the “Administrative Regulations on Gold and Silver of the PRC”, the State shall pursue a policy of unified control over, and monopoly purchase and distribution of gold and silver, and the People's Bank of China (the “PBOC”) shall be the State organ responsible for the control of gold and silver. Purchase and sale of gold and silver were subject to the regulation of the PBOC. All gold and silver mined and refined by mining enterprises, rural communes, the armed forces and individuals engaged in the production of gold and silver (including those with ore exploration, mining, smelting and refining as their supplementary business), were required to be sold to the PBOC, and were not permitted to be retained for sale, exchange or use. Entities requiring gold and silver for use were required to submit a proposal to the PBOC on the use of gold and silver, which the PBOC would then examine and possibly approve.

On October 30, 2002, the Shanghai Gold Exchange commenced operation under the supervision of the State Council. Thereafter, the PBOC ceased its gold allocation and gold purchase operations. All PRC gold producers are now required to sell their standard gold bullion through the Shanghai Gold Exchange, and prices of gold on the Shanghai Gold Exchange are determined by market demand and supply, which essentially converge with the price of gold in the international market. On February 27, 2003, the State Council cancelled the approval requirements for the production and sale of gold and gold products. As a result, although the Administrative Regulations have not been abolished, the policy of “centralised purchase and allocation of gold” as stipulated under the Administrative Regulations has been terminated in practice.

Since July 2004, the State Council reformed the administrative approval system and cleared the outstanding projects which were subject to administrative approval by its ministries and departments. However, the import and export of gold and gold products remain subject to administrative examination and approval. The authority responsible for such examination and approval is the PBOC.

*Laws and Regulations Relating to Environmental Protection*

The State Environment Protection Administration Bureau is responsible for the supervision of environmental protection in, implementation of national standards for environmental quality and discharge of pollutants for, and supervision of the environmental management system of, the PRC. Environmental protection bureaus at the county level or above are responsible for environmental protection within their jurisdictions.

The “Environmental Protection Law of the PRC”, requires entities that operate production facilities that may cause pollution or produce other toxic materials to take steps to protect the environment and establish an environmental protection and management system. The system includes the adopting of effective measures to prevent and control exhaust gas, sewage, waste residues, dust or other waste materials. Entities discharging pollutants must register with the relevant environmental protection authorities.

The Environmental Protection Law and the “Administrative Regulations on Environmental Protection for Construction Project” stipulate that prior to the construction of new facilities or expansion or transformation of existing facilities that may cause a significant impact on the environment, a report on the environmental impact of the construction project needs to be submitted to the relevant environmental protection authority. The newly constructed production facilities may not be operated until the relevant authority is satisfied that such facilities are in compliance with all relevant environmental protection standards.

Under the Mineral Resources Law of the PRC, the amended "Land Administration Law of the PRC" and "Rules on Land Rehabilitation", exploration of mineral resources must be in compliance with the legal requirements on environmental protection so as to prevent environmental pollution. If any damage is caused to cultivated land, grassland or forest as a result of exploration or mining activities, mining enterprises must restore the land to a state appropriate for use by reclamation, re-planting trees or grasses or such other measures as appropriate to the local conditions. If the rehabilitation is not possible or does not comply with the relevant requirements, the mining enterprise must pay a fee for land rehabilitation. Upon closure of a mine, a report in relation to land rehabilitation and environmental protection must be submitted for approval. Enterprises which fail to perform or satisfy the requirements on land rehabilitation may be penalised by the relevant land administration authority.

The State Environmental Protection Administration Bureau must formulate national standards on emission of pollutants in accordance with the national standards on environmental quality, and the State economic and technological conditions. Governments at the provincial level and of the autonomous regions and municipalities may formulate their respective local standards on the discharge of pollutants for items not specified in the national standards. These local governments may formulate local standards which are more stringent than the national ones for items already specified in the national standards. Pursuant to the requirements under the amended "Law on Prevention of Water Pollution of the PRC", the amended "Law on Prevention of Air Pollution of the PRC", and "Administrative Regulations on Levy and Utilisation of Sewage Charge", enterprises which discharge water or air pollutants must pay discharge fees pursuant to the types and volumes of pollutants discharged. The discharge fees are calculated by the local environmental protection authority which must review and verify the types and volumes of pollutants discharged. Once the discharge fees have been calculated, a notice on payment of discharge fees must be issued to the relevant enterprises. In addition, enterprises which discharge sulphur dioxide at a level exceeding the prescribed standards are required to install "desulphurising devices" or adopt other "desulphurising" measures to control the emission of sulphur dioxide.

Under the amended "Law on Prevention of Environmental Pollution Caused by Solid Waste of the PRC", entities and individuals collecting, storing, transporting, utilising or disposing of solid waste must take precautions against the spread, loss, and leakage of such solid waste or adopt such other measures to prevent such solid waste from polluting the environment.

The penalties for breach of the environmental protection laws vary from warnings, fines, suspending production or operation to other administrative sanctions, depending on the degree of damage or the results of the incidents. The responsible person of the entity may be subject to criminal liabilities for serious breaches resulting in significant damage to private or public property or personal injury or death.

As the environmental protection is under the administration and supervision of authorities that are distinct from the ones issuing the exploration and mining permits, the breach of the relevant environmental protection laws would not entail revocation of the exploration and mining permits directly. However, the environmental protection authorities may seek cooperation from the authorities in charge of the issuance of such permits, which are competent to revoke the exploration and mining permits pursuant to the Mineral Resources Law of the PRC.

*Laws and Regulations Relating to Production Safety*

The PRC government has formulated a relatively comprehensive set of laws and regulations on production safety, including the "Law on Production Safety of the PRC", the "Law on Mine Safety of the

PRC", as well as "Regulations on the Implementation of the Law on Mine Safety of the PRC", which pertain to the mining, processing and smelting operation of the mining industry. The State Administration of Work Safety is responsible for the overall supervision and management of the safety production nationwide while the departments in charge of safety production at the county level or above are responsible for the overall supervision and management of the safety production within their own jurisdictions:

The State implements a licensing system for production safety of mining enterprises. No mining enterprise may engage in production activities without holding a valid production safety certificate. Enterprises which fail to fulfil the production safety conditions may not carry out any production activity. Mining enterprises which have obtained the production safety certificate may not lower their production safety standards, and are subject to the supervision and inspection by the licensing authorities from time to time. If the licensing authorities are of the opinion that the mining enterprises do not fulfil the production safety requirements, the production safety certificate may be withheld or revoked.

The State has also formulated a set of national standards on production safety for the mining industry. In general, the mine design must comply with the production safety requirements and industry practice.

A mining enterprise must establish a management body or a designated safety management team to be responsible for production safety matters. Education and training on production safety must be provided to workers to ensure that they fully understand the regulations on and the procedures required for production safety, and are able to master the necessary skills for operation safety for their own positions. Those who do not receive this education and training are not permitted to work at the mine.

The penalties for breach of production safety laws vary from warnings, fines, suspension of production or operation and other administrative sanctions, depending on the degree of damage and the natures of the incident. The person who is personally responsible for such incident may be subject to demotion or termination of employment, or criminal liabilities for serious breaches resulting in significant incidents. The State has implemented an accountability system over incidents relating to production safety.

As production safety is under the administration and supervision of authorities that are different from the ones issuing the exploration and mining permits, the breach of the relevant production safety laws would not entail revocation of the exploration and mining permits directly. However, the environmental protection authorities may seek cooperation from the authorities in charge of the issuance of such permits, which have the authority to revoke the exploration and mining permits according to the Mineral Resources Law of the PRC.

*Laws and Regulations Relating to Taxation*

The State encourages the development of the gold industry by implementing preferential treatment on taxation. Gold production enterprises engaged in the sales of standard gold and gold sand (containing gold content), are exempted from VAT. Transactions made by gold trading enterprises and intermediaries, which are members of the Shanghai Gold Exchange, on the Shanghai Gold Exchange without physical settlement are exempted from VAT, and transactions with physical settlement are subject to VAT levying and immediate refund.

Enterprises engaged in the mining of mineral resources must pay resources tax in accordance with relevant regulations of the State. For nonferrous metal ores, the amount of resources compensation levy payable is computed by multiplying the sales or self-used volume of mineral products with the applicable rate of the resource tax ranging from RMB0.4 to RMB30 per tonne of mineral products. The Ministry of Finance and the State Administration of Taxation reserve the right to adjust the rate of the resource tax from time to time. The resources tax is levied according to the grade of mines and the applicable amount of tax per tonne of ore produced as provided in the schedules attached to such implementing rules. The resource tax rates applicable to gold ore range from RMB1.5 per tonne to RMB7.0 per tonne.

Foreign invested enterprises in the PRC are subject to an enterprise income tax at a uniform rate of 25%. A non-resident enterprise that has an establishment or premises within the PRC shall pay enterprise income tax at a rate of 25% on its income that is derived by such establishment or premises inside the PRC and income that is sourced outside the PRC but is actually connected with the said establishment or premises, unless it is a dividend income where an exemption may apply. A non-resident enterprise that has no establishment or premises within the PRC but has income from the PRC, and a non-resident enterprise that has establishment or premises in the PRC but its income has no actual connection to such establishment or premises in the PRC, shall be subject to PRC withholding tax at the rate of 10% on its income sourced from inside the PRC.

*Laws and Regulations relating to Foreign Investment in Gold*

Exploration and mining of precious metals (gold, silver and platinum) is regulated as a restricted industry. Any project in a restricted industry must be:

- submitted to and approved by provincial-level development and reform departments if it has a total investment amount of less than $50 million;
- submitted to and approved by the central NDRC if it has a total investment amount of $50 million or more; and
- first submitted to and examined by the NDRC and following such examination must be submitted to and approved by the State Council if it has a total investment amount of $100 million or more.

*Laws and Regulations Relating to CJVs*

A CJV is a form of foreign investment permitted in the PRC. A CJV may be a Chinese legal person with limited liability or, alternatively, a non-legal person entity. To establish a CJV, the Chinese and foreign parties must submit documents such as the CJV agreement and the articles of association to the Ministry of Commerce of the PRC or its authorized local branch (the "Approval Authority") for examination and approval. The Approval Authority must, within 45 days upon accepting the application, decide whether or not to grant the approval. Within 30 days upon receipt of the approval certificate issued by the Approval Authority, the parties must apply to the competent administration for industry and commerce for registration to obtain the business licence of the CJV. The issuance date of the business licence is the establishment date of the CJV. The investments in a CJV are not necessarily calculated in monetary units. The CJV agreement may require one party to contribute certain specified "cooperative conditions". The earnings are not necessarily distributed pro rata in accordance with the registered capital paid by each of the parties. In addition, the options for sharing risks and losses, management and post-termination assets may also be determined by the parties.

A CJV may be managed by a board of directors or, alternatively, by a joint management committee. The CJV Rules require a CJV to obtain unanimous board (or management committee) approval on the following decisions:

- amendment of the CJV's articles of association;
- termination or dissolution of the CJV;
- reduction or increase of the registered capital of the CJV;

- merger, division or change in the organizational form of the CJV;
- mortgage of assets of the CJV; and
- other matters agreed to by the parties to the CJV.

According to the relevant PRC rules, a transfer of an equity interest in the CJV shall comply with PRC laws and regulations, and be approved by approval departments and submitted for alteration registration with registration departments. A transfer without approval from the relevant approval departments is invalid.

*Laws and Regulations Relating to Geological Environment Protection*

Pursuant to the "Provisions on the Protection of the Geologic Environment of Mines" (a) the land and resources administrative departments shall be responsible for the protection of the geologic environment of mines; (b) a mining right applicant shall make a plan on the protection, control and restoration of the geologic environment of a mine, and report it to the competent authority when applying for a mining permit, or when applying to expand the exploitation scale or change the scope of mining area or exploitation manner; and (c) a mining right holder shall, pursuant to the relevant provisions of the state, pay a security deposit for the control and restoration of the geologic environment of a mine, and report it to the competent authority when applying for a mining permit, or when applying to expand the exploitation scale or change the scope of mining area of exploitation manner; and (c) a mining right holder shall, pursuant to the relevant provisions of the state, pay a security deposit for the control and restoration of the geologic environment of a min, the amount of which shall not be less than the expenses necessary for the control and restoration of the geologic environment of the mine.

Pursuant to the Inner Mongolia Autonomous Region Regulations on the Management of Security Deposits for Ecological Restoration in Mines, and the Inner Mongolia Autonomous Region Implementation Plan for Ecological Restoration in Mines, a holder of mining rights shall prepare a plan on the environmental protection and comprehensive management for the relevant mine, execute a letter of responsibilities for the geological restoration for the relevant mine with the municipal land and resources administration authority on the basis of the plan, and pay a security deposit therefor. The security deposit may be paid in a lump sum or in instalments if the term of the mining permit held by such holder is more than three years. It is emphasized that a plan of environmental protection and comprehensive management, a letter of responsibilities for geological restoration, and a certificate of the payment of security deposit for the relevant mine are the requisite documents for the registration of mining rights and for completing the procedures of annual inspection and renewal of the mining permit. If a mining enterprise fails to pay a security deposit or prepare a plan of environmental protection and comprehensive management for the relevant mine as required, the competent authority will not proceed with the procedures of annual inspection, renewal, alteration and mortgage registration in respect of the enterprise's mining permit. If the enterprise fails to make control according to the approved plan, the competent authority shall order the enterprise to carry out geological restoration within a prescribed time limit; if the enterprise fails to do so within the prescribed time limit, the competent authority may suspend the enterprise's mining permit or order it to stop production. However, a mining right holder who already prepared a special plan of environmental protection and comprehensive management, made a special provision of funds and implemented a restoration project for the relevant mine before August 1, 2008 may apply for exemption from paying any security deposit after evaluation by the competent municipal land and resources administration authority and approval by the autonomous region's provincial land and resources administration authority on the condition that the special plan and the restoration project meet the aims and requirements for ecological restoration in mines.

**Risk Factors**

*Readers should carefully consider all of the information set out in this AIF, including the risks and uncertainties described below. Of particular note is the fact that the Company's principal operations are conducted in the PRC and are governed by a legal and regulatory environment that in some respects differs from that which prevails in other countries. Jinshan's business, financial condition or results of operations could be materially and adversely affected by any of these risks.*

**Fluctuations in the market prices of gold could materially and adversely affect Jinshan's business and results of operations.**

Substantially all of the Company's revenues and cash flows from operating activities are derived from the sale of gold doré bars. Historically, the market prices for gold has fluctuated widely and experienced periods of significant decline. Prices are influenced by numerous factors and events which are beyond the Company's control such as world demand and supply, forward selling activities, gold reserve movements at central banks, costs of production by other producers and other macro-economic factors such as expectations regarding inflation, interest rates, currency exchange rates (especially the strength of the U.S. dollar), as well as general global economic conditions and political trends. If market prices of gold and other nonferrous metals that Jinshan produces should fall due to these and other factors and events, Jinshan's business, results of operations and the price of the Common Shares could be materially and adversely affected.

**Jinshan has a limited operating history and future revenues and profits are uncertain.**

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 Project, 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.

**If Jinshan's relationship with China Gold materially changes, growth prospects and results of operations may be materially and adversely affected.**

China Gold is the Company's controlling shareholder. Jinshan has benefited significantly from its relationship with China Gold, and a key aspect of its strategy is to continue to capitalize on this relationship. However, there can be no assurance that the relationship will remain the same in the future or that plans for ongoing cooperation will be effectively implemented. For instance, China Gold may determine to conduct its overseas activities through another acquired overseas-listed company, another controlled entity listed overseas or in China, or by itself.

**Jinshan has had net current liabilities and significant net cash outflows from operating and investing activities.**

Jinshan had net current liabilities of as of December 31, 2009. The principal reason for the net current liability position as of December 31, 2009 was because of loan obligations to fund part of capital expenditure. A net current liability or negative operating and other cash flow position may impair the Company's ability to make necessary capital expenditures, develop business opportunities or make strategic acquisitions. If debt and interest repayment obligations are not met, creditor(s) could choose to demand immediate repayment, which could result in a complete loss of investment for equity holders if

Jinshan is not able to repay such obligations, the result of which could materially and adversely affect the Company's business and results of operations.

**Jinshan depends on the CSH Gold Project for substantially all revenue and cash flow from operating activities in the near term. Failure to obtain the expected economic benefits from this mine could materially and adversely affect the business, financial condition and results of operations.**

The Company's operations are exposed to uncertainties in relation to the CSH Gold Project, which is the Company's only operating mine at present. The Company contemplates the acquisition of additional producing mineral properties, including potentially the Jiama Project, but has not and may never complete any such acquisitions to diversify its operations. If the Company fails to derive the expected economic benefits from the CSH Gold Project due to a delay or difficulty encountered in the operation of the mine, an occurrence of any event that causes the mine to operate at less than optimal capacity or for other reasons, Jinshan's business, financial condition and results of operations could be materially and adversely affected.

**Jinshan is relatively inexperienced in the acquisition and development of mining assets.**

Jinshan contemplates 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 due to an inability to reach commercially acceptable terms. 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.

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

The estimates regarding operating costs of the CSH Gold Project are based on the CSH Technical Report. The CSH Technical Report derives estimates of average cash operating costs based upon, among other things: (i) anticipated tonnage, grades and metallurgical characteristics of ore to be mined and processed; (ii) anticipated recovery rates of minerals from the ore; (iii) cash operating costs of comparable facilities and equipment; and (iv) anticipated climatic conditions. Actual operating costs, production and economic returns may differ significantly from those anticipated by the CSH Technical Report. Accordingly, there is no assurance that future operating activities will result in profitable mining operations.

**Fluctuations in exchange rates could materially and adversely affect financial position and results of operations.**

Although the functional currency is the U.S. dollar, Jinshan incurs a large portion of expenditures in RMB. Meanwhile, revenue from gold sales is denominated in RMB, but the gold price effectively moves in line with the United States dollar gold price, while significant loan obligations have in the past been denominated in Cdn.$. As a result, Jinshan's financial position and results are significantly impacted by exchange rate fluctuations related to the U.S. dollar, the Canadian dollar and RMB. Foreign exchange rate fluctuation has been a principal factor leading to the significant variations in fair value change on warrant liabilities of the Company. Such foreign exchange gain or loss and fair value change in turn could have a significant impact on financial position and results.

**The interests of China Gold, Jinshan's controlling shareholder, may not be the same as, and may conflict, with those of other shareholders.**

China Gold holds approximately 40% of outstanding Common Shares, and holds a controlling interest in the Company. The interests of China Gold may conflict with those of other shareholders. As an example, China Gold holds a controlling interest in Zhongjin Gold Corporation, a public company whose shares are listed on the Shanghai Stock Exchange and whose principal scope of business includes the exploration, mining, processing smelting and refining of gold in the PRC. As the operations of Zhongjin Gold Corporation are substantially larger than those of the CSH Gold Project in terms of resources, annual gold production and revenue generated from the sale of gold, China Gold may, for business considerations or otherwise, take actions that favor itself or Zhongjin Gold Corporation instead of the interests of the shareholders of Jinshan. China Gold may exercise its influence over Jinshan as a controlling shareholder in manners inconsistent with the best interests of the other shareholders. If that occurs, the Company may lose some of its competitive advantages and its business and results of operations may be materially and adversely affected.

**Reserve and resource estimates are based on assumptions which may prove to be inaccurate, and Jinshan may produce less minerals than the current estimates.**

Ore reserves and mineral resources estimates are based on a number of assumptions. If those assumptions prove inaccurate, the Company may need to lower ore reserves and mineral resources. The accuracy of estimates is a function of the quantity and quality of available data and the assumptions made and judgments used in engineering and geological interpretation, which may prove to be unreliable. There is no assurance that estimates will prove accurate or that such mineral resources can be mined or processed profitably.

Estimates of resources and reserves may change significantly when new information becomes available or new factors arise, and interpretations and deductions on which resource and reserve estimates are based may prove to be inaccurate. Resource estimates indicate in-situ mineral occurrences from which valuable or useful minerals may be recovered, but do not take into account whether such resources could be mined or whether valuable or useful minerals could be recovered economically from them, nor do resource estimates incorporate mining dilution or allow for mining losses. Jinshan's reserve estimates represent the amount of minerals that it believes can be mined and processed, based on the selling price that is not lower than the total estimated costs of production and anticipated additional capital expenditures, and are calculated based on estimates of future production costs and metal prices. In the future the Company may need to revise reserve estimates, if, for instance, production costs increase or the sales prices to metals produced decrease and as a result a portion or all of the mineral reserves may become uneconomical to recover.

The inclusion of reserve and resource estimates should not be regarded as a representation that all these amounts can or will be economically exploited or recovered.

**Failure to achieve production estimates could have a material adverse effect on future cash flow, results of operations and financial condition.**

Estimates of future production for mining operations are subject to change. The Company cannot give any assurance that it will achieve production estimates. Failure to achieve production estimates could have a material and adverse effect on future cash flow, results of operations and financial condition. The production estimates are based on, among other things, reserve estimates, assumptions regarding ground conditions and physical characteristics of ores (such as hardness and presence or absence of certain metallurgical characteristics) and estimated rates and costs of production. Actual production may vary from estimates for a variety of reasons, including risks and hazards of the types discussed elsewhere in this AIF, and as set out below:

- actual ore mined varying from estimates in grade, tonnage, and metallurgical and other characteristics;
- mining dilution;
- pit wall failures or cave-ins;
- industrial accidents;
- equipment failures;
- natural phenomena such as inclement weather conditions, floods, blizzards, droughts, rock slides and earthquakes;
- encountering of unusual or unexpected geological conditions;
- changes in power costs and potential power shortages;
- shortages of principal supplies needed for operation, including explosives, fuels, equipment parts and lubricating oil;
- litigation; and
- restrictions imposed by government authorities.

Such occurrences could result in damage to mineral properties, interruptions in production, injury or death to persons, damage to property or the property of others, monetary losses and legal liabilities. These factors may cause a mineral deposit that has been mined profitably in the past to become unprofitable. Estimates of production from properties not yet in production or from operations that are to be expanded are based on similar factors (including, in some instances, feasibility studies prepared by the Company's personnel and/or outside consultants), but it is possible that actual cash operating costs and economic returns will differ significantly from those currently estimated.

**A portion of estimated resources and reserves for the CSH Gold Project falls outside of the scope of its current mining permit. Jinshan may not be able to obtain a new mining permit if it plans to conduct mining activities on this portion of the CSH Gold Project.**

According to the CSH Technical Report, a portion of the defined mineral resources and mineral reserves at the CSH Gold Project as of December 31, 2009 are located below the lower elevation limit of the current mining permit for the CSH Gold Project. The Company is applying for a confirmation that the permit will also cover minerals below this elevation limit. However, there can be no assurance that it will be able to obtain such a confirmation or a new mining permit. If Jinshan does not obtain such confirmation or new permit, future growth prospects and results of operations may be materially and adversely affected.

**Failure to obtain and maintain required government approvals, permits and licenses for exploration and mining activities or renewals thereof could materially and adversely affect business and results of operations.**

Under relevant PRC laws, Jinshan is required to obtain certain government approvals, permits and licenses for each of its mineral properties, among which exploration permits, mining permits, production safety certificates and gold operating permits are crucial to business operations. There is no assurance that the Company will obtain such approvals, permits and licenses in a timely manner in the future or at all. Any failure to obtain or any delay in obtaining or retaining any required governmental approvals, permits or licenses could subject the Company to a variety of administrative penalties or other government actions and adversely impact business operations. Specifically,

- under the “Mineral Resources Law” and the “Administrative Measures on Registration of Tenement of Mineral Resources Exploration and Survey”, if the Company fails to obtain or renew the exploration permit and conducts exploration without valid exploration permits, it may be ordered to cease exploration and subjected to a fine of up to RMB100,000, and for failure to present the annual report of the exploration or pass annual verification, it may be ordered to cease the exploration and subjected to a warning or a fine of up to RMB50,000, and, in the worst case, the exploration permit may be suspended;

- under the “Administrative Measures on Registration of Mineral Resources Exploitation” and “Mineral Resources Law”, if the Company fails to obtain or renew the mining permit and conducts mining without valid mining permits, it may be ordered to cease mining and pay for the damages caused, any mineral products and illicit gains may be confiscated, and it may also be fined; for failure to present the annual report or pass the annual verification, the Company may be ordered to cease mining activities, and subjected to a warning or a fine of up to RMB50,000, and in the worst case, the mining permit may be suspended;

- under the “Regulations on Production Safety Certificate”, if the Company fails to obtain the production safety certificate, it may be subjected to the confiscation of the illicit gains and a fine ranging from RMB100,000 to RMB500,000; if it continues production without duly renewing the production safety certificate upon its expiration, Jinshan may be ordered to suspend production and take the corrective measures within a prescribed time period, and it may be subjected to the confiscation of the illicit gains and a fine ranging from RMB50,000 to RMB100,000; and

- under the “Mineral Resources Law” and the “Regulations on Administration of the Permit for Gold Exploitation”, if Jinshan fails to obtain or renew the permit for gold exploitation and engages in gold exploitation without valid permits, it may be ordered to stop mining, and pay for the damages caused, any mineral products and illicit gains may be confiscated, and may also be fined.

If any administrative penalties and other government actions are imposed on or taken against Jinshan due to Jinshan’s failure to obtain or delay in obtaining or retaining any required governmental approvals, permits or licenses, business, financial condition and results of operations could be materially and adversely affected.

**Jinshan may be unable to renew the mining permit for the CSH Gold Project.**

The mining permit for the CSH Gold Project will expire in August 2013. Under the PRC laws and regulations, if there will remain residual reserves in a property when the mining permit in respect of such property expires, the holder of the expiring mining permit is entitled to apply for extensions for additional terms. However, there can be no assurance that the Company will successfully renew its mining permit on favorable terms, or at all, once such permit expires. If Jinshan is unable to renew such permit, its business and results of operations will be materially and adversely affected.

**Jinshan may not pass the annual verification of mining rights to the CSH Gold Project.**

The Company's mining rights for the CSH Gold Project are subject to annual verification by the Department of Land and Resources of Inner Mongolia. In the annual verification, the relevant authorities will consider whether mining activities in the past year have been in compliance with the relevant laws and regulations. If Jinshan does not pass the annual verification for failing to meet the relevant requirements or materially breaching any laws or regulations, it may be penalized according to the relevant laws and regulations or given a deadline to rectify the situation, or its mining rights may be revoked. While Jinshan has passed the annual verifications in the past and has not been penalized in the past, there can be no assurance that the Company will be able to pass the annual verification of its mining rights in the future. Should this occur, the Company's business and results of operations will be materially and adversely affected.

**Jinshan owns the CSH Gold Project through a CJV company, which is established pursuant to a CJV agreement. Therefore, it is subject to risks relating to operations through CJV companies.**

IMPM, the entity that holds the CSH Gold Project, is a CJV established under a CJV agreement. Although under the existing CJV agreement Jinshan is entitled to appoint a majority of the directors of IMPM and appoint the general manager (who is responsible for the day-to-day operation and management of IMPM and implementing resolutions of the board), certain members of the management and boards of directors of IMPM are nominated by the Company's CJV partner. Under the CJV Law and the CJV agreement, certain decisions require unanimous consent of the directors present at a meeting of the board, such as (i) amendment to the articles of association of IMPM, (ii) increase or reduction of the registered capital of IMPM; (iii) dissolution of IMPM; (iv) mortgage of the assets of IMPM; or (v) merger or division of IMPM or a change in its form of organization; and to the extent unanimous consent cannot be obtained, there is a risk that Jinshan will not be able to effect these matters despite its desire to do so.

Furthermore, the exploration and mining permits of the CSH Gold Project are currently held by IMPM and the operation of the CSH Gold Project is carried out by IMPM. If the CJV partner makes an early termination of the CJV agreement or materially breaches the CJV agreement, Jinshan's business and results of operations could be materially and adversely affected.

In addition, the CJV agreement with the CJV partner involves a number of risks, including (i) disputes with the CJV partner as to the performance or scope of each party's obligations under the CJV agreement, (ii) financial difficulties encountered by the CJV partner affecting its ability to perform its obligations under the CJV agreement or other contracts with the Company, and (iii) conflicts between the policies or objectives adopted by the CJV partner and those adopted by the Company. There can be no assurance that a dispute will not arise in the future. If a dispute or disagreement does arise between the CJV partner and Jinshan, it could be time-consuming, costly and distracting for the Company to resolve such dispute or any legal proceedings that develop from the dispute or disagreement. Furthermore, if Jinshan receives an adverse decision in any of such legal proceeding, it may be required to pay compensation or damages to the CJV partner. As a result, the Company's business and results of operations could be materially and adversely affected.

**Changes in PRC tax laws and regulations could materially and adversely affect Jinshan's business and results of operations.**

The Company's PRC subsidiaries are subject to, among other things, corporate income tax, resources tax, VAT, city maintenance and construction tax, education surcharge and property tax under PRC laws and regulations. The PRC government increased the resources tax rate of gold effective on May 1, 2006. There is no assurance that the PRC government will not increase the rates of resources tax or other taxes. Any increase in these tax rates could materially and adversely affect the Company's results of operations.

**Jinshan may not be able to obtain further financing to fund the expansion and development of its business.**

The Company is in a capital-intensive industry and has relied on a mixture of equity capital and debt financing to fund operations. Jinshan also has outstanding a number of debt obligations that may need to be finalized on or prior to maturity depending on future cash flow, including Cdn$7.5 million of promissory notes due in June 2010 owing to China Gold. Jinshan has previously funded capital expenditures primarily by the issuance of equity and debt securities and credit facilities. In the future, Jinshan expects to use cash generated from operations, and potentially further financing, if required, to meet its business growth objectives and payment obligations, including further development of existing exploration, mining and processing operations, development of new properties and future acquisitions. Any required additional funding may be sought through the debt and equity markets or through project participation arrangements with third parties, but there is no assurance that Jinshan will be able to obtain sufficient funding or obtain funding at all when it is required and that such additional funding will be available on commercially acceptable terms. If any such additional funding is obtained, it may be on terms that are highly dilutive or otherwise adverse to its existing stockholders. Failure to obtain the funding or obtain the funding on commercially acceptable terms that the Company needs when it is required could have material and adverse effect on its business and results of operations.

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

The Company has a high level of indebtedness. It may continue to incur debts to fund daily operations and to pursue expansion plans. Jinshan's ability to meet regularly scheduled interest and principal payments on its indebtedness will depend on future operating performance and cash flow, which in turn will depend on prevailing economic and political conditions and other factors, many of which may be beyond its control. Furthermore, a high level of indebtedness will expose the Company to interest rate risks which could substantially affect its ability to generate cash or make a profit.

In addition, Jinshan's financing agreements include various conditions and covenants that require it to obtain lenders' consents prior to carrying out certain activities and entering into certain transactions, such as incurring additional debt, creating additional charges on assets, providing additional guarantees or disposing of certain assets. In connection with existing borrowings and other financing arrangements, Jinshan has agreed to comply with various financial and other covenants. For example, under the indenture for the outstanding promissory notes in the June 2007 Placement held by China Gold, Jinshan is required to obtain China Gold's consent prior to carrying out certain activities and entering into certain transactions, including but not limited to (i) incurring additional debt; (ii) creating additional charges on assets; (iii) making guarantees in favor of any third party; (iv) disposal of material assets other than to an arm's length third party on arm's length commercial terms; (v) entering into commercial arrangements with any non-arm's length third party unless the arrangements is entered into in good faith and on arm's length commercial terms; (vi) changing the character of the its main business; and (vii) distributing dividends. While Jinshan intends to repay the promissory notes in full upon maturity in June 2010, it may be required to comply with similar or even more restrictive covenants or other terms under any new loan and other financing agreements. If this happens, the Company's ability to pay dividends or other distributions on the Shares may be limited. In addition, Jinshan may also be significantly restricted in its ability to raise additional capital through bank borrowings and debt and equity issuances or to engage in some transactions that it expects to be of benefit. Jinshan's inability to meet these conditions and covenants or obtain lenders' consent to carry out restricted activities could materially and adversely affect the business and results of operations.

**Jinshan relies on third-party contractors to conduct a substantial portion of exploration, mine construction and mining activities.**

The Company outsources all of its mining and exploration engineering work (such as drilling) and most of its mine construction work to third-party contractors. The Company maintains supervision over these contractors and amends the outsourcing agreements from time to time to better address cost and quality controls. However, notwithstanding its efforts, contractors may take actions contrary to instructions or requests, or be unable or unwilling to fulfill their obligations. In such event the Company may have disputes with the contractors, which could lead to additional expense, distractions and potentially loss of production time and additional costs, any of which could materially and adversely affect the business and results of operations.

In addition, under the relevant PRC laws and regulations, an owner of an exploration or mining permit has a statutory obligation to ensure safe production. In the event of any production safety-related accident involving a contractor, Jinshan may be held directly liable or liable for compensation to the extent of its fault regardless of any contractual provisions to the contrary. Any of such liabilities could have a material and adverse effect on the financial condition and results of operations.

**Jinshan's operations may face material risk of liability, delays and increased production costs from design defects, environmental and industrial accidents and other factors such as severe weather conditions, natural disasters, community protests or civil unrest.**

By its nature, the business of mineral exploration and development, mining and processing contains elements of significant risk and hazards. The continuous success of business is dependent on many factors such as (i) successful design and construction of mining and processing facilities, and (ii) successful commissioning and operating of mining and processing facilities.

The CSH Gold Project is subject to technical risks in that the infrastructure may not perform as designed. For example, according to the CSH Technical Report, the mine production at the CSH Gold Project is expected to depend mostly on the crushing production and heap leach gold recovery rate. However, the early trial runs of the crushing facility at the CSH Gold Project demonstrated design problems that did not allow the facility to function properly. The crushing facility was shut down to modify and correct the problems before October 2009. Since a single large crushing system is used at the CSH Gold Project, equipment breakdown at the crushing facility could cause delays in the crushing production. According to the CSH Technical Report, there are still uncertainties with respect to the heap leach gold recovery rate at the CSH Gold Project. The eventual total gold recovery rate for all ore can be reached after five years. The ROM ore extracted from 2007 to December 31, 2009 is expected to reach 53% over this period of time, which is less than the 80% recovery rate originally expected. Increased development costs, lower output or higher operating costs may all combine to make a mine less profitable than expected at the time of the development decision. There can be no assurance that the Company will be adequately compensated by third-party mine design and construction companies in the event that a mine did not meet its expected design specifications.

Jinshan's business may also be disrupted by a variety of other risks and hazards, including environmental hazards, industrial accidents (including but not limited to mishandling of dangerous articles), technical or mechanical failures, processing deficiencies, labor disputes, community protests or civil unrest, unusual or unexpected geological occurrences, severe seismic activity, flooding, discharge of toxic chemicals, fire, explosions, and other delays. Accidents, technical difficulties, mechanical failures or plant breakdowns encountered in the exploration and development, mining and processing activities could result in disruptions to operations and increases in operating costs or personal injuries. Environmental events such as changes in the water table (man-made or naturally occurring), mud-slides and instability of the stopes could materially and adversely affect underground and open-pit mining. Mishandling of dangerous articles such as explosives and toxic materials could result in material disruptions to operations. The occurrence of any of these risks and hazards 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), which could materially and adversely affect the business and results of operations.

**Jinshan may not complete the sale of the Dadiangou Gold Project.**

Jinshan has ceased all development on the Dadiangou Gold Project and, along with its CJV partner, proposes to sell the project. To date, the Company has not consummated a sales agreement, and there is a risk that the Company will never complete such a sale or only complete such a sale on lower than expected commercial terms. In such event, the Company will be deprived of any substantive benefit from its investment in the Dadiangou Gold Project.

**Jinshan may not be able to maintain an adequate and timely supply of electricity, water, auxiliary materials, equipment, spare parts and other critical supplies at reasonable prices or at all.**

Cost effective operations of the CSH Gold Mine depends, among other things, on the adequate and timely supply of electricity, water and auxiliary materials. Major auxiliary materials used in production include forged steel grinding balls, chemical products, explosives, lubricating oil, electric wires and cables, rubber products and fuel. Auxiliary materials are sourced from domestic suppliers and equipment from suppliers in the PRC and other countries. If supplies of auxiliary materials, equipment or spare parts are interrupted or their prices increase, or existing suppliers cease to supply the Company on acceptable terms, Jinshan’s business, financial condition and results of operations could be materially and adversely affected.

**There are certain risks relating to the real properties that Jinshan owns, uses or leases.**

There are a number of title defects relating to the real properties that Jinshan owns, uses or leases. As a result of these defects, the Company faces title related risks. There is a risk that the Company will be subject to challenges, lawsuits or other actions taken with respect to the properties owned, used or leased. If any of the owned or leased properties were successfully challenged, it may impact operations and the Company could be materially and adversely affected by any lawsuits or actions unfavorably decided or resolved against it.

**Jinshan’s operations are governed by extensive and increasingly stringent environmental and other laws and regulations.**

The Company’s operations are subject to extensive PRC environmental laws and regulations relating to air and water quality, waste management and public health and safety. To comply with these laws and regulations, Jinshan incurs significant costs associated with its production facilities, production process and the installation of pollution control equipment. Jinshan must undergo inspections by relevant PRC environmental authorities and maintain various environmental permits. Failure to comply with relevant PRC environmental laws and regulations could materially and adversely affect business and results of operations.

In addition, PRC environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed mines and a heightened degree of responsibility for companies and their officers, directors and employees. Amendments to current PRC laws and regulations 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 expenditure, production costs or reductions in levels of production at producing properties or require abandonment or delays in development of new mining properties.

**Mining operations have a limited life and eventual closure of these operations will entail costs and risks regarding ongoing monitoring, rehabilitation and compliance with environmental standards.**

The CSH Gold Project has a limited mine life. The key costs and risks for mine closures are: (i) long-term management of permanent engineered structures (such as tailings dams) and acid drainage; (ii) achievement of environmental closure standards (such as rehabilitation requirements); (iii) orderly retrenchment of employees and third-party contractors; and (iv) relinquishment of the sites with associated permanent structures and community development infrastructure and programs to new owners. The consequences of a difficult closure range from increased closure costs and handover delays to ongoing monitoring and environmental rehabilitation costs and damage to reputation if desired outcomes cannot be achieved. In the event of a difficult closure, the Company's business and results of operations could be materially and adversely affected.

In an effort to address mine closure and other geological environment issues, a mining company is required to submit rehabilitation undertakings and pay rehabilitation deposits to the relevant government authorities under applicable PRC laws and regulations. Jinshan has submitted the rehabilitation undertakings and paid the installments of rehabilitation deposits that have become due with respect to the CSH Gold Project. However, in the event of non-compliance of applicable rehabilitation, undertakings or deposits requirements in the future, the Company could be subject to a variety of penalties and other administrative actions, including inability to proceed with certain administrative procedures relating to mining permits (including annual inspection, renewal, alteration and mortgage registration), suspension of mining permits or ceasing of operations.

**Dividends payable by Jinshan to foreign investors and gain on the sale of its Shares may become subject to withholding taxes under PRC tax laws.**

Pursuant to new PRC Enterprise Income Tax Law and implementation regulations issued by the State Council, to the extent any dividends for earnings derived since January 1, 2008 are considered sourced within China, PRC income tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises" (and that do not have an establishment or place of business in China, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business). Similarly, any gain realized on the transfer of the Common Shares by such investors is also subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China. If the Company is considered to be a "resident enterprise", the dividends it pays with respect to its Common Shares would be treated as income derived from sources within China and be subject to PRC income tax. It is uncertain whether the Company will be considered a PRC "resident enterprise". Accordingly, there is uncertainty as to whether the dividends payable to Jinshan's foreign investors, or the gain its foreign investors may realize from the transfer of its Shares, would be treated as income sourced within China and be subject to PRC tax. If the Company is required under the new tax law to withhold PRC income tax on dividends payable to foreign shareholders who are "non-resident enterprises," or if shareholders are required to pay PRC income tax on the transfer of their Common Shares, the value of shareholders' investment in the Common Shares may be materially and adversely affected.

**Limitations on the ability of CJVs to pay dividends could have a material adverse effect on Jinshan's ability to conduct business.**

Jinshan is a holding company and expects to rely on dividends and other distributions to be paid by IMPM for future cash and financing requirements, and to service any debt and pay its expenses. Relevant PRC laws, rules and regulations permit payments of dividends only out of retained earnings, if any, determined in accordance with PRC accounting standards and regulations. Under PRC laws, rules and regulations, each of the entities incorporated in the PRC is required to set aside a portion of its net income each year to fund certain reserves and to make up for previously accumulated losses before it can distribute dividends to its shareholders. These reserves, together with the registered equity of these entities, are not distributable as cash dividends. As a result of these PRC laws, rules and regulations, IMMI will be restricted in its ability to distribute dividends.

**The global financial markets have experienced significant volatility recently, which have had negative repercussions on the global economy. As a result, Jinshan's business, financial condition and results of operations could be materially and adversely affected.**

Certain recent adverse financial developments have impacted the global financial markets. These developments include a general slowing of economic growth globally, substantial volatility in equity securities markets, and volatility and tightening of liquidity in credit markets. While it is difficult to predict how long these conditions will last, they could continue to present risks for an extended period of time, including increase in interest expenses on the Company's bank borrowings, or reduction of the amount of banking facilities currently available. If the economic downturn continues, the Company's business, financial condition and results of operations could be materially and adversely affected.

**Jinshan's risk management and internal control systems may not be adequate or effective.**

Jinshan's Directors together with senior management are responsible for overseeing internal control policies and procedures. The Company has established risk management and internal control systems consisting of relevant organizational framework policies, procedures and risk management methods that it believes are appropriate. In order to enhance internal control and risk management system, the Company engaged a qualified consulting firm, which has adequate experience in providing enterprise risk services, to perform an internal control review.

Jinshan believes it has a proper internal control and risk management system in place. However, it has in the past experienced weaknesses in internal controls. The Company has undertaken efforts to address the causes of the internal control weaknesses. But there will always be inherent limitations in the design and implementation of these systems. There can be no assurance that the systems will be sufficiently effective in identifying and preventing all such risks. In addition, as some of the Company's risk management and internal control policies and procedures are relatively new, the Company may need to establish and implement additional policies and procedures to further improve systems from time to time. Since risk management and internal controls depends on the implementation by employees, there can be no assurance that such implementation will be free from human errors or mistakes. If the Company fails to timely implement policies and procedures, or fails to identify risks that affect the business with sufficient time to plan for contingencies for such events, the business, results of operations and financial condition of the Company could be materially and adversely affected.

**Jinshan may not be able to retain or secure key qualified personnel, key senior management or other personnel.**

Recruiting and retaining qualified personnel is critical. Jinshan depends on certain key qualified personnel, key senior management and other employees in its business. The Company is led by a distinguished integrated PRC and international management team. As the business grows, the Company may recruit additional management and other personnel. There is no assurance that the key qualified personnel will continue to provide services or will honor the agreed terms and conditions of employment or contracts. Any loss of key personnel or failure to recruit and retain personnel for the Company's future operations and development could have a material adverse effect on Jinshan's business and results of operations.

**Jinshan may not be adequately insured against losses and liabilities arising from operations.**

Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological 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.

Jinshan maintains insurance within ranges of coverage consistent with industry practice in the PRC. However, in line with industry practice in the PRC, it 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.

In the event that Jinshan suffers a significant liability for which it is not insured or its insurance coverage is inadequate to cover the entire liability, Jinshan's business and results of operation could be materially and adversely affected.

**Some of Jinshan's Directors and officers are directors and officers of other mineral resource companies and these directors and officers may encounter conflicts of interests with Jinshan.**

Some of Jinshan's Directors and officers are directors or officers of other mineral resource companies. To the extent that such other companies may participate in ventures in which Jinshan may participate, these directors and officers 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 is required to disclose the conflict to a meeting of the Board. If the conflict involves a director, the director is required to abstain from voting for or against the approval of such participation or such terms. In appropriate cases, the Company 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 are required to act honestly in good faith, with a view to its best interests of the Company.

**Jinshan faces increasing domestic and foreign competition.**

Jinshan faces increasing competition from both domestic and international gold and other nonferrous metal producers. Major competitors are large international gold and nonferrous metals producers. These competitors may have certain advantages, including greater financial, technical and raw materials resources, greater economies of scale, broader name recognition and more established relationships in certain markets. Increased competition may prevent Jinshan from acquiring new properties and ultimately may have a material adverse impact on the business, results of operations and growth prospects.

**Failure to discover new reserves, maintain or enhance existing reserves, develop new operations or expand current operations could negatively affect the business and results of operations.**

Mining exploration is unpredictable in nature. The success of any mining exploration program depends on various factors including, among other things, (i) whether ore bodies can be located; (ii) whether the location of ore bodies are economically viable to mine; (iii) whether appropriate metallurgical processes can be developed and appropriate mining and processing facilities can be economically constructed; and (iv) whether necessary governmental permits, licenses and consents can be obtained.

In order to maintain mineral production beyond the life of the current proven and probable reserves, the Company must identify further reserves capable of economic exploitation. However, due to the unpredictable and speculative nature of this industry, there is no assurance that any exploration program will result in the discovery of valuable resources. If a valuable resource is discovered, it can take several years and capital expenditure from the initial phases of exploration before production commences during which period the capital cost and economic feasibility may change. There is also no assurance that reported resources can be converted into reserves. Furthermore, actual results upon production may differ from those anticipated at the time of discovery.

To access additional reserves in explored areas, the Company will need to successfully complete development projects, including extending the CSH Gold Mine and developing or acquiring new mines. There are a number of uncertainties inherent in the development and construction of any new mine or an extension to an existing mine, including: (i) the availability and timing of necessary governmental approvals, (ii) the timing and cost necessary to construct mining and processing facilities, and the availability and cost of smelting and refining arrangements; (iii) the availability and cost of labor, utilities, auxiliary materials and other supplies and the accessibility of transportation and other infrastructure; and (iv) the availability of funds to finance construction and production activities. Accordingly, there is no assurance that any future exploration activities or development projects will extend the life of existing mining operations or result in any new economic mining operations.

**Changes to the PRC regulatory regime for the mining industry may materially and adversely affect the business and results of operations.**

The PRC local, provincial and central authorities exercise a substantial degree of control over the gold industry in the PRC. Jinshan's operations are subject to a range of PRC laws, regulations, policies, standards and requirements in relation to, among other things, mine exploration, development, production, taxation, labor standards, occupational health and safety, waste treatment and environmental protection and operation management. Any changes to these laws, regulations, policies, standards and requirements or to the interpretation or enforcement thereof may increase Jinshan's operating costs and thus adversely affect its results of operations.

Although Jinshan seeks to comply with all PRC laws, regulations, policies, standards and requirements applicable to the mining industry or all changes in existing laws, regulations, policies, standards and requirements, there can be no assurance that the Company will be able to comply with them economically or at all. Furthermore, any new PRC laws, regulations, policies, standards and requirements or any change in existing laws, regulations, policies, standards and requirements may also constrain future expansion plans and adversely affect profitability.

**PRC political, economic and social conditions government policies could affect Jinshan's business.**

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. Currently all of its operating assets are located in the PRC and all revenue is derived from operations in the PRC. Results of operations and prospects are subject, to a significant degree, to economic, political and social developments in the PRC. The economy of the PRC differs from the economies of most developed countries in many respects, including the extent of government involvement, the level of development, the growth rate and government control of foreign exchange.

The PRC economy has traditionally been centrally planned. Since 1978, the PRC government has been promoting reforms of its economic and political systems. These reforms have brought about marked economic growth and social progress in the PRC, and the economy of the PRC has shifted gradually from a planned economy towards a market-oriented economy. Jinshan believes that it has benefited from the economic reforms implemented by the PRC government and its economic policies and measures. However, there is no assurance that the PRC government will continue to pursue economic reforms. In addition, while the PRC's economy has experienced significant growth in the last three decades, growth has been uneven across both geographic regions and the various sectors of the economy. Jinshan's business, results of operations, financial condition and prospect may be adversely affected by the PRC government's political, economic and social conditions and government policies.

**Jinshan's business could be negatively affected by changes and uncertainties in the PRC legal system.**

The PRC legal system is based on civil law system. Unlike a common law system, prior legal decisions and judgments have limited significance for guidance. The PRC is still in the process of developing a comprehensive statutory framework. Since 1979, the PRC government has established a commercial law system, and has made significant progress in promulgating laws and regulations relating to economic affairs and matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. However, many of these laws and regulations are relatively new. The implementation and interpretation of these laws and regulations remain uncertain in many areas and may not be consistent with long-standing local conventions and customs. As a result, there may be ambiguities, inconsistencies and anomalies in applicable agreements or the legislation upon which these agreements are based, which are atypical of more developed legal systems and which may affect the interpretation and enforcement of rights and obligations. Furthermore, the PRC legal system is based in part on government policies and administrative rules that Jinshan may not be aware. Moreover, the legal protections available under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action may be protracted and could result in substantial costs and diversion of resources and management attention.

In addition, there are several levels of government with influence over the CSH Gold Project. A loss of support by any one of those levels of government could result in substantial disruption in the 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. It may also occur at a provincial or local level, in which the ability to conduct operations is hindered by aggressive or capricious application of jurisdiction within the control of a particular level of government.

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

Jinshan is incorporated in British Columbia. In the event of a dispute arising from or in respect of its operations in the PRC, the Company may be subject to the exclusive jurisdiction of PRC courts or may not be successful in subjecting foreign persons to the courts in Canada, Hong Kong or other jurisdictions. Jinshan may also be hindered or be prevented from enforcing its rights with respect to a governmental entity or instrumentality because of the doctrine of sovereign immunity.

**Government control of currency conversion and changes in the exchange rate between the RMB and other currencies could negatively affect Jinshan's financial condition, operations and ability to pay dividends.**

The RMB currently is not a freely convertible currency. All of the Company's revenue is in RMB and Jinshan will need to repatriate earnings outside of China and convert RMB to foreign currency for payment of dividends, if any, to the shareholders. Under the current foreign exchange regulations in the PRC, PRC subsidiaries will be permitted to effect foreign exchange for current-account transactions (including the distribution of dividends) through accounts permitted by the PRC government. Under existing PRC foreign exchange regulations, profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE or its local branch is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. There can be no assurance that the PRC government will refrain from imposing restrictions on foreign exchange transactions for current-account items, including the payment of dividends.

**Certain restrictions on foreign investment in the PRC mining industry could materially and adversely affect the business and results of operations.**

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

## CSH Gold Project

The scientific and technical information in respect of the CSH Gold Project contained in this Section of the AIF represents a summary from the CSH Technical Report. A complete copy of the CSH Technical Report is available on SEDAR at www.sedar.com.

### *Project Description and Location*

The CSH Gold Project is located in Inner Mongol Autonomous Region of Northern China (Inner Mongolia). The property hosts two low-grade, near surface gold deposits, along with other mineralized prospects. The main deposit is called the Northeast Zone (the "Northeast Zone"), while the second, smaller deposit is called the Southwest Zone (the "Southwest Zone").

The CSH Gold Project is operated and owned by IMPM, a CJV in which Jinshan holds a 96.5% interest and Brigade 217 holds the remaining 3.5%.

Jinshan's rights to the property are held through an exploration license and a mining permit (the "CSH Mining Permit") that are contiguous to each other. The exploration license (No. T01120081102018362) covers 25.91 square kilometres and is valid until August 3, 2010 and can be renewed by carrying out qualified exploration work. The CSH Mining Permit (No. 1000000610103) covers 10.0892 square kilometres and is valid until August 30, 2013 with a right of renewal.

The production rate specified in the CSH Mining Permit is 6.6 million tonnes per annum (20,000 tpd based on 330 working days) at a grade of 0.5 g/t or greater. Based on variance in grades produced which includes gold at less than 0.5 g/t gold, the Company and relevant PRC ministries have confirmed that the CSH Mining Permit is sufficient for current mine production at 30,000 tpd and no further permitting or approvals are required to operate at this production rate. Meanwhile, the elevation boundaries of the CSH Mining Permit are from 1,436 m to 1,696 m, which does not cover the full extent of identified mineral resources and reserves. IMPM has started the process of applying for a confirmation letter from the Ministry of Land and Resources to cover the mineral resources and reserves located below the lower elevation limits of the current CSH Mining Permit. In the meantime, IMPM has applied for an exploration licence to cover the ground below the CSH Mining Permit.

The regulatory framework governing environmental matters in China includes several laws regulating the use, extraction and treatment of water. There are also a number of laws and regulations within the mining legislative regime and otherwise that regulate the environment which impact the CSH Gold Project. Jinshan has completed several studies relating to the environment demonstrating compliance with local and international norms, including a soil and water conservation study, a cultural and heritage survey, an international environmental and social impact assessment, a geological disaster assessment, an impact of previous mining activities study and an environmental base line database study.

To the Company's knowledge, there are no recognized environmental problems that may preclude or inhibit mining operations in the area of the CSH Gold Project.

***Accessibility, Climate, Local Resources, Infrastructure and Physiography***

The CSH Gold Project is located approximately 650 kilometres northwest of Beijing and access is from the city of Baotou (population of 1.5 million) via 210 km of mostly paved road. Daily scheduled airline flights from Beijing service Baotou. Baotou is the central service and supply point for the general area. Much of the labour for the CSH Gold Project is from this area.

The project is located on the Inner Mongolian Plateau, an area of gently rolling hills with elevations ranging from 1,550 to 1,750 m above sea level. The climate is semi-desert with average annual precipitation of 230 millimetres. The summers are dry and comfortable with temperatures rarely exceeding 30 degrees Celsius. The winters are cold and windy with cold spells down to minus 25 degrees Celsius. Winter conditions prevail from early October through mid-March, but snowfall is minimal.

Vegetation consists of sparse desert grasses with scrub bushes and outcrop exposure generally being abundant. There are few inhabitants within the general area of the CSH Gold Project with most of the land being used only for low intensity sheep and goat grazing.

There is abundant availability of mining personnel. With the open rolling terrain, there is an abundance of land available for mine infrastructure purposes, including waste disposal areas, heap leach pad areas, and processing plant sites. There are sufficient surface rights for mining purposes. Sufficient power and water supplies have been secured for mining purposes.

The main water source for the mine is from the Molen River, located approximately five kilometres southwest of the project area. The Company has received appropriate water usage permits to pump up to 980,000 $m^3$ of water from the river and nearby aquifers. Power is sourced from 35 kilovolt power line and converted to appropriate voltage through two substations.

In addition, there is an additional water resource in the mining area that must be abstracted to keep the pit excavation from flooding.

***History***

Gold mineralization associated with extremely narrow quartz veins at the CSH Gold Project area was discovered by the 512 Brigade of the Bureau of Geology and Mineral Resources of Inner Mongolia in the 1970s. However, the mineralization was considered too small and discontinuous to be of interest and consequently was abandoned. The Brigade 217 acquired the prospect in 1991 and explored the property from 1992 to 1998. Exploration work completed by the Brigade 217 included soil and rock geochemical sampling, surface trenching, the driving of a 188-m-long decline, and the heap leaching of a 30,000 tonne test sample on site.

In 1998, the Brigade 217 entered into a joint venture with Mr. Wang Kong, a Chinese individual resident in Vancouver, Canada, who agreed to finance a drilling program. However, the program was abandoned when the rig failed to drill beyond 80 m in the first hole, and further funding was withheld.

In 1999, the Brigade 217 entered into another joint venture with a Canadian consortium, Southwestern – Global Pacific Joint Venture (“SWGP”). This joint venture covered not only the 36-$km^2$ area of the CSH property held by the Brigade 217 but also the approximately 342-$km^2$ area surrounding the CSH property controlled by Inner Mongolia Exploration Bureau of China National Nonferrous Metals Corporation. The combined areas were operated as a single project known as the Haoya Project. Work completed in 1999 included satellite imagery, geological mapping, extensive trenching and rock geochemistry (more than 3,000 samples), and the drilling of ten widely-spaced DDH, with a total drilled length of 2,797 m. The 1999 work confirmed the presence of a major low-grade gold mineralization system and suggested a significant potential for a bulk-tonnage, low-grade, open-pit gold target. The SWGP joint venture agreement was terminated in 2000 largely due to the downturn in the mining industry as a consequence of low gold prices.

In 2002, the Brigade 217 formed the CJV representing the CSH Gold Project with the Company, and a major drilling program comprising 4,997 m of drilling in 23 DDH holes was completed in the same year. In addition, a 750-kg bulk sample from core and surface trenches was sent to SGS Lakefield Research in Canada for preliminary metallurgical test work.

Several additional phases of drilling and metallurgical testing were completed from 2003 to 2005. A positive feasibility study for a conventional open-pit mining, heap-leach processing operation was completed by in May 2006. This was followed by mine construction and development through to mid-2007, when pre-commercial ROM production at 20,000 tpd commenced.

*Historical Production*

Before the current mining operation, four types of historical gold mining activities occurred in the CSH Gold Project area, including historical small-scale alluvial or placer gold mining in the nearby CSH creek, small-scale artisanal mining on small gold-bearing quartz veins and sulfide stringers from mineralized zones worked on by the Brigade 217 from 1993 to 1998, unlicensed small open-pit mining – heap leaching operation on the Southwest Zone in the periods of 1997-1999 and 2002-2004, and limited trial-mining and test-leaching from the Northeast Zone by the Brigade 217 from 1995 to 1997. Total gold production from these historical mining activities is estimated to be approximately 15,000 oz. These historical mining activities were generally confined to the near-surface zones of the mineralization and do not have any significant impact on the current mining operation.

The CSH Gold Project started construction in January 2006 and mining operation in April 2007. In July 2007, Jinshan completed the construction of the 20,000-tpd gold recovery facility, consisting of ROM heap leaching, carbon-in-column ("CIC") gold absorption, carbon stripping, carbon regeneration and acid washing, bullion smelting, and reagent systems, along with the necessary ancillaries such as plant-site electrical systems, water system, shops, camp facilities, and access roads. By the end of July 2007, Jinshan successfully produced its first 500-oz gold doré bar, and in July 2008 the CSH Gold Project was designated as being in commercial production.

Initial production was from the heap leaching of the ROM ore from the weathered (oxide and mixed) zone of the CSH deposit. Since operations commenced in 2007, the Company has experienced erratic gold production, and was not able to meet gold production estimates set out in prior feasibility studies of approximately 9,000 oz per month. The Company has identified several reasons for this, including in particular greater than expected amounts of sulphide ore than oxide ore, which is not amenable to ROM processing, larger rock size placed on the heap leach pad by the mining contractor than modelled which is resistant to ROM processing and a seasonal slowdown due to cold weather in winter months. While the Company has been unable to control the mixture of sulphide and oxide ore, which is believed to have the most dramatic effect on recovery rates during ROM operations, the Company has implemented numerous adjustments and improvements to operations that have resulted in a steady, incremental increase in monthly recovery rates. By the Fall of 2009, average monthly recovery rates were nearing the 9,000 ounce per month level.

A major 30,000-tpd crushing plant was installed in August 2009 and underwent a process of commissioning and adjustment through the Fall of 2009 and early 2010. Mine production now consists of almost entirely crushed ore, and the crusher reached nameplate operating capacity of 30,000 tpd in March 2010.

***Geological Setting***

The CSH Gold Project is located within the North China Gold belt extending along the northern margin of the North China craton.

Gold mineralization of the CSH Gold Project is hosted by the Middle to Upper Proterozoic metasedimentary rocks of the Bayan Obo Group. The Bayan Obo Group is divided, in a stratigraphically ascending order, into the Duhala Formation meta-conglomerates, meta-feldspathic quartzose sandstones, and meta-feldspathic wackes; Jianshan Formation slates, andalusite hornfels, meta-siltstones, and meta-quartzose wackes; Halabougete Formation dolomitic limestones intercalated with cherty slates and siliceous, calcareous clastic units, including sandstones, siltstones, and slates; Bilute Formation phyllites, schists, meta-sandstones, meta-siltstones, and meta-wackes; Baiyinbaolage Formation meta-sandstones, slates, and meta-siltstones; and Hujirtu Formation limestones, hornfels, skarns, slates, and meta-sandstones.

Only the middle portion of the Bayan Obo Group is present at the CSH Gold Project area, including the Jianshan, Halabougete and Bilute Formations. The second member of the Bilute Formation is the host for all significant gold mineralization on the property, and it consists of carbonaceous intercalated phyllites and andalusite-garnet schists, with minor meta-siltstones and meta-wackes. Schistosity of this unit dips quite uniformly to the north but noticeably steepens and is even slightly overturned in the western part of the property. The metasedimentary rocks have been folded into a tight syncline in the mine area.

Intrusive rocks emplaced during the Late Caledonian, Hercynian, and Indosinian orogenies are widely distributed in the CSH Gold Project area. Major granitoid batholiths outcrop to the north and south of the CSH gold deposit. Within the area of gold mineralization, numerous igneous bodies, traditionally described as dikes of various compositions, are present within the metasedimentary sequence. These bodies include diabase, lamprophyre, diorite, alpines, and pegmatite. The pegmatite and some diorite and lamprophyre bodies appear concordant with the bedding, as indicated by the drill cores. These bodies are generally barren of gold values.

Gold mineralization is controlled by an east-northeast-trending ductile-brittle shear zone located in the second member of the Bilute Formation in the south limb of the syncline. The shear zone is generally parallel to the foliation of the regional metamorphism but with a small cutting angle of around 10° to the foliation.

***Mineralization***

Gold mineralization at the CSH Gold Project is divided into the Northeast Zone and Southwest Zone. The two deposits are offset by a fault structure.

The gold mineralization is composed of thin (1 to 10 millimetre) sulfide and quartz-sulfide seams/veinlets, stringers, and boudinaged lenses, which are concordant with the bedding and foliation and trend along the shear zone. Much quartz vein material has been logged in the drill holes associated with the higher-grade gold sections. The higher-grade gold zones are parallel or sub-parallel the regional metamorphic foliation texture. In most cross-sections connecting of the higher-grade intervals shows relatively consistent dip angles of the mineralization zones ranging from 82 to 85 degrees in the Northeast Zone, and 87 to 89 degrees and dipping opposite in the Southwest Zone.

Three distinctive styles of mineralization are noted within the target stratigraphy: (i) in the upper third of the sequence, the mineralization is dominantly quartz rich with only minor sulfide seams; (ii) in the lower third of the sequence, the mineralization is dominantly of the sulfide seam type with only rare scattered quartz material; and (iii) in the middle of the sequence, the mineralization is an even mixture of the above two types.

The principal type of mineralization is native gold occurring directly with the sulfides in the seams and in association with the quartz vein material. Mineralogical work by SGS Lakefield in Canada on composite weathered (oxide and mixed) and fresh (sulfide) mineralization samples found 77 percent of the gold was free in the sulfide composite and 100 percent of the gold was free in the weathered sample. Pyrite and some phyrrotite are the most abundant sulfides. Trace amounts of arsenopyrite, chalcopyrite, sphalerite and galena have also been reported.

Surface work and diamond core drilling have defined the mineralized zone over a continuous strike length of 4.8 km trending east-northeasterly across the CSH Gold Project area, with drilling to a maximum vertical depth of 375 m. Width of the mineralized zone varies, and a maximum width of approximately 300 m was found in the eastern part of the deposit.

The Northeast Zone has a strike of N55°E. It is approximately 1,650-m long along strike and 20-m to over 300-m wide. The Southwest Zone is located 400 m to the southwest of the Northeast Zone and has a strike of N75°E. The zone is 2,250-m long and 40-m to 100-m wide. The two mineralized zones are generally open at depth.

In addition to the fault that offsets the two mineralized zones, there is also a major fault parallel to the mineralization longitudinally. There are also several other small-scale, cross-cutting faults with limited offset within the mineralized zone.

The upper part of the mineralized zone has been weathered (or oxidized) to a depth of generally between 40 m to 70 m; however, the sulfide minerals have not been completely oxidized at the lower portion of the weathered zone. Therefore, the weathered zone actually consists of both oxide and mixed materials.

***Exploration***

In 2002, the Company conducted magnetic and electro-magnetic surveys on the property, followed by a major drilling program. In addition, a 750 kilogram bulk sample from earlier core and surface trenches was sent to SGS Lakefield for preliminary metallurgical test work.

In addition to drilling, between 2003 and 2005 Jinshan conducted further exploration work on the property. This work included a further one tonne sample that was shipped to SGS Lakefield in 2003 for leach testing. In 2004, a 310 metre decline with 101.8 metre cross-cut was driven to the centre of the Northeast Zone below the weathered/fresh interface for metallurgical sampling. As a pilot mining program, a total of 100,000 tonnes of oxide ore was mined from the Northeast Zone for heap-leach testing at the site. In 2005, the heap-leaching test at the site was completed.

Since 2006, most exploration work on the property has been in the form of drilling.

***Drilling***

To the effective date of the CSH Technical Report, 185 holes had been drilled on the CSH Gold Project, amounting to approximately 41,483 m of drill core.

All of the drilling has been completed with the equivalent of HQ core equipment producing cores approximately 60 millimetres in diameter.

From July to November 2002, Jinshan completed an initial program of 23 diamond drill holes totalling 4,997 metres. The program was principally focused on testing a gold bearing shear zone in the Northeast Zone, and 20 holes were drilled on nominal 50 metre centres. One other hole was drilled to test an extension of mineralization on the Southwest Zone and two geophysical holes were drilled in another area with non-prospective results. Generally, the drill holes were drilled southerly at angles of –45 degrees and –60 degrees to intersect the mineralized strata dipping at 80 degrees to 85 degrees to the north. Core recovery averaged over 98 percent, with very few holes lost due to bad ground conditions.

From 2003 through to 2005, Jinshan undertook annual drill campaigns that allowed Jinshan to complete resource estimates and quantify the size and scope of both the Northeast and Southwest Zones. This was followed by further drilling campaigns in 2007 through to 2008 to increase confidence levels in resource estimates and test extensions of mineralization. In 2007, 41 holes at approximately 11,500 metres were drilled, while in 2008, 23 holes at approximately 5,000 m were drilled.

Jinshan used two Chinese contractors for its drilling, using modern Longyear, Atlas Copco and Boyles Bros. equipment complete with wire line, mudding systems, and double and triple wall rods.

All drill holes were surveyed down-the-hole using a Sperry-Sun single-shot survey instrument providing a photographic record of the hole angle and direction at 50 metre intervals. Most of the holes were drilled from the north side toward the east-southeast direction at a dip angle of -45egrees (sometimes to -60 degrees). The collars of the drill holes have been surveyed by a contractor from Yinchuan. The collar locations were surveyed using a laser total station and tied to survey control points established with differential GPS.

All cores were logged by geologist and sampled at the core logging, sampling and storage facility on site. The procedures for core logging and sampling included fitting the core together in the trays, then measuring core recovery; estimating percentage of quartz veinlets and sulfide or oxide content, and identifying weathered rock and fresh rock interface; marking sample intervals by the geologist; cutting the core into two halves using a diamond saw; measuring the angle between core axis and bedding, foliation, dikes, and other structures; and describing lithology, mineralogy, structure, and mineralization.

The topography surface used for resource modeling and mine planning was based on a survey completed by the Baogang team in the summer of 2005 and an additional patch to the southwest of the mineralized zone. Topographic surface for the operating pit area was constantly surveyed by Total Stations and was merged into the larger topographic surface. The topographic surface used for the current resource model was dated December 31, 2009.

***Sampling and Analysis***

All samples were analysed by fire assay with atomic adsorption finish by Tianjin Lab, SGS China, from crushed minus 10 mesh samples prepared by Baogang Laboratory in Baotou, Inner Mongolia. The entire drill core was logged and then split in half by saw with one half then being submitted for assay and the balance being retained on site for reference. The cut half-cores are stored at the XinHuRe (CSH) base camp.

Being a bulk tonnage, low-grade deposit, sampling tended to be uniform with a nominal sample length of 1.8 metres and average weight of 7.1 kg. Given the holes were drilled at -45 and -65 degrees, the true thickness for a two metre long core sample is 1.4 metres and 0.85 metres, respectively.

These core samples cover an area of 1,600 metres long and 350 metres wide in Northeast Zone and an area of 2,300 metres long and 150 metres wide in the Southwest Zone. The average weight of a half core sample for a two metre interval is 8.3 kilograms.

Field geologists recorded the following information for all geological samples collected for analysis and for reference samples: field sample numbers; laboratory sample numbers where samples, standards and duplicates were numbered in the same consecutive numbering system; drill hole numbers and sampled intervals; and date of sample collection.

Since 2005, all samples were trucked directly to the Baogang Laboratory in Baotou, a three hour drive from the base camp. This is a laboratory fully certified by the Chinese Government. Samples were delivered to the laboratory directly by Jinshan personnel. At no time during the shipping from the field to the laboratory were the samples out of the direct supervision of Jinshan personnel.

The entire sample as received at laboratories was crushed to minus 10 mesh and split to create a 500 gram sized sample. This sample was shipped for further assay, being ALS Chemex in North Vancouver to 2007, and the Tianjin Lab of SGS China thereafter, while the other sample was shipped back to base camp.

At SGS lab, the assay the samples were dried, pulverized to approximately 95 percent minus 200 mesh and recorded weights of +/- fractions. The gold content was determined using the standard screened metallic fire assay techniques. Two fire assay gold determinations were done on the minus fractions and single fusion on plus fraction. Taking the respective weights into account, the gold values are then back calculated to give the original gold content.

As part of the data quality assurance and quality control procedures (“QA/QC”), several sample preparation and assaying checks were implemented for the 2007 drilling program. This complemented an original QA/QC program established and implemented from 2003 to 2005.

The 2007 QA/QC program consisted of blank samples, pulp duplicate samples and reference material of three different known grades, which are commercial standards purchased by Jinshan.

The authors of the CSH Technical Report noted some discrepancies and errors in the assaying process based on the 2007 and 2008 QA/QC testing, and reported that assay results for duplicate samples show relatively large variation. Subsequent heterogeneity testing suggests a confidence level for samples above a cut-off grade of 0.20 g/t gold at +/-25%. This poor precision has an impact on individual grades on a block by block basis, but is not considered significant when larger volumes are considered. The authors confirmed that sample preparation, security and analytical procedures are adequate for the calculation of mineral resource and mineral reserves that form part of the CSH Technical Report and this AIF.

***Metallurgical Testing and Mineral Processing***

Initial metallurgical testing of the ore was primarily performed for Jinshan by SGS Lakefield between 2002 and 2004. This was followed by a phase of testwork on large samples in 2004 and 2005, and finally testing in 2009 that focused on the effects of feed head grade and crush size.

The first phase of testing included composite preparation and head sample analysis, mineralogical examination, standard and CIL whole ore leach tests, gravity test work, cyanide destruction and environmental analysis. Jinshan also utilized metallurgical and mineral process data from prior owners, including Brigade 217.

In the second phase, Jinshan conducted a pilot heap leach program in 2004 to test the ore in which approximately 50,000 tonnes of ore from the center of the deposit was extracted and placed on test pads. The results of this program supported prior metallurgical testing and formed the basis of mineral processing assumptions in the feasibility study. The first pilot heap was ROM material, while the second was sulfide ore that was crushed through 125 mm before being placed on the heap. In addition to processing the material on the heap, Jinshan extracted a 60 tonne representative sample of the crushed material, which was delivered in 2005 to METCON Research to formulate composites for large scale column testing at the Baogang Laboratory in Baotou.

In 2009, an investigation was conducted on the drill cores from the fresh zone of the CSH deposits and examined, in detail, the effect of feed size and feed gold grade on the extraction of gold from the ore which will be mined and leached in the future.

The Northeast Zone was subjected to 9 sets of tests while the Southwest Zone was subject to six sets of tests. The purpose was to evaluate gold and silver extraction against the feed size. The leaching time was held nearly constant, at between 120 and 121 days. The reagent consumption was held within the leaching process chemical requirements.

The test results indicate that, in the Northeast Zone, the gold extraction rate was higher at the 6 mm crush size than at the 9 mm size while the silver extraction was higher at the 9 mm size than 6 mm size.

The data and the results of the six sets of tests on the Southwest Zone indicate gold extraction is higher at 9 mm for three sets and 6 mm for three sets, while silver extraction is higher at 6 mm.

Based on the test data the relationships between gold head assay values and gold extraction were plotted for each Northeast and Southwest Zones, for 80% passing 6 mm and 9 mm sizes. From the obtained linear trend lines, the relevant equations were derived. The trend line equations formulae were modified by subtracting five percent from the equations constant to obtain an estimate of gold extraction under the industrial leaching operation conditions.

Leaching with cyanide, agitation or heap; gravity plus flotation followed by the leaching of the concentrates; and gravity concentration alone, were all examined. Cyanide heap leaching was determined to be the most economically feasible approach. Crushing of the heap leach feed was firmly established as necessary. The initial commercial heap leaching recoveries from the previously designated “weathered zone” oxide and mixed) ROM ore appeared to have been significantly lower (only around 53%) than the 80% predicted in prior estimates. After careful consideration of the testwork results and the visit to the open pit, it appeared probable that the so-called weathered ore was actually mostly a mixed ore with significant amounts of fresh (sulfide) material. This was probably the primary reason for the lower gold recovery experienced during ROM operations from 2007 to 2009. BDASIA has reported that the remaining, so-called weathered (oxide and mixed) ore should be treated as fresh (sulfide) material when predicting heap leach gold recoveries.

***Mineral Resource and Mineral Reserve Estimates***

The estimates of mineral reserves and resources on the CSH Gold Project identified below are contained in the CSH Technical Report and were classified using logic consistent with the CIM definitions referred to in NI 43-101. The current estimate of mineral resources for the CSH Gold Project was reported by Dr. Qingping Deng of BDASIA in the CSH Technical Report. Dr. Deng is an independent qualified person for the purposes of NI 43-101.

*Mineral Resources*

The database used to estimate the resources consists of a total of 185 inclined surface drill holes, covering the entire CSH Gold Project (Southwest and Northeast Zones).

The average overall gold grade for the Northeast Zone (weighted by sample length and within the 0.20 grams per tonne envelope) is 0.64 grams per tonne, with a standard deviation of 0.62, and a coefficient of variation ("CV") of 0.97. The samples for the Southwest Zone show more variability, with an average grade of 0.57 grams per tonne, a standard deviation of 0.70, and a CV of 1.22.

The main control used in grade estimation was the 0.20 grams per tonne grade envelope, which defines the boundary between mineralized and un-mineralized zones. This grade threshold is thought to represent a reasonable footwall and hanging wall contact for the gold mineralization. The 0.20 grams per tonne gold mineralization envelopes can be traced from section to section as a consistent 150 to 200 metres wide zone in the Northeast Zone, and 60 to 90 metres wide zone in the Southwest Zone. The resource model in the CSH Technical Report assumes that there is no mineralization of interest outside the 0.20 grams per tonne envelope. The minimum mineralized zone width is 6 m.

A weathered/fresh interface was used in previous resource models, but all ore is considered sulfide ore in the current model.

Two metre long composites were obtained from the original assay data, and coded using the modeled geology as inside or outside the 0.20 grams per tonne envelope.

Correlograms were modeled for the 2-m length composite gold grades above and below 0.20 g/t, as well as for all composites inside the 0.20 g/t gold grade envelopes. A global correlogram model outside the 0.20 g/t envelope was also obtained for the limited estimation of grades outside the envelope. In addition, an indicator variogram model at 0.20 g/t was obtained, which provides an indication of how continuous the mineralized zones are. The correlogram models show that the grade correlation of the 2-m composites is generally 50 m to 75 m for the Northeast Zone and 30 m to 50 m for the Southwest Zone, if considering ranges that correspond to about 60% and 80% of the total variance. Relative nugget effects are 40%. Grade continuity is much better along the strike and down-dip directions than along the across strike direction.

Separate 3-dimensional block models were defined for the Northeast Zone and the Southwest Zone. The Northeast Zone block model used a parent block size of 12.5×12.5×6 m and sub-block size of 6.25×6.25×3 m. A reblocked model with 12.5×12.5×6 m blocks with an estimation of proportion of the block above 0.20 g/t and the grade of that material was delivered for mine planning. The Southwest Zone block model used a parent block size of 12.5×12.5×6 m and sub-block size of 3.125×3.125×3 m. A reblocked model with 6.25×6.25×6 m blocks was used for mine planning.

Block grade estimation was done using the Indicator-modified Ordinary Kriging method. In this method, a model block was used to estimate the proportion of the block above 0.20 g/t using indicator variables for all blocks within the envelope. Block gold grade of the proportion above and below the 0.20 g/t cutoff grade was estimated by Ordinary Kriging ("OK"), using composites above or below the 2.0 g/t cutoff grade, by a three-pass procedure. The block grade then was calculated from the two OK grades, using the proportions as weights. A three-pass search strategy was used for OK grade estimation inside the grade envelopes; the search ellipsoids were oriented with the grade envelope, and search distances were 40×28×16 m (strike×dip×direction perpendicular to the mineralized plane) for pass one, 100×70×40 m for pass two, and 150×105×60 m for pass three for the Northeast Zone. Search distances used for the Southwest Zone were 35×35×17.5 m for pass one, 95×95×47.5 m for pass two, and 175×175×87.5 m for pass three. The number of composites used for block grade estimation ranged from five to eight for pass one, 5 to 10 for pass two, and 3 (Southwest Zone) or 4 (Northeast Zone) to 12 for pass three. Octant search was used. The maximum number of composites per octant was two for the first and second passes in the Northeast Zone and three for the third pass in the Northeast Zone and all three passes in the Southwest Zone. Composite gold grades for pass two and pass three were capped at 7.0 g/t for the Northeast Zone and 6.5 g/t for the Southwest Zone.

All blocks with a pass-one grade estimation were classified as Measured; all blocks with a pass-two grade estimation were classified as Indicated; and all blocks with a pass-three grade estimation were classified as Inferred.

Set forth below are tables summarizing the resource estimates for the Northeast Zone, the Southwest Zone and the combined total resources of the two zones:

**Resource Estimates as of December 31, 2009 under the CIM Standards for the CSH Gold Project**

(inclusive of mineral reserves)

| **Cutoff** | **Measured** | | | **Indicated** | | | **Measured + Indicated** | | | **Inferred** | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **g Au/t** | **Mt** | **g Au/t** | **Moz** | **Mt** | **g/Au/t** | **Moz** | **Mt** | **g/Au/t** | **Moz** | **Mt** | **g Au/t** | **Moz** |
| | | | | | **Northeast Zone Resources** | | | | | | | |
| 0.25 | 78.7 | 0.67 | 1.686 | 110.7 | 0.59 | 2.100 | 189.4 | 0.62 | 3.786 | 0.7 | 0.39 | 0.009 |
| **0.30** | **73.6** | **0.69** | **1.640** | **99.9** | **0.63** | **2.007** | **173.5** | **0.65** | **3.645** | **0.5** | **0.43** | **0.007** |
| 0.35 | 67.4 | 0.73 | 1.574 | 87.8 | 0.67 | 1.879 | 155.1 | 0.69 | 3.453 | 0.3 | 0.48 | 0.005 |
| 0.40 | 61.1 | 0.76 | 1.499 | 75.9 | 0.71 | 1.735 | 137.0 | 0.74 | 3.235 | 0.2 | 0.54 | 0.004 |
| 0.45 | 55.1 | 0.80 | 1.416 | 65.7 | 0.76 | 1.597 | 120.8 | 0.78 | 3.014 | 0.2 | 0.57 | 0.003 |
| 0.50 | 49.1 | 0.84 | 1.326 | 56.9 | 0.80 | 1.462 | 106.0 | 0.82 | 2.789 | 0.1 | 0.63 | 0.002 |
| | | | | | **Southwest Zone Resources** | | | | | | | |
| 0.25 | 35.4 | 0.61 | 0.693 | 41.6 | 0.54 | 0.719 | 77.1 | 0.57 | 1.411 | 0.0 | 0.39 | 0.000 |
| **0.30** | **32.2** | **0.64** | **0.664** | **37.7** | **0.57** | **0.684** | **69.9** | **0.60** | **1.347** | **0.0** | **0.52** | **0.000** |
| 0.35 | 28.8 | 0.68 | 0.628 | 33.0 | 0.60 | 0.635 | 61.8 | 0.64 | 1.263 | 0.0 | 0.55 | 0.000 |
| 0.4 | 25.4 | 0.72 | 0.588 | 28.1 | 0.64 | 0.576 | 53.6 | 0.68 | 1.164 | 0.0 | 0.55 | 0.000 |
| 0.45 | 22.1 | 0.76 | 0.542 | 23.4 | 0.68 | 0.512 | 45.5 | 0.72 | 1.054 | 0.0 | 0.55 | 0.000 |
| 0.50 | 18.9 | 0.81 | 0.493 | 19.4 | 0.72 | 0.450 | 38.2 | 0.77 | 0.943 | 0.0 | 0.58 | 0.000 |
| | | | | | **Total Resources** | | | | | | | |
| 0.25 | 114.2 | 0.65 | 2.378 | 152.3 | 0.58 | 2.819 | 266.5 | 0.61 | 5.197 | 0.7 | 0.39 | 0.009 |
| **0.30** | **105.8** | **0.68** | **2.304** | **137.6** | **0.61** | **2.691** | **243.4** | **0.64** | **4.992** | **0.5** | **0.43** | **0.007** |
| 0.35 | 96.1 | 0.71 | 2.202 | 120.8 | 0.65 | 2.514 | 216.9 | 0.68 | 4.716 | 0.4 | 0.49 | 0.005 |
| 0.40 | 86.5 | 0.75 | 2.087 | 104.1 | 0.69 | 2.312 | 190.6 | 0.72 | 4.399 | 0.2 | 0.54 | 0.004 |
| 0.45 | 77.2 | 0.79 | 1.959 | 89.1 | 0.74 | 2.108 | 166.3 | 0.76 | 4.068 | 0.2 | 0.57 | 0.003 |
| 0.50 | 68.0 | 0.83 | 1.819 | 76.2 | 0.78 | 1.913 | 144.2 | 0.80 | 3.732 | 0.1 | 0.62 | 0.002 |

There are no known environmental, permitting, legal, title, taxation, socio-economic, marketing, and political or other relevant issues that may materially affect the resource estimates or the reserve estimates, except as reported in this AIF.

*Reserve Estimate*

The CSH Technical Report includes a reserve estimate and mine plan. The estimate and mine plan utilizes ore from both the Northeast Zone and the Southwest Zone that has been estimated in the measured and indicated category and form part of the open pit mine contemplated for the respective deposits. Reserves have been reported at a cut-off grade of 0.3 g/t as scheduled in the mine plan. The gold price used for optimization was $850 per ounce, while refining and offsite costs were estimated at $3.50 per ounce. Metallurgical recovery inputs varied depending on gold grade between

62% to 81% while the rest of the mining input parameters used to prepare the reserve estimate are summarized in “Mining Operations” below.

**CIM Compliant Mineral Reserve Summary for the CSH Gold Project as of December 31, 2009**

| Reserve Class | tonnes (millions) | Au g/t | Au (000 ounces) |
|---|---|---|---|
| **Northeast Pit** | | | |
| Proven | 62.1 | 0.71 | 1,413 |
| Probable | 44.7 | 0.64 | 926 |
| Subtotal | 106.8 | 0.68 | 2,338 |
| **Southwest Pit** | | | |
| Proven | 21.5 | 0.66 | 456 |
| Probable | 10.5 | 0.61 | 207 |
| Subtotal | 32.0 | 064 | 663 |
| **Total Ore** | | | |
| Proven | 83.6 | 0.70 | 1,868 |
| Probable | 55.2 | 0.64 | 1,133 |
| Total | 138.8 | 0.67 | 3,001 |
| Total Waste in Pits | 181.3 | | |
| Strip Ratio | 1.31 | | |

### *Mining Operations*

*Open Pit Mining*

Mining in the large Northeast pit and the longate Southwest pit is carried out by a contractor utilizing an equipment fleet of thirty-two, 50-tonne Euclid off-highway haulage trucks, six, 4.5 cubic m Hitachi backhoes and five blasthole drills that drill 180-millimeter diameter holes 6.6-m deep. The lower benches are below the water table and require mainly wet-hole blasting using slurry. The mining is performed under a 10-year mining contract with CNRC, signed in November 2008. The contract provides for additional payment by the mine owner for one-way haulage distances above 2.5 km and for the higher cost of wet-hole explosives, but it does not contain a diesel fuel escalator. The contractor performs all required maintenance on its fleet in its own building. The owner provides and supervises the separation of ore and waste and does a monthly survey of the cubic meters of each of these materials mined, and this is the basis of the monthly payments to the contractor. Material is hauled to one of three destinations: the primary crusher, the heap leach pads, or the waste dumps. No low-grade material is stockpiled. The remaining life-of-mine waste-to-ore strip ratio is 1.31 to 1; the current (2010) strip ratio is forecast to be 1.84 to 1. Dilution of the ore by waste, a common problem when a mining contractor is doing the mining, is not a major problem at the CSH Gold Project, because the ore zones are wide and ore waste interfaces are small in number. There have been no significant pit slope failures since the start of operations.

*Processing*

The processing method is conventional heap leaching.

A crushing plant at a designed production capacity of 30,000 tpd to 80%-9 mm was installed in August 2009 to process the fresh (sulfide) ore. The plant includes two primary jaw crushers in open circuit; two HP 800 standard, coarse bowl crushers in closed circuit with screens; and four HP 800 standard, fine bowl crushers also in closed circuit with screens. The early trial runs demonstrated design problems related to roe chutes feeding the crushers and the conveyor belts. Plant modifications were completed at the end of October 2009 and it is now in operation. The crushing plant production commenced operations at its designed capacity of 30,000 tpd in March 2010. The crushed ore is currently transported to the leach pads by highway trucks. An overland conveyor system is in the planning stage to transport the ore from the crushing plant to the leach pads.

The leaching operation involves ore stacking, irrigation with leaching solution, and recovery of gold pregnant solution. Initially, the leach pad was loaded mostly with the coarse ROM ore from the upper portion of the CSH deposit. With the crushers in full production in March 2010, the leach paid will be 100% stacked with the crushed ore.

The gold extraction from the pregnant solution involves carbon-in-column adsorption, carbon elution, stripping, refining and smelting. The pregnant solution from the leaching pad is passed through carbon-filled columns, where the dissolved gold is adsorbed on the carbon grains. Then, the gold from the loaded carbon is stripped, followed by electro-winning. The gold-bearing product, now deposited on the cathodes, is water washed, filtered, dried, and then subjected to smelting in an induction furnace. The furnace product is gold doré assaying about 90% to 95% gold plus silver, with an average silver-to-gold ratio of 0.375 by weight to the end of 2009.

Overall heap leach gold recoveries, based on the above estimates and calculated from average annual gold grades, are estimated to be 71.08% of the Northeast ore assaying an average 0.68 g/t of gold and 70.34% for the Southwest ore assaying an average 0.65 g/t gold. These recoveries are expected to be achieved in the period of five years after having placed the ore on the pad.

The mine production schedule was developed to provide 10.65 million tonnes per annum of ore to the leaching facility. This required a revision and expansion of the earlier conceived heap leaching facilities. The earlier plans called for the total heap leach capacity of 105 million tonnes of ore. This capacity has been increased to a total of 166 million tonnes by increasing rate of stacking from 20,000 tpd to 30,000 tpd; rate of pregnant solution processing from 1,050 cubic meters per hour ("$m^3$/hr") to 1,400 $m^3$/hr; and Phase 2 leach pad area from 353,000 $m^2$ to 473,000$m^2$.

Mining is scheduled to occur until into 2023, and be followed by four years of leaching. Gold production is estimated at approximately 130,000 to 140,000 ounces from 2010 to 2013, and then gradually increasing from approximately 150,000 ounces in 2014 to a maximum of approximately 210,000 ounces in 2021 and 2022. Thereafter recovered gold would decline sharply.

*Operating Costs and Capital Costs*

Historical and forecast operating costs and capital costs of the CSH Gold Project are summarized below. Forecast operating costs are generally based on either existing contracts or past operating expenditures, and no inflation has been factored into the operating cost estimates. Future increase in costs for labour, fuel, and other materials can have a large impact on the mining operation.

Most capital expenditures for the mine have already been spent. Any sustaining mining capital expenditures will be the responsibility of the mining contractor. The remaining capital expenditures consist primarily of costs for leach pad expansion and construction of a conveyor belt system from the crushing plant to the leach pads, amounting to an aggregate of approximately $29 million over the life of mine.

The unit gold-equivalent ("AuEq"), with silver production converted to equivalent gold using the silver to gold revenue ratio and based on actual and/or forecast gold and silver prices as well as refining charges, production, operating (cash) cost and the total production costs have been calculated and are expressed in US dollars per troy ounce ("US$/oz").

**Life-of-Mine forecast Operating Costs for the CSH Gold Project**

| | Forecast Cost | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Item** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** |
| Mining Cost (US$/t of ore) | | | | | | | | | | | | | | |
| Mining Ore | 1.26 | 1.26 | 1.29 | 1.28 | 1.30 | 1.29 | 1.29 | 1.29 | 1.31 | 1.32 | 1.34 | 1.36 | 1.31 | 1.26 |
| Mining Waste | 2.54 | 3.15 | 3.25 | 2.74 | 2.35 | 2.20 | 1.91 | 1.65 | 0.10 | 0.10 | 0.10 | 0.10 | 0.11 | 0.10 |
| Mining Overhead | 0.28 | 0.28 | 0.28 | 0.28 | 0.28 | 0.28 | 0.28 | 0.28 | 0.28 | 0.28 | 0.28 | 0.28 | 0.28 | 0.28 |
| **Total Mining** | **4.08** | **4.70** | **4.81** | **4.29** | **3.93** | **3.77** | **3.48** | **3.22** | **1.69** | **1.70** | **1.72** | **1.74** | **1.70** | **1.64** |
| Processing Cost (US$/t of ore) | | | | | | | | | | | | | | |
| Processing ROM Ore | 1.26 | | | | | | | | | | | | | |
| Processing Crushed Ore | 1.80 | 1.80 | 1.80 | 1.80 | 1.80 | 1.80 | 1.80 | 1.80 | 1.91 | 1.27 | 1.36 | 1.80 | 1.80 | 1.80 |
| Average Processing | 1.78 | 1.80 | 1.80 | 1.80 | 1.80 | 180 | 180 | 1.80 | 1.91 | 1.27 | 1.36 | 1.80 | 1.80 | 1.80 |
| **G&A and Other Cost (US$/t of ore)** | **1.41** | **1.37** | **1.32** | **1.24** | **1.27** | **1.26** | **1.26** | **1.27** | **1.22** | **1.14** | **1.17** | **1.21** | **1.20** | **3.15** |
| **Total Operating Cost (US$/t of ore)** | **7.27** | **7.87** | **7.94** | **7.34** | **7.01** | **6.84** | **6.54** | **6.30** | **4.82** | **4.12** | **4.26** | **4.76** | **4.71** | **6.59** |
| **Deprec/Amort Cost (US$/t of ore)** | **1.87** | **1.87** | **1.66** | **1.32** | **1.27** | **1.22** | **1.20** | **1.09** | **0.76** | **0.75** | **0.21** | **0.12** | **0.06** | **-** |
| **Total Production Cost (US$/t of ore)** | **9.15** | **9.74** | **9.60** | **8.66** | **8.28** | **8.06** | **7.74** | **7.39** | **5.57** | **4.87** | **4.47** | **4.88** | **4.77** | **6.59** |
| **AuEq Operating (cash) Cost (US$/oz)** | **562** | **561** | **600** | **594** | **488** | **445** | **436** | **411** | **314** | **255** | **242** | **238** | **239** | **48** |
| **AuEq Total Production Cost (US$/oz)** | **712** | **698** | **728** | **702** | **577** | **524** | **516** | **483** | **364** | **301** | **254** | **245** | **242** | **48** |

*Note* AuEq is calculated using the following formula: AuEq = Au = Ag $^{x}$ [Ag price-Ag Refining Charge)/1.03/(Au price-Au Refining Charge)] based on actual and/or forecast gold and silver prices and refining charges. The reason for dividing the silver revenue by 1.03 is because the silver price includes a 3% Value Added Tax ("VAT").

*Project Economics*

BDASIA conducted a base case economic analysis for the CSH Gold Project. The gold price is variable over the life of the line and represents the projected average price estimated by 18 international financial institutions. A discount rate of 9% was selected for the net present value ("NPV") calculation. The middle year discount method was used in calculation of the NPV.

Based on these and other assumptions identified in the CSH Technical Report, the CSH Gold Project has a total pre-tax NPV of $516.55 million and a total after-tax NPV of $396.68 million.

Sensitivity analyses indicate that the NPV of the CSH Gold Project is very sensitive to the variation in the gold price and heap leach gold recovery, moderately sensitive to variation in operating costs, and less sensitive to variation in capital costs. The payback period to recover capital investment is estimated at slightly less than two years starting from December 31, 2009.

## CSH Gold Project – Projected Revenue, Cash Flow and NPV

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | | |
| Gold Production in Doré (koz) | 132.21 | 144.78 | 136.87 | 128.81 | 151.35 | 162.81 | 158.69 | 162.07 | 162.22 |
| Silver Production in Doré (koz | 46.27 | 50.67 | 47.90 | 45.08 | 52.97 | 56.98 | 55.54 | 56.72 | 56.78 |
| Gold Price (US$/oz) | 1032.00 | 1033.00 | 955.00 | 970.00 | 849.00 | 849.00 | 849.00 | 849.00 | 849.00 |
| Silver Price (US$/0z)[1] | 15.48 | 15.48 | 15.48 | 15.48 | 15.48 | 15.48 | 15.48 | 15.48 | 15.48 |
| Gold Refining Charge (US$/oz) | 4.30 | 4.30 | 4.30 | 4.30 | 4.30 | 4.30 | 4.30 | 4.30 | 4.30 |
| Silver Refining Charge (US$/oz) | 2.26 | 2.26 | 2.26 | 2.26 | 2.26 | 2.26 | 2.26 | 2.26 | 2.26 |
| Gold Sales Revenue (US$ M) | 135.87 | 148.94 | 130.12 | 124.39 | 127.84 | 137.52 | 134.05 | 136.90 | 137.03 |
| Silver Sales Revenue (US$ M)[1] | 0.72 | 0.78 | 0.74 | 0.70 | 0.82 | 0.88 | 0.86 | 0.88 | 0.88 |
| **Total Sales Income (US$ M)** | **136.58** | **149.72** | **130.86** | **125.09** | **128.66** | **138.41** | **134.91** | **137.78** | **137.91** |
| **Operating Costs (US $ M)** | | | | | | | | | |
| Mining | 43.49 | 50.01 | 51.27 | 45.73 | 41.89 | 40.17 | 37.02 | 34.33 | 18.01 |
| Processing | 18.98 | 19.21 | 19.21 | 19.21 | 19.21 | 19.21 | 19.21 | 19.21 | 20.31 |
| G&A and Others | 15.00 | 14.58 | 14.08 | 13.19 | 13.52 | 13.46 | 13.44 | 13.54 | 12.98 |
| **Total Operating Cost** | **77.47** | **83.81** | **84.57** | **78.13** | **74.62** | **72.84** | **69.67** | **67.09** | **51.30** |
| Depreciation/Amortization (US$ M) | 19.96 | 19.96 | 17.68 | 14.07 | 13.55 | 13.01 | 12.78 | 11.64 | 8.05 |
| Taxable Income (US$ M) | 39.15 | 45.96 | 28.61 | 32.89 | 40.49 | 52.55 | 52.46 | 59.04 | 78.56 |
| Income Tax @25% (US$ M) | 9.79 | 11.49 | 7.15 | 8.22 | 10.12 | 13.14 | 13.11 | 14.76 | 19.64 |
| **After-Tax Income (US$ M)** | **49.32** | **54.43** | **39.14** | **38.74** | **43.92** | **52.43** | **52.13** | **55.92** | **66.96** |
| Total Capital Costs (US$ M) | 10.47 | | | 7.47 | 5.41 | 5.23 | | | |
| Loan Principle Payment (US$ M) | 11.26 | 1.46 | 8.78 | 17.57 | 13.18 | | | | |
| **After-Tax Cash Flow (US$ M)** | **27.59** | **52.96** | **30.35** | **13.70** | **25.33** | **47.20** | **52.13** | **55.92** | **66.96** |
| Years to discount to Dec 31, 2009 | 0.5 | 1.5 | 2.5 | 3.5 | 4.5 | 5.5 | 6.5 | 7.5 | 8.5 |
| Discount Factor at 9% | 0.958 | 0.879 | 0.806 | 0.740 | 0.679 | 0.623 | 0.571 | 0.524 | 0.481 |
| **After-Tax NPV (US$ M)** | **26.43** | **46.54** | **24.47** | **10.13** | **17.19** | **29.38** | **29.77** | **29.30** | **32.19** |
| **Pre-Tax Cash Flow (US$ M)** | **37.38** | **64.45** | **37.5** | **21.92** | **35.45** | **60.34** | **65.24** | **70.68** | **86.6** |
| **Pre-Tax NPV (US$ M)** | **35.81** | **56.65** | **30.23** | **16.22** | **24.07** | **37.59** | **37.25** | **37.04** | **41.65** |

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | | | |
| Gold Production in Doré (koz) | 171.06 | 186.13 | 211.06 | 208.31 | 48.40 | 17.06 | 7.03 | 3.34 | 0.36 | 2,192.55 |
| Silver Production in Doré (koz | 59.87 | 65.15 | 73.87 | 72.91 | 16.94 | 5.97 | 2.46 | 1.17 | 0.13 | 767.39 |
| Gold Price (US$/oz) | 849.00 | 849.00 | 849.00 | 849.00 | 849.00 | 849.00 | 849.00 | 849.00 | 849.00 | |
| Silver Price (US$/0z)[1] | 15.48 | 15.48 | 15.48 | 15.48 | 15.48 | 15.48 | 15.48 | 15.48 | 15.48 | |
| Gold Refining Charge (US$/oz) | 4.30 | 4.30 | 4.30 | 4.30 | 4.30 | 4.30 | 4.30 | 4.30 | 4.30 | |
| Silver Refining Charge (US$/oz) | 2.26 | 2.26 | 2.26 | 2.26 | 2.26 | 2.26 | 2.26 | 2.26 | 2.26 | |
| Gold Sales Revenue (US$ M) | 144.49 | 157.23 | 175.96 | 175.96 | 40.89 | 14.41 | 5.94 | 2.82 | 0.31 | 1,932.98 |
| Silver Sales Revenue (US$ M)[1] | 0.93 | 1.01 | 1.13 | 1.13 | 0.26 | 0.09 | 0.04 | 0.02 | 0.00 | 11.88 |
| **Total Sales Income (US$ M)** | **145.42** | **158.23** | **179.42** | **177.09** | **41.15** | **14.50** | **5.98** | **2.84** | **0.31** | **1,944.85** |
| **Operating Costs (US $ M)** | | | | | | | | | | |
| Mining | 18.14 | 18.37 | 18.58 | 18.12 | 0.58 | | | | | 435.71 |
| Processing | 13.51 | 14.52 | 19.21 | 19.21 | 0.64 | | | | | 240.90 |
| G&A and Others | 12.19 | 12.44 | 12.86 | 12.81 | 1.12 | 0.28 | 0.12 | 0.06 | 0.01 | 175.69 |
| **Total Operating Cost** | **43.84** | **45.33** | **50.66** | **50.15** | **2.34** | **0.28** | **0.12** | **0.06** | **0.01** | **852.29** |
| Depreciation/Amortization (US$ M) | 8.00 | 2.26 | 1.33 | 0.65 | | | | | | 142.95 |
| Taxable Income (US$ M) | 93.57 | 110.64 | 127.43 | 126.29 | 38.80 | 14.22 | 5.86 | 2.78 | 0.30 | 949.61 |
| Income Tax @25% (US$ M) | 23.39 | 27.66 | 31.86 | 31.57 | 9.70 | 3.55 | 1.47 | 0.69 | 0.08 | 237.40 |
| **After-Tax Income (US$ M)** | **78.18** | **85.25** | **96.90** | **95.37** | **29.10** | **10.66** | **4.40** | **2.08** | **0.23** | **866.16** |
| Total Capital Costs (US$ M) | | | | | | | | | | 28.56 |
| Loan Principle Payment (US$ M) | | | | | | | | | | 52.26 |
| **After-Tax Cash Flow (US$ M)** | **78.18** | **85.25** | **96.90** | **95.37** | **29.10** | **10.66** | **4.40** | **2.08** | **0.23** | **774.34** |
| Years to discount to Dec 31, 2009 | 9.5 | 10.5 | 11.5 | 12.5 | 13.5 | 14.5 | 15.5 | 16.5 | 17.5 | |
| Discount Factor at 9% | 0.441 | 0.405 | 0.371 | 0.341 | 0.312 | 0.287 | 0.263 | 0.241 | 0.221 | |
| **After-Tax NPV (US$ M)** | **34.48** | **34.49** | **35.97** | **32.48** | **9.09** | **3.06** | **1.16** | **0.50** | **0.05** | **396.68** |
| **Pre-Tax Cash Flow (US$ M)** | **101.57** | **112.91** | **128.76** | **126.94** | **38.8** | **14.21** | **5.87** | **2.77** | **0.31** | |
| **Pre-Tax NPV (US$ M)** | **44.79** | **45.73** | **47.77** | **43.29** | **12.11** | **4.08** | **1.54** | **0.67** | **0.07** | **516.55** |

### *Environmental and Community Considerations*

Environmental protection has been taken seriously by mine management, which has sought to comply not only with Chinese requirements but also with international norms for the industry as a demonstration of their commitment to a high standard of environmental protection.

In 2006, an Environmental Impact Study ("EIS") was submitted to the Inner Mongolian Environment Protection Bureau ("EPB") to comply with local (Chinese) requirements, including industrial policies and regional economic development plans, and an Environmental and Social Impact Assessment for the CSH Gold Project was conducted by internationally recognized consultants Environmental Resources Management ("ERM") utilizing both Chinese EIA requirements as well as World Bank Group Environmental and Social Guidelines. A key aspect of this ERM assessment concerned minimization of community impact as a result of water use by the mine, and it has also been used to provide the basis for an environmental management plan for the site. Various social issues were addressed in the study. This has contributed towards protection of local social heritage and culture, employment of local people (currently approximately 30% of the workforce), employment of women (currently approximately 10% of the workforce) as well as contributions towards local education, medical equipment, various community activities and support of poor families with food and coal (which collectively have been cost at approximately RMB1.6 million to date) having been implemented by the Company.

In November 2007, the CSH Gold Project received its environmental approval from the Mongolian EPB following review of the documents and a site inspection by an expert panel. Environmental approval, which requires approval of both the EIS and a soil and water conservation plan, was required to obtain the CSH Mining Permit, thereby enabling Jinshan to commence production.

Due to the semi-desert conditions and scarce water supply in the area, the project is being developed as a zero discharge site, hence it only requires a water supply (and not a discharge) permit, to be issued by the regulatory authorities. A comprehensive water resource estimation by the Baogang Engineering Investigation and Survey Institute in Baotou was followed by a similar independent study by international experts Golder Associates, and a further hydrogeology and water resources study was conducted by the Baogang Institute. The objective of the mine project in securing its water supply is to balance the extraction of water from local sources with the capacity for recharge of these sources. The collective studies resulted in the Company determining that a sustainable water extraction rate would be 4,000 cubic metres per day in average years and 3,000 cubic metres per day in dry years, which is sufficient to meet the demand of the mining operation. The current water permit allows water to be pumped from the Molen River and Xinhure alluvial aquifer as well as the Hushaogou bedrock aquifer, at a rate of up to approximately one million cubic metres per year.

Environment protection measures for the mine site include programs for water management, solid waste, rock dust mitigation, noise control, rehabilitation and seismic and flood risk.

***Exploration and Development***

Exploration and drilling will continue at the CSH Gold Project during the 2010 field season mainly within the company's exploration licence immediately adjoining the CSH Mining Permit. The first priority for exploration will be to drill several gold anomalies and carry out trenching along the surface strike extension of prospective stratigraphy that was defined by grid rock sampling during the previous field seasons. Deeper drill holes are also planned for the CSH Gold Project to explore for higher grade mineralization down dip from the currently identified mineralized zones.

Most of the development work at the CSH Gold Project has been completed. The Company is currently constructing a heap leach pad, which is scheduled for completion in 2010. A conveyor system from the rusher to the leach pad is also under consideration and recommended by BDASIA in the CSH Technical Report.

**Human Resources**

At December 31, 2009, Jinshan had 378 employees and consultants working at various locations.

**DESCRIPTION OF CAPITAL STRUCTURE**

Jinshan's authorized capital consists of two classes of equity securities, an unlimited number of Common Shares without par value, and an unlimited number of preferred shares without par value. As of March 30, 2010, Jinshan had 168,734,459 Common Shares issued and outstanding. All of the issued Common Shares are fully paid and are not subject to any future call or assessment. All of the issued Common Shares rank equally as to voting rights, participation and distribution of Jinshan's assets upon liquidation, dissolution or winding-up and the entitlement to dividends. Holders of Common Shares are entitled to receive notice of, attend and vote at all meetings of shareholders of Jinshan. Each Common Share carries one vote at such meetings. Holders of Common Shares are entitled to dividends if and when declared by the directors and, upon liquidation, to receive such portion of the assets of Jinshan as may be distributable to such holders. As of March 31, 2010, there were no preferred shares issued and outstanding.

**DIVIDENDS**

Jinshan has not, since its incorporation, paid any dividends on any of its Common Shares. Jinshan has no present intention to pay dividends, but Jinshan's Board of Directors will determine any future dividend policy on the basis of earnings, financial requirements and other relevant factors. See also "General Development of Business – Risk Factors".

**MARKET FOR SECURITIES**

The Common Shares of Jinshan are traded in Canada on the TSX under the symbol JIN. The closing price of Jinshan's Common Shares on the TSX on March 30, 2010 was Cdn.$5.08.

The following sets forth the high and low market prices and the volume of the Common Shares traded on the TSX during the periods indicated (stated in Canadian dollars):

| | High | Low | Volume |
|---|---|---|---|
| January 2009 | 0.64 | 0.45 | 4,475,847 |
| February 2009 | 0.83 | 0.52 | 5,225,780 |
| March 2009 | 0.65 | 0.47 | 5,846,754 |
| April 2009 | 0.75 | 0.53 | 11,922,150 |
| May 2009 | 0.77 | 0.63 | 3,916,764 |
| June 2009 | 1.14 | 0.72 | 4,291,750 |
| July 2009 | 1.49 | 0.95 | 8,284,353 |
| August 2009 | 1.75 | 1.15 | 6,051,497 |
| September 2009 | 1.59 | 1.32 | 6,955,974 |
| October 2009 | 2.03 | 1.39 | 10,200,033 |
| November 2009 | 2.93 | 1.74 | 14,929,541 |
| December 2009 | 3.20 | 2.39 | 11,492,417 |

**DIRECTORS AND OFFICERS**

The name, province and country of residence and position with the Company of each director and executive officer of the Company, and the principal business or occupation in which each director or executive officer has been engaged during the immediately preceding five years, effective on the date of this AIF, is as follows:

| Name, Province and Country of Residence and Position with Company[(1)] | Present and Principal Occupation during the last five years | Date of Appointment as Director |
|---|---|---|
| Zhaoxue Sun<br>Director, Chairman<br>Beijing, China | President of China Gold (October 2006 to present); Vice President of Aluminum Corporation of China (alumina producing company) (October 2005 to October 2006); Vice President of Aluminum Corporation (June 2004 to October 2005) | May 12, 2008 |
| Xin Song<br>Director, Chief Executive Officer<br>Beijing, China | Chief Executive Officer of the Company (October 2009 to present); Vice General Manager of China Gold in charge of technology management and resource development (July 2003 to present) | October 9, 2009 |
| Bing Liu<br>Director<br>Beijing, China | Vice President and Chief Financial Officer of China Gold (July 2003 to present) | May 12, 2008 |
| Y.B. Ian He<br>Director<br>BC, Canada[(2)(3)(4)(5)] | President of Tri-River Ventures Inc. (July 2007 to present); President of Spur Ventures Inc. (phosphate mining and fertilizer production in China) (August 1995 to June 2006) | May 31, 2000 |
| Zhanming Wu<br>Vice President, Business Development<br>Director<br>Beijing, China | Manager of Capital Markets of China Gold (September 2007 to present); Director of Strategic Investment of Digital China Financial Service Holdings Limited (IT product distributor and IT services provider) (January 2006 to August 2007); Assistant General Manager of Great Wall Computer Software and Systems Limited (network and technical support company) (January 2004 to January 2005) | May 12, 2008 |
| Yunfei Chen[(2)(3)(4)(5)]<br>Director<br>Hong Kong | Independent Advisor (August 2007 to present); Managing Director of Deutsche Bank Hong Kong (Corporate and Investment Bank) (July 2001 to August 2007) | May 12, 2008 |
| Gregory Hall[(2)(3)(4)(5)]<br>Director<br>Western Australia, Australia | Independent Geological Consultant (August 2006 to present); Chief Geologist of Placer Dome Group (gold exploration and mining company) (2000 to July 2006) | October 9, 2009 |
| John King Burns[(2)(3)(4)(5)]<br>Director<br>Pennsylvania, USA | Director of several public and private mineral and energy companies (1998 to present) | October 27, 2009 |
| Chi Yung (George) Law[(6)]<br>Chief Financial Officer<br>Hong Kong | Chartered Certified Accountant, Audit and Advisory Business Services, Ernst & Young, Hong Kong (August 1994 to April 2010) | April 1, 2010 |

| Name, Province and Country of Residence and Position with Company(1) | Present and Principal Occupation during the last five years | Date of Appointment as Director |
|---|---|---|
| Jerry Xie<br>Executive Vice President and Corporate Secretary<br>BC, Canada | Executive Vice President and Secretary to the Board of the Company (October 9, 2009 to present); Vice President and Secretary to the Board of the Company (March 24, 2009 to October 8, 2009); Manager of Piping Engineering Department of Asset Service Group in heavy oil units of WorleyParsons Calgary (resource and energy engineering support company) (February 2006 to March 2009); Project Engineer and Senior Mechanical & Piping Engineer of Tri-Ocean Engineering Ltd. (engineering, procurement and construction management company) (August 2003 to February 2006) | N/A |
| X.D. Jiang<br>Vice President of Production<br>BC, Canada | Vice President of Production of the Company (March 2009 to present); Vice President of Production and Technology of the Company (September 2008 to March 2009); Vice President of Business Development of the Company (May 2004 to September 2008); General Manager of IMPM (August 2007 to present); China Project Manager of the Company (July 2002 to May 2004) | N/A |
| Heather King<br>Vice President of Finance<br>BC, Canada | Vice President of Finance of the Company (November 2009 to present); Independent Consultant of the Company (January 2009 to November 2009); Independent Consultant providing assistance with financial operations for public companies and accounting for small businesses (June 2008 to December 2008); Director of Finance for Creation Technologies Inc. (private electronics manufacturing company) (November 2006 to June 2008); Vice President of Finance for Uniserve Communications Inc. (telecommunications company) (July 2005 to August 2006); Vice President of Finance of Tri City Equities Ltd. (property management company) (October 2004 to June 2005) | N/A |

Notes:

(1) The information as to country of residence and principal occupation has been furnished by the respective directors and officers individually.
(2) Denotes member of the Audit Committee.
(3) Denotes member of the Compensation and Benefits Committee.
(4) Denotes member of the Nominating and Corporate Governance Committee.
(5) Denotes member of the Health, Safety and Environmental Committee.
(6) Mr. Law is not acting in the capacity of Chief Financial Officer on the date of this AIF, but his appointment becomes effective on April 1, 2010

Each director's term of office expires at the next annual general meeting of Jinshan.

*Shareholdings of Directors and Senior Officers*

As at March 30, 2010, the directors and executive officers, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, 23,500 Common Shares of Jinshan representing approximately 0.01% of the outstanding Common Shares of Jinshan.

*Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions*

No director, officer or promoter of Jinshan has, within the last ten years: (i) been a director, officer or promoter of any reporting issuer that, while such person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied Jinshan access to any statutory exemption for a period of more than 30 consecutive days or was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold the assets of that person; or (ii) been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, promotion or management of a publicly traded issuer or theft or fraud.

No director, officer or promoter of Jinshan, or a shareholder holding sufficient securities of Jinshan to affect materially the control of Jinshan, or a personal holding company of any such persons, has, within the 10 years preceding the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the individual.

*Conflicts of Interest*

Directors and officers of Jinshan may, from time to time, be involved with the business and operations of other mining companies, in which case a conflict may arise. See "Description of the Business – Risk Factors" for more details.

*Audit Committee Information*

Information Concerning the Audit Committee of the Company, as required by Multilateral Instrument 52-110, is provided in Schedule B to this Annual Information Form.

## INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Jinshan is unaware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of (i) any director or executive officer of Jinshan, (ii) a person or company that is, as of the date hereof, the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10% of any class or series of Jinshan's outstanding securities, and (iii) any associate or affiliate of any person or company referred to in either (i) or (ii) above, in any transaction within the three most recently completed financial years or during the current financial year which has materially affected or would materially affect Jinshan or any of its subsidiaries other than the following:

(a) the interest of China Gold in the CNG Bridge Credit Facility. See "General Development of the Business – Three Year History – 2008". CNG received a commitment fee of $410,575 as consideration for the loan and for providing a guaranty on future refinancing of the loan;

(b) the interest of China Gold HK in the CNG Term Loan Facility. See "General Development of the Business – Three Year History – 2009";

(c) an unconditional guarantee by China Gold for the benefit of Jinshan under the ICBC Bridge Loan. CNG received no compensation for this guarantee. See "General Development of the Business – Three Year History – 2008"; and

(d) an unconditional guarantee by China Gold for the benefit of Jinshan under the ABC Term Loan. CNG received no compensation for this guarantee, apart from the consideration originally provided in the CNG Bridge Credit Facility.

In addition, CNG has provided trade credit and purchases gold doré from the CSH Gold Project pursuant to a Refining Agreement. CNG also holds a material interest in the Jiama Project, and any transaction that is consummated for the acquisition of the Jiama Project would constitute a related party transaction.

## TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for Jinshan is CIBC Mellon Trust Company, Vancouver, British Columbia, Canada.

## MATERIAL CONTRACTS

Reference is made to the material contracts that Jinshan has filed with the Canadian securities regulatory authorities on the SEDAR website at www.sedar.com.

Below are the particulars of each contract, other than those entered into in the ordinary course of business, that is material to Jinshan and was entered into between January 2009 and the date of this AIF or was entered into before that date but is still in effect. No disclosure is made regarding any contract that was entered into prior to January 1, 2002.

1. Co-Operative Joint Venture Contract between Brigade 217 and Pacific Gold Mining Inc. dated April 5, 2002 to establish IMPM as a CJV. This is the joint venture agreement that relates to the CSH Gold Project and grants to Jinshan a 96.5% interest in the CJV.

2. Mining Contract with CNRC with an effective date of October 10, 2006 as amended by an Amended and Restated Mining Contract dated November 25, 2008 for the provision of mining contractor services at the CSH Gold Project. Pursuant to the engagement, CNRC agreed to conduct all mining activities on the CSH Gold Project for a period of up to 10 years. In consideration for its services under the contract, Jinshan agreed to pay to CNRC monthly compensation based on a fixed unit price for the particular work performed during the month. The amendment agreement in 2008 extended the term until November 2018 and adjusted certain of the fixed cost inputs and the performance requirements of CNRC under the contract.

3. CNG Term Loan Agreement. See “General Development of the Business – Three Year History – 2009”.

4. ABC Term Loan Agreement. See “General Development of the Business – Three Year History – 2009.”

## INTERESTS OF EXPERTS

Deloitte & Touche LLP is the independent auditor of Jinshan.

Jinshan has relied on the work of the following experts in connection with the verification of Jinshan’s mineral reserve and resource estimates and certain other scientific and technical information in respect of its material mineral properties, as referenced in the Annual Information Form:

- BDASIA in respect of the CSH Technical Report and BDASIA representatives who acted as the qualified persons in the CSH Technical Report, being Qingping Deng, Michael D. Marin, Vuko Lepetic and Janet Epps.

To the knowledge of Jinshan, none of the experts referred to above hold any outstanding Common Shares.

**ADDITIONAL INFORMATION**

Additional information, including information related to directors' and officers' remuneration and indebtedness, principal holders of Jinshan's securities, options to purchase securities, and interests of insiders in material transactions, is contained in Jinshan's information circular for the 2009 Annual General Meeting of Shareholders held on May 5, 2009. Such information for the current year will be included in Jinshan's information circular for its upcoming Annual General Meeting of Shareholders, which is expected to be held in June 2010. Additional financial information is provided in Jinshan's audited financial statements and MD&A for the fiscal period ended December 31, 2009. Copies of the information circulars, financial statements and MD&A can be obtained upon request from Jinshan at Suite 1030, One Bentall Centre, 505 Burrard Street, Box 31, Vancouver, British Columbia, Canada, V7X 1M5, Attention: Corporate Secretary, or on SEDAR at www.sedar.com.

## SCHEDULE A - GLOSSARY AND CONVERSION FACTORS

### Conversion Factors

For ease of reference, the following conversion factors are provided:

| Imperial Measure = | Metric Unit | Metric Unit = | Imperial Measure |
|---|---|---|---|
| 2.47 acres | 1 hectare | 0.4047 hectares | 1 acre |
| 3.28 feet | 1 metre | 0.3048 metres | 1 foot |
| 0.62 miles | 1 kilometre | 1.609 kilometres | 1 mile |
| 0.032 ounces (troy) | 1 gram | 31.1 grams | 1 ounce (troy) |
| 2.205 pounds | 1 kilogram | 0.454 kilograms | 1 pound |
| 1.102 tons (short) | 1 tonne | 0.907 tonnes | 1 ton |
| 0.029 ounces (troy)/ton | 1 gram/tonne | 34.28 grams/tonne | 1 ounce (troy)/ton |

### Glossary of Geological and Mining Terms

**andalusite:** an aluminium-silicate metamorphic mineral found in high-temperature, low pressure metamorphic terranes.

**assay:** the chemical analysis of an ore, mineral or concentrate to determine the amount of valuable species.

**breccia:** rock consisting of more or less angular fragments in a matrix of finer-grained material.

**carbonaceous:** containing carbon or coal, especially shale or other rock containing small particles of carbon distributed throughout the whole mass.

**diabase:** a fine-grained intrusive igneous rock.

**diorite:** intermediate coarse grained igneous rock.

**footwall:** the underlying side of a fault, ore body, or mine working; particularly the wall rock beneath an inclined vein or fault.

**formation:** a persistent body of igneous, sedimentary, or metamorphic rock, having easily recognizable boundaries that can be traced in the field without recourse to detailed paleontologic or petrologic analysis, and large enough to be represented on a geologic map as a practical or convenient unit for mapping and description.

**granitoid:** pertaining to or composed of granite.

**hanging wall:** the overlying side of an ore body, fault, or mine working, especially the wall rock above an inclined vein or fault.

**igneous rock:** rock that is magmatic in origin.

**indicated mineral resource:** that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and test information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

**inferred mineral resource:** that part of a mineral resource for which the quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

**intercalated:** said of layered material that exists or is introduced between layers of a different character; especially said of relatively thin strata of one kind of material that alternates with thicker strata of some other kind, such as beds of shale intercalated in a body of sandstone.

**kriging:** A weighted, moving-average interpolation method in which the set of weights assigned to samples minimizes the estimation variance, which is computed as a function of the variogram model and locations of the samples relative to each other, and to the point or block being estimated.

**lamprophyre:** a group of dark-coloured, porphyritic, medium grained igneous rocks usually occurring as dykes or small intrusions.

**leach:** to dissolve minerals or metals out of ore with chemicals.

**measured mineral resource:** that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

**meta:** a prefix that, when used with the name of a sedimentary or igneous rock, indicates that the rock has been metamorphosed.

**mineral reserve:** the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined.

**mineral resource (deposit):** a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource (deposit) are known, estimated or interpreted from specific geological evidence and knowledge.

**oxide:** a compound of ore that has been subjected to weathering and alteration as a result of exposure to oxygen for a long period of time.

**Pegmatite:** a very coarse-grained igneous rock that has a grain size of 20 mm or more.

**phyllite:** a regional metamorphic rock, intermediate in grade between slate and schist. Minute crystals of sericite and chlorite impart a silky sheen to the surfaces of cleavage.

**probable reserve:** the economically mineable part of an indicated and, in some circumstances, a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

**run-of-mine:** ore in its natural state as it is removed from the mine that has not been subjected to additional size reduction.

**schist:** a strongly foliated crystalline rock, which readily splits into sheets or slabs as a result of the planar alignment of the constituent crystals. The constituent minerals are commonly specified (e.g. “quartz-muscovite-chlorite schist”).

**shear zone:** a tabular zone of rock that has been crushed and brecciated by parallel fractures due to “shearing” along a fault or zone of weakness. These can be mineralized with ore-forming solutions.

**strike:** the direction, or course or bearing of a vein or rock formation measured on a level surface.

**strip (or stripping) ratio:** the tonnage or volume of waste material that must be removed to allow the mining of one tonne of ore in an open pit.

**sulfides:** compounds of sulfur with other metallic elements.

**tailing:** material rejected from a mill after the recoverable valuable minerals have been extracted.

**vein:** sheet-like body of minerals formed by fracture filling or replacement of host rock.

## SCHEDULE B - AUDIT COMMITTEE MATTERS

### Mandate

The mandate of the Audit Committee is to oversee Jinshan's financial reporting obligations, systems and disclosure, including monitoring the integrity of Jinshan's financial statements, monitoring the independence and performance of Jinshan's external auditors and acting as a liaison between the Board of Directors and Jinshan's auditors. The activities of the Audit Committee typically include reviewing interim financial statements and annual financial statements, ensuring that internal controls over accounting and financial systems are maintained and that accurate financial information is disseminated to shareholders, reviewing the results of internal and external audits and any change in accounting procedures or policies, and evaluating the performance of Jinshan's auditors. The Audit Committee communicates directly with Jinshan's external auditors in order to discuss audit and related matters whenever appropriate.

### *1. Audit Committee Charter*

### I. Purpose

The primary objective of the Audit Committee (the "Committee") of Jinshan is to act as a liaison between Jinshan's board of directors (the "Board") and Jinshan's independent auditors (the "Auditors") and to assist the Board in fulfilling its oversight responsibilities with respect to (a) the financial statements and other financial information provided by Jinshan to its shareholders, the public and others, (b) Jinshan's compliance with legal and regulatory requirements, (c) the qualification, independence and performance of the Auditors and (d) Jinshan's risk management and internal financial and accounting controls, and management information systems.

Although the Committee has the powers and responsibilities set forth in this Charter, the role of the Committee is oversight. The members of the Committee are not full-time employees of Jinshan and may or may not be accountants or auditors by profession or experts in the fields of accounting or auditing and, in any event, do not serve in such capacity. Consequently, it is not the duty of the Committee to conduct audits or to determine that Jinshan's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the Auditors.

The responsibilities of a member of the Committee are in addition to such member's duties as a member of the Board.

### II. Organization

Members of the committee shall be directors and Committee membership shall satisfy the laws governing Jinshan and the independence, financial literacy, expertise and experience requirements under applicable securities laws, and stock exchange and any other regulatory requirements applicable to Jinshan.

The members of the Committee and the Chair of the Committee shall be appointed by the Board on the recommendation of the Nominating & Governance Committee. A majority of the members of the Committee shall constitute a quorum. A majority of the members of the Committee shall be empowered to act on behalf of the Committee. Matters decided by the Committee shall be decided by majority votes. The chair of the Committee shall have an ordinary vote.

Any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee as soon as such member ceases to be a director.

The Committee may form and delegate authority to subcommittees when appropriate.

## III. Meetings

The Committee shall meet as frequently as circumstances require, but not less frequently than four times per year. The Committee shall meet at least quarterly with management, Jinshan's financial and accounting officer(s) and the Auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately.

The Chair of the Committee shall be an independent chair who is not Chair of the Board. In the absence of the appointed Chair of the Committee at any meeting, the members shall elect a chair from those in attendance at the meeting. The Chair, in consultation with the other members of the Committee, shall set the frequency and length of each meeting and the agenda of items to be addressed at each upcoming meeting.

The Committee will appoint a Secretary who will keep minutes of all meetings. The Secretary may also be the Chief Financial Officer, Jinshan's Corporate Secretary or another person who does not need to be a member of the Committee. The Secretary for the Committee can be changed by simple notice from the Chair. The Chair shall ensure that the agenda for each upcoming meeting of the Committee is circulated to each member of the Committee as well as the other directors in advance of the meeting.

The Committee may invite, from time to time, such persons as it may see fit to attend its meetings and to take part in discussion and consideration of the affairs of the Committee. Jinshan's accounting and financial officer(s) and the Auditors shall attend any meeting when requested to do so by the Chair of the Committee.

## IV. Authority and Responsibilities

The Board, after consideration of the recommendation of the Committee, shall nominate the Auditors for appointment by the shareholders of Jinshan in accordance with applicable law. The Auditors report directly to the Audit Committee. The Auditors are ultimately accountable to the Committee and the Board as representatives of the shareholders.

The Committee shall have the following responsibilities:

### (a) Auditors

1. Recommend to the Board the independent auditors to be nominated for appointment as Auditors of Jinshan at Jinshan's annual meeting and the remuneration to be paid to the Auditors for services performed during the preceding year; approve all auditing services to be provided by the Auditors; be responsible for the oversight of the work of the Auditors, including the resolution of disagreements between management and the Auditors regarding financial reporting; and recommend to the Board and the shareholders the termination of the appointment of the Auditors, if and when advisable.

2. When there is to be a change of the Auditor, review all issues related to the change, including any notices required under applicable securities laws, and stock exchange or other regulatory requirements, and the planned steps for an orderly transition.

3. Review the Auditor's audit plan and discuss the Auditor's scope, staffing, materiality, and general audit approach.

4. Review on an annual basis the performance of the Auditors, including the lead audit partner.

5. Take reasonable steps to confirm the independence of the Auditors, which include:

   (a) Ensuring receipt from the Auditors of a formal written statement in accordance with applicable regulatory requirements delineating all relationships between the Auditors and Jinshan;

   (b) Considering and discussing with the Auditors any disclosed relationships or services, including non-audit services, that may impact the objectivity and independence of the Auditors;

   (c) Approving in advance any non-audit related services provided by the Auditor to Jinshan, and the fees for such services, with a view to ensure independence of the Auditor, and in accordance with applicable regulatory standards, including applicable stock exchange requirements with respect to approval of non-audit related services performed by the Auditors; and

   (d) As necessary, taking or recommending that the Board take appropriate action to oversee the independence of the Auditors.

6. Review and approve any disclosures required to be included in periodic reports under applicable securities laws, and stock exchange and other regulatory requirements with respect to non-audit services provided by the Auditors.

7. Confirm with the Auditors and receive written confirmation at least once per year as to (i) the Auditor's internal processes and quality control procedures; and (ii) disclosure of any material issues raised by the most recent internal quality control review, or per review within the preceding five years respecting an independent audit carried out by the Auditors or investigations or government or professional enquiries, reviews or investigations of the Auditors within the last five years.

8. Consider the tenure of the lead audit partner on the engagement in light of applicable securities laws, and stock exchange or applicable regulatory requirements.

9. Review all reports required to be submitted by the Auditors to the Committee under applicable securities laws, stock exchange or other regulatory requirements.

10. Receive all recommendations and explanations which the Auditors place before the Committee.

**(b) Financial Statements and Financial Information**

11. Review and discuss with management, the financial and accounting officer(s) and the Auditors, Jinshan's annual audited financial statements, including disclosures made in management's discussion and analysis, prior to filing or distribution of such statements and recommend to the Board, if appropriate, that Jinshan's audited financial statements be included in Jinshan's annual reports distributed and filed under applicable laws and regulatory requirements.

12. Review and discuss with management, the financial and accounting officer(s) and the Auditors, Jinshan's interim financial statements, including management's discussion and analysis, and the Auditor's review of interim financial statements, prior to filing or distribution of such statements.

13. Review any earnings press releases of Jinshan before Jinshan publicly discloses this information.

14. Be satisfied that adequate procedures are in place for the review of Jinshan's disclosure of financial information and extracted or derived from Jinshan's financial statements and periodically assess the adequacy of these procedures.

15. Discuss with the Auditor the matters required to be discussed by applicable auditing standards requirements relating to the conduct of the audit including:

(a) the adoption of, or changes to, Jinshan's significant auditing and accounting principles and practices;

(b) the management letter provided by the Auditor and Jinshan's response to that letter; and

(c) any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, or personnel and any significant disagreements with management.

16. Discuss with management and the Auditors major issues regarding accounting principles used in the preparation of Jinshan's financial statements, including any significant changes in Jinshan's selection or application of accounting principles. Review and discuss analyses prepared by management and/or the Auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative approaches under generally accepted accounting principles.

17. Review any report under applicable securities laws, and stock exchange or other regulatory requirements, including any reports required to be included in statutory filings, including in Jinshan's annual proxy statement.

**(c) Ongoing Reviews and Discussions with Management and Others**

18. Obtain and review an annual report from management relating to the accounting principles used in the preparation of Jinshan's financial statements, including those policies for which management is required to exercise discretion or judgments regarding the implementation thereof.

19. Periodically review separately with each of management, the financial and accounting officer(s) and the Auditors; (a) any significant disagreement between management and the Auditors in connection with the preparation of the financial statements, (b) any difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information and (c) management's response to each.

20. Periodically discuss with the Auditors, without management being present, (a) their judgments about the quality and appropriateness of Jinshan's accounting principles and financial disclosure practices as applied in its financial reporting and (b) the completeness and accuracy of Jinshan's financial statements.

21. Consider and approve, if appropriate, significant changes to Jinshan's accounting principles and financial disclosure practices as suggested by the Auditors or management and the resulting financial

statement impact. Review with the Auditors or management the extent to which any changes or improvements in accounting or financial practices, as approved by the Committee, have been implemented.

22. Review and discuss with management, the Auditors and Jinshan's independent counsel, as appropriate, any legal, regulatory or compliance matters that could have a significant impact on Jinshan's financial statements, including applicable changes in accounting standards or rules, or compliance with applicable laws and regulations, inquiries received from regulators or government agencies and any pending material litigation.

23. Enquire of Jinshan's financial and accounting officer(s) and the Auditors on any matters which should be brought to the attention of the Committee concerning accounting, financial and operating practices and controls and accounting practices of Jinshan.

24. Review the principal control risks to the business of Jinshan, its subsidiaries and joint ventures; and verify that effective control systems are in place to manage and mitigate these risks.

25. Review and discuss with management any earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as any financial information and earnings guidance provided to analysts and rating agencies. Such discussions may be done generally (i.e., discussion of the types of information to be disclosed and the types of presentations made).

26. Review and discuss with management any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of Jinshan with unconsolidated entities or other persons, that may have a material current or future effect on financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves or significant components of revenues or expenses. Obtain explanations from management of all significant variances between comparative reporting periods.

27. Review and discuss with management Jinshan's major risk exposures and the steps management has taken to monitor, control and manage such exposures, including Jinshan's risk assessment and risk management guidelines and policies.

**(d) Risk Management and Internal Controls**

28. Review, based upon the recommendation of the Auditors and management, the scope and plan of the work to be done by Jinshan's financial and accounting group and the responsibilities, budget and staffing needs of such group.

29. Ensure that management has designed and implemented effective systems of risk management and internal controls and, at least annually, review the effectiveness of the implementation of such systems.

30. Approve and recommend to the Board for adoption policies and procedures on risk oversight and management to establish an effective system for identifying, assessing, monitoring and managing risk.

31. In consultation with the Auditors and management, review the adequacy of Jinshan's internal control structure and procedures designed to insure compliance with laws and regulations, and discuss the responsibilities, budget and staffing needs of Jinshan's financial and accounting group.

32. Establish procedures for (a) the receipt, retention and treatment of complaints received by Jinshan regarding accounting, internal accounting controls or auditing matters and (b) the confidential,

anonymous submission by employees of Jinshan of concerns regarding questionable accounting or auditing matters.

33. Review the internal control reports prepared by management, including management's assessment of the effectiveness of Jinshan's internal control structure and procedures for financial reporting and (ii) the Auditors' attestation, and report, on the assessment made by management.

34. Review the appointment of the chief financial officer and any key financial executives involved in the financial reporting process and recommend to the Board any changes in such appointment.

**(e) Other Responsibilities**

35. Create an agenda for the ensuing year.

36. Review and approve related-party transactions if required under applicable securities laws, and stock exchange or other regulatory requirements.

37. Review and approve (a) any change or waiver in Jinshan's code of ethics applicable to senior financial officers and (b) any disclosures made under applicable securities laws, and stock exchange or other regulatory requirements regarding such change or waiver.

38. Establish, review and approve policies for the hiring of employees or former employees of Jinshan's Auditors.

39. Review and reassess the duties and responsibilities set out in this Charter annually and recommend to the Nominating and Corporate Governance Committee and to the Board any changes deemed appropriate by the Committee.

40. Review its own performance annually, seeking input from management and the Board.

41. Perform any other activities consistent with this Charter, Jinshan's constating documents and governing law, as the Committee or the Board deems necessary or appropriate.

## V. Reporting

The Committee shall report regularly to the Board and shall submit the minutes of all meetings of the Audit Committee to the Board (which minutes shall ordinarily be included in the papers for the next full board meeting after the relevant meeting of the Committee). The Committee shall also report to the Board on the proceedings and deliberations of the Committee at such times and in such manner as the Board may require. The Committee shall review with the full Board any issues that have arisen with respect to the quality or integrity of Jinshan's financial statements, Jinshan's compliance with legal or regulatory requirements, the performance or independence of the Auditors or the performance of Jinshan's financial and accounting group.

## VI. Resources and Access to Information

The Committee shall have the authority to retain independent legal, accounting and other consultants to advise the Committee.

The Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities. The Committee has direct access to anyone in the organization and may request any officer or employee of Jinshan or Jinshan's outside counsel or the Auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee with or without the presence of management. In the performance of any of its duties and responsibilities, the Committee shall have access to any and all books and records of Jinshan necessary for the execution of the Committee's obligations.

The Committee shall consider the extent of funding necessary for payment of compensation to the Auditors for the purpose of rendering or issuing the annual audit report and recommend such compensation to the Board for approval. The Audit Committee shall determine the funding necessary for payment of compensation to any independent legal, accounting and other consultants retained to advise the Committee.

### *2. Composition of the Audit Committee*

Jinshan's Committee consists of Ian He, Yunfei Chen, Gregory Hall and John King Burns. Ian He is the Chairman of the Committee. The Board of Directors has determined that all members of the Audit Committee are "independent" and all members are "financially literate" as defined in Multilateral Instrument 52-110 ("MI 52-110").

### *3. Relevant Education and Experience*

Ian He holds a Masters Degree in Applied Science and a PhD in Metallurgy. Yunfei Chen was an investment banker with Deutsche Bank. Gregory Hall was a graduate of the Australian Institute of Management training in financial analysis. John King Burns holds a bachelor's degree with a major in Economics from the University of Pennsylvania and was a former Vice President and Chief Financial Officer of Drexel Burnham Lambert Commodity Group, a former Managing Director and Global Head of the Derivative Trading and Finance Group of Barclays Metals Group, Barclays Bank PLC and a former Senior Vice President of Frontier Rick Management. Each of the members of the Audit Committee has had several years' experience as a senior executive and a member of the board of directors of significant business enterprises in which they have assumed substantial financial and operational responsibility. In the course of these duties, each of the members of the Committee has gained expertise in analyzing and reviewing financial statements, understanding the basis upon which accounting principles are applied, the process of preparing financial statements and the nature of internal controls and procedures.

### *4. Reliance on Certain Exemptions*

Other than as otherwise disclosed herein, at no time since the commencement of Jinshan's most recently completed financial year has Jinshan relied on (i) the exemption under section 2.4 (*De Minimus Non-audit Services)*; (ii) the exemption in section 3.2 *(Initial Public Offerings)*; (iii) the exemption in section 3.4 *(Events Outside Control of Member)*; (iv) the exemption in section 3.5 *(Death, Disability or Resignation of Audit Committee Member)*; or (v) any exemption, in whole or in part, granted under part 8 of MI 52-110.

### *5. Reliance on Exemption in Subsection 3.3(2) or Section 3.6*

Other than as otherwise disclosed herein, at no time since the commencement of Jinshan's most recently completed financial year has Jinshan relied on the exemption in subsection 3.3(2) *(Controlled Companies)* or section 3.6 *(Temporary Exemption for Limited and Exceptional Circumstances)*.

### *6. Reliance on Section 3.8*

Other than as otherwise disclosed herein, at no time since the commencement of Jinshan's most recently completed financial year has Jinshan relied on the exemption in section 3.8 *(Acquisition of Financial Literacy)*.

### 7. *Audit Committee Oversight*

At no time since the commencement of Jinshan's most recently completed financial year has a recommendation of the Committee to nominate or compensate an external auditor not been adopted by the Board.

### 8. *Pre-Approval Policies and Procedures*

All services to be performed by Jinshan's independent auditor must be approved in advance by the Committee or a designated member of the Committee (the "Designated Member").

The Committee has considered whether the provision of services other than audit services is compatible with maintaining the auditors' independence and has adopted a policy governing the provision of these services. This policy requires the pre-approval by the Committee or the Designated Member of all audit and non-audit services provided by the external auditor, other than any *de minimus* non-audit services allowed by applicable law or regulation. The decision of the Designated Member to pre-approve a permitted service needs to be reported to the Committee at its regularly scheduled meetings.

Pre-approval from the Committee or the Designated Member can be sought for planned engagements based on budgeted or committed fees. No further approval is required to pay pre-approved fees. Additional pre-approval is required for any increase in scope or in final fees.

### 9. *External Auditor Service Fees (By Category)*

Deloitte & Touche LLP, Chartered Accountants, has served as Jinshan's auditing firm since May 31, 2000. Fees billed by Deloitte & Touche LLP, Chartered Accountants, during 2009 and 2008 were Cdn.$1,269,000 and Cdn.$ 317,250, respectively. The aggregate fees billed by the auditors in fiscal 2009 and fiscal 2008 are detailed below.

| | **2009 (Cdn$)** | **2008 (Cdn$)** |
|---|---|---|
| Audit Fees [(a)] | $365,000 | $296,000 |
| Tax Fees [(b)] | 70,000 | $21,250 |
| All Other Fees [(c)] | $834,000 | - |
| **TOTAL:** | **$1,269,000** | **$317,250** |

Notes:

(a) Fees for audit services billed relating to fiscal 2009 and fiscal 2008 consisted of: (i) audit of Jinshan's annual statutory financial statements; (ii) for fiscal 2008 only, additional procedures with respect to financial reporting procedures at the CSH Gold Project; and (iii) reviews of Jinshan's quarterly financial statements, comfort letters, consents, and other services related to Canadian securities regulatory authorities' matters.

(b) These fees consist of tax compliance for corporate tax returns and assistance with expatriate tax matters in Canada and China, as well as tax related advice for a potential acquisition.

(c) These fees relate to work conducted by Deloitte & Touche LLP for the Company in connection with a proposed application for listing on an Asian Stock Exchange, including (i) IFRS conversion; (ii) audit of financial statements in connection with filing of the listing application; and (iii) internal control reviews.