Auditors' Report and Consolidated Financial Statements of

JINSHAN GOLD MINES INC.

December 31, 2004 and 2003
(stated in U.S. dollars)

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Auditors' Report

To the Shareholders of
Jinshan Gold Mines Inc.

We have audited the consolidated balance sheets of Jinshan Gold Mines Inc. as at December 31, 2004 and 2003 and the consolidated statements of operations, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Deloitte & Touche LLP"

Chartered Accountants
Vancouver, British Columbia
March 10, 2005

JINSHAN GOLD MINES INC.
Consolidated Balance Sheets
December 31, 2004 and 2003
(Stated in U.S. dollars)

	December 31, 2004	December 31, 2003
ASSETS		
CURRENT		
Cash	**$ 4,030,374**	$ 7,903,819
Accounts receivable	**575,884**	101,756
Receivable from related party (Note 6(b))	**1,807,801**	3,763
Prepaid expenses	**364,841**	108,004
	6,778,900	8,117,342
CAPITAL ASSETS (Note 4)	**222,090**	101,420
	$ 7,000,990	$ 8,218,762
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**$ 741,105**	$ 331,644
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	**20,077,100**	16,326,789
Contributed surplus	**1,939,729**	1,865,009
Cumulative translation adjustments	**460,850**	460,850
Deficit	**(16,217,794)**	(10,765,530)
	6,259,885	7,887,118
	$ 7,000,990	$ 8,218,762

APPROVED BY THE BOARD

Director

Director

JINSHAN GOLD MINES INC.
Consolidated Statements of Operations
Years ended December 31, 2004 and 2003
(Stated in U.S. dollars)

	2004	2003
EXPENSES		
Administration and office	**$ 547,297**	$ 375,187
Amortization	**44,988**	30,919
Investor relations	**88,669**	8,878
Travel	**95,510**	189,488
Exploration expenses (Note 3 and Schedule)	**3,586,643**	4,813,189
Professional fees	**233,742**	361,088
Salaries and benefits	**350,859**	268,341
Stock-based compensation	**556,321**	257,833
Shareholder information, transfer agent and filing fees	**74,920**	79,590
	5,578,949	6,384,513
OTHER INCOME/(EXPENSES)		
Interest income	**49,565**	58,209
Foreign exchange gain	**77,120**	100,111
Loss on disposal of capital assets	**-**	(20,645)
Other income	**-**	3,371
	126,685	141,046
NET LOSS	**$ (5,452,264)**	$ (6,243,467)
BASIC AND DILUTED LOSS PER SHARE	**$ (0.11)**	$ (0.16)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	**47,584,962**	38,095,073

JINSHAN GOLD MINES INC.

Consolidated Statements of Shareholder's Equity

Years ended December 31, 2004 and 2003
(Stated in U.S. dollars)

	Share Capital										
	Number of Shares		Amount		Contributed Surplus		Cumulative Translation Adjustments		Deficit		Total
Balances, December 31, 2002	36,004,321	$	7,291,695	$	961,950	$	(90,984)	$	(4,522,063)	$	3,640,598
Shares issued for:											
Private placements											
Ivanhoe Mines	2,500,000		3,331,049		-		-		-		3,331,049
Other investors	3,000,000		3,654,214		-		-		-		3,654,214
Exercise of warrants	1,823,386		528,774		-		-		-		528,774
Exercise of stock options	2,266,557		1,521,057		(509,152)		-		-		1,011,905
Stock compensation charged to operations	-		-		1,412,211		-		-		1,412,211
Net loss	-		-		-		-		(6,243,467)		(6,243,467)
Translation adjustments	-		-		-		551,834		-		551,834
Balances, December 31, 2003	45,594,264	$	16,326,789	$	1,865,009	$	460,850	$	(10,765,530)	$	7,887,118
Shares issued for:											
Definitive Agreement (Note 3(a))	2,500,000		3,247,476		-		-		-		3,247,476
Exercise of warrants	140,000		43,995		-		-		-		43,995
Exercise of stock options	318,684		458,840		(216,076)		-		-		242,764
Stock compensation charged to operations	-		-		290,796		-		-		290,796
Net loss	-		-		-		-		(5,452,264)		(5,452,264)
Balances, December 31, 2004	48,552,948	$	20,077,100	$	1,939,729	$	460,850	$	(16,217,794)	$	6,259,885

JINSHAN GOLD MINES INC.
Consolidated Statements of Cash Flows
Years ended December 31, 2004 and 2003
(Stated in U.S. dollars)

	2004	2003
OPERATING ACTIVITIES		
Net loss	**$ (5,452,264)**	$ (6,243,467)
Items not requiring use of cash:		
Amortization	**44,988**	30,919
Stock-based compensation	**556,321**	257,833
Exploration expenses (stock-based compensation (recovery))	**(265,524)**	1,154,378
Exploration expense (other)	**3,247,476**	-
Unrealized foreign exchange (gains)/losses	**(113,411)**	19,487
Loss on disposal of capital assets	**-**	20,645
	(1,982,414)	(4,760,205)
Change in non-cash operating working capital items (Note 8)	**(2,121,495)**	370,244
	(4,103,909)	(4,389,961)
INVESTING ACTIVITIES		
Redemption of short-term investments	**-**	3,638,983
Capital asset additions	**(165,658)**	(45,770)
	(165,658)	3,593,213
FINANCING ACTIVITY		
Issuance of common shares	**286,759**	8,520,505
NET CHANGE IN CASH FOR THE YEAR	**(3,982,808)**	7,723,757
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	**109,363**	47,741
CASH, BEGINNING OF YEAR	**7,903,819**	132,321
CASH, END OF YEAR	**$ 4,030,374**	$ 7,903,819

1. NATURE OF OPERATIONS

Jinshan Gold Mines Inc. together with its subsidiaries and joint venture (individually and collectively referred to as the "Company") is a development stage company engaged in the acquisition and exploration of mineral properties in the People's Republic of China ("China").

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies used in these consolidated financial statements are as follows:

(a) Principles of consolidation

These consolidated financial statements include the accounts of Jinshan and all its subsidiaries. The principal subsidiaries of the Company are Pacific PGM Inc., Yunnan Copper-Silver Mining Inc., Yunnan Platinum and Palladium Inc. and Pacific Gold Mining Inc. All significant inter-company transactions and balances have been eliminated for the purpose of these financial statements.

(b) Accounting estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results may differ from those estimates.

Significant estimates used in the preparation of these consolidated financial statements include, amongst other things, the recoverability of accounts receivable, the expected economic lives of and the estimated future operating results and net cash flows from mineral properties, plant and equipment and the anticipated costs of asset retirement obligations including the reclamation of mine sites and the computation of stock-based compensation.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Foreign currencies

The Company's functional currency is the U.S. dollar since it is the currency of the primary economic environment in which the Jinshan and its subsidiaries operate. Accordingly, monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect at the balance sheet date and non-monetary assets and liabilities at the exchange rates in effect at the time of acquisition or issue. Revenues and expenses are translated at rates approximating the exchange rates in effect at the time of the transactions. All exchange gains and losses are included in operations.

(d) Joint ventures

The Company's investment in the 217 Gold project, held through Ningxia Pacific Mining Co. Ltd., which is subject to joint control with Ivanhoe Mines Ltd. ("Ivanhoe Mines"), is consolidated on a proportionate basis whereby the Company includes in these consolidated financial statements its 55% share of the assets, liabilities, revenues and expenses of the joint venture.

The Company's investments in the explorative copper projects: Guizhou, Zhaotong and Huize-Xuanwei are subject to joint control with Ivanhoe Mines and are jointly held through Guizhou Copper-Silver Mining Inc., China Platinum and Palladium Inc., and Yunnan Southern Copper Inc., the Dandong (QCZ) Gold project through Pacific Northern Gold Inc., and the JBS platinum-palladium prospect through Yunnan Yunbao Platinum & Palladium Mining Co. Ltd. The total amount invested in these projects, net of Ivanhoe Mines' share of the exploration costs, is included in the consolidated statement of operations.

Substantially all of the Company's exploration activities are carried out through joint ventures.

(e) Cash

Cash includes short-term money market instruments with terms to maturity, at the date of acquisition, not exceeding ninety days. There were no short-term money market investments at December 31, 2004 or 2003.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Capital assets

Capital assets are carried at cost. Amortization is computed using the straight-line method over the following estimated useful lives.

Motor vehicle	5 years
Machinery and equipment	3 to 10 years
Computer equipment	3 years
Furniture and fixtures	5 years
Office equipment	5 years
Computer software	2 years

(g) Mineral properties

All direct costs related to the acquisition of mineral property interests are capitalized by property. Exploration costs are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized. Exploration costs include value-added taxes incurred in foreign jurisdictions when recoverability of those taxes is uncertain.

The Company reviews the carrying values of its other mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. An impairment loss is recognized when the carrying value of those assets is not recoverable and exceeds their fair value.

On the commencement of commercial production, depletion of each mining property is provided on a unit-of-production basis using estimated proven and probable recoverable reserves as the depletion base. In cases where there are no proven or probable reserves, depletion is provided on a straight-line basis over the expected economic life of the mine.

Certain of the Company's exploration and development activities are conducted jointly with others. These consolidated financial statements reflect only the Company's interests in such activities.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) *Stock-based compensation*

The Company accounts for stock options granted to directors, officers, employees and non-employees using the fair value method of accounting. Accordingly, the fair value of the options at the date of the grant is accrued and charged to operations, with an offsetting credit to contributed surplus, on a straight-line basis over the vesting periods. The fair value of stock options granted to non-employees is re-measured at the earlier of each financial reporting or vesting date, and any adjustment is charged or credited to operations upon re-measurement. If and when the stock options are exercised, the applicable amounts of contributed surplus are transferred to share capital.

(i) *Income taxes*

Future income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values, using the enacted or substantially enacted, as applicable, income tax rates at each balance sheet date. Future income tax assets also result from unused loss carry-forwards and other deductions. The valuation of future income tax assets is reviewed quarterly and adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount.

(j) *Loss per share*

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. For this purpose, the "treasury stock method" is used for the assumed proceeds upon the exercise of stock options and warrants that are used to purchase common shares at the average market price during the year. During the years ended December 31, 2004 and 2003, all of the outstanding stock options and warrants were antidilutive.

(k) *Comparative figures*

Certain of the comparative figures have been reclassified to conform with the presentation as at and for the year ended December 31, 2004.

3. MINERAL PROPERTY INTERESTS

(a) Definitive Agreement with Ivanhoe Mines

Ivanhoe Mines and the Company signed a definitive agreement dated April 15, 2004, to restructure their May 2002 mineral project participation agreement. The revised agreement reduces from 80% to 50% Ivanhoe Mines' maximum earn-ins on the Company's interests in its most significant projects in China, including: the 217 Gold Project; the Dandong (QCZ) Gold Project; and the JBS Platinum and Palladium development and exploration projects. Ivanhoe Mines reimbursed the Company for $2,369,691, as a reimbursement for prior exploration costs. Ivanhoe Mines retains the right to earn up to 80% of the available interest in any new projects acquired by the Company in China (excluding properties acquired by the Company in Anhui and Liaoning provinces). In addition, Ivanhoe Mines transferred to the Company 50% of its interest in the Shuteen exploration licence in southern Mongolia. The Company issued to Ivanhoe Mines 2.5 million common shares with a fair value of $3,247,476 for prior exploration costs incurred on the projects.

GOLD

(b) 217 Gold project

In April 2002, the Company entered into a co-operative joint venture agreement with a Chinese partner to acquire a 96.5% interest in the 217 Gold project. Under the terms of the agreement, the Company earned a 55% interest in the project by paying $250,000 to the joint venture company, Ningxia Pacific Mining Co. Ltd. ("NPM"). The Company can earn an additional 41.5% interest by making, over a three year period, payments totaling $750,000 to the Chinese partner, of which $350,000 have been made. Finally, the Chinese partner is also entitled to receive from the Company two $1 million payments, the first one being within thirty days of the decision of the Board of Directors of NPM to commence construction and installation of a commercial mining operation, and the second within thirty days of commencement of commercial mining operations. As of December 31, 2004, the Company had contributed $4,375,000 to NPM and the Chinese partner and had incurred costs of $1,748,860 on the project, of which $3,061,930 was funded by Ivanhoe Mines (see (a) above).

Subsequent to December 31, 2004, the Company made the final payment of an aggregate of $750,000 in payments to the Chinese partner and, in accordance with the co-operative joint venture agreement, an additional interest of 41.5% of NPM was transferred to the Company.

3. MINERAL PROPERTY INTERESTS (Continued)

(c) Dandong (QCZ) Gold Project

On October 14, 2002, the Company entered into a binding letter agreement with a Chinese partner, Liaoning Pacific Gold Mining Co. Ltd. (LPGM), through Pacific Northern Gold Inc. ("PNG"), a company jointly controlled with Ivanhoe, to develop the Dandong (QCZ) Gold project gold-silver prospect located at Dandong District of Liaoning Province, China. This agreement was superseded by a co-operative joint venture agreement entered into on July 30, 2003. Under the terms of the new agreement, the Company must contribute $5,050,000 over three years for a 51% interest in the initial

registered capital of LPGM. The Company can also earn up to 80% of LPGM upon contributing, in the aggregate, capital contributions of $19,800,000. As of December 31, 2004, the Company had contributed $880,000 to LPGM and had incurred costs of $396,673 on the project, of which $638,337 was funded by Ivanhoe Mines (see (a) above).

Platinum and Palladium

(d) JBS Platinum and Palladium Project

In June 2001, the Company entered into a co-operative joint venture agreement with a Chinese partner, to develop the JBS platinum-palladium prospect located in Yunnan Province, China. Under the agreement, the Company has to make total cash contributions of $14,000,000 over five years in order to earn a 70% interest in the joint venture company, Yunnan Yunbao Platinum & Palladium Mining Co. Ltd. ("YYPP") Additional amounts of $750,000 and $12,500,000 must be contributed within two and five years, respectively, from October 1, 2001. Both the Company and the Chinese partner will share subsequent cash contributions and profits on a 70/30 basis. As of December 31, 2004, the Company had contributed $1,500,000 to YYPP and had incurred costs of $656,930 on the project, of which $1,078,465 was funded by Ivanhoe Mines (see (a) above).

Subsequent to December 31, 2004, the Company sold its interest in YYPP for $1.4 million. The interest in YYPP will be sold back to the Chinese partner, subject to approval by Chinese authorities. The $1.4 million proceeds from the sale will be split evenly between the Company and Ivanhoe Mines. The first payment of $500,000 was received in April, 2005 and the balance is scheduled to be paid in two additional instalments over the next 12 months.

3. MINERAL PROPERTY INTERESTS (Continued)

Native Copper

(e) Zhaotong, Huize-Xuanwei and Guizhou projects

During 2002 and 2003, the Company entered into three separate co-operative joint venture agreements with Chinese partners to develop three native copper projects, namely the Zhaotong (North) project, the Huize-Xuanwei (South) project, both located in Yunnan Province, and the Guizhou project, in neighbouring Guizhou Province. Exploration programs undertaken by the Company during 2003 and 2004 were unsuccessful and, accordingly, the Company has no further plans to pursue development of these properties. The Company made, in aggregate, capital contributions of $1,410,000 and had incurred costs of $899,983 on these three projects, of which $1,201,175 was funded by Ivanhoe Mines (see (a) above).

4. CAPITAL ASSETS

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Motor vehicle	**$ 73,472**	**$ 24,652**	**$ 48,820**	$ 48,165
Machinery and equipment	**34,571**	**2,542**	**32,029**	1,562
Computer equipment	**89,070**	**38,025**	**51,045**	25,834
Furniture and fixtures	**68,462**	**7,341**	**61,121**	7,123
Office equipment	**21,288**	**7,468**	**13,820**	15,738
Computer software	**26,638**	**11,383**	**15,255**	2,998
	$ 313,501	**$ 91,411**	**$ 222,090**	$ 101,420

5. SHARE CAPITAL

(a) Warrants

The following is a summary of warrants outstanding at December 31, 2004:

Number of Warrants		Exercise price (Expressed in CDN $)	Expiry date
5,100,000	(1)	1.15	July 2, 2005
2,000,000	(1)	1.20	October 10, 2005
1,500,000		2.20	December 12, 2005
2,500,000	(1)	2.20	December 12, 2005
11,100,000			

(1) Held by Ivanhoe Mines

5. **SHARE CAPITAL (Continued)**

(b) Stock options

The Company has a stock option plan which permits the Board of Directors of the Company to grant options, which vest over a period of years, to directors, employees and non-employees to acquire common shares of the Company at the closing trading price of the common shares on the day preceding the date of the grant. The Compensation and Benefits Committee determines and makes recommendations to the Board of Directors as to the recipients of, and nature and size of, share compensation awards in compliance with applicable securities law, stock exchange and other regulatory requirements. The Company is authorized to issue options to a maximum of 9,000,000 common shares pursuant to the stock option plan. At December 31, 2004, there were 2,432,375 options available for future grants.

The following is a summary of option transactions under the Company's stock option plan:

	2004		2003	
	Number of Options	Weighted-average Exercise Price (Expressed in CDN $)	Number of Options	Weighted-average Exercise Price (Expressed in CDN $)
Balance, beginning of year	**2,916,943**	**$ 0.88**	4,281,250	$ 0.63
Options granted	**907,000**	**1.59**	2,951,000	0.90
Options exercised	**(318,684)**	**1.01**	(2,266,557)	0.62
Options forfeited	**(326,625)**	**0.84**	(2,048,750)	0.67
Balance, end of year	**3,178,634**	**$ 1.09**	2,916,943	$ 0.88

5. SHARE CAPITAL (Continued)

(b) Stock options (continued)

The following table summarizes information about stock options outstanding and exercisable at December 31, 2004:

Options Outstanding			Options Exercisable	
Number Outstanding at December 31, 2004	Weighted-average Remaining Contractual Life (years)	Exercise Price (Expressed in CDN $)	Number Exercisable at December 31, 2004	Exercise Price (Expressed in CDN $)
40,000	0.50	$ 1.05	40,000	$ 1.05
250,000	2.42	$ 0.90	250,000	$ 0.90
110,000	2.67	$ 0.90	110,000	$ 0.90
60,000	3.13	$ 1.16	60,000	$ 1.16
520,550	3.35	$ 0.80	520,550	$ 0.80
1,216,084	3.60	$ 0.73	810,723	$ 0.73
75,000	3.88	$ 3.60	30,000	$ 3.60
25,000	4.07	$ 2.36	5,000	$ 2.36
545,000	4.28	$ 2.00	109,000	$ 2.00
10,000	4.39	$ 1.31	2,000	$ 1.31
327,000	4.92	$ 0.87	65,400	$ 0.87
3,178,634	3.65	$ 1.09	2,002,673	$ 1.09

The weighted average fair value of the stock options granted during 2004 and 2003 was CDN$1.21 and CDN$0.90, respectively.

The fair value of these options granted was determined using the Black-Scholes option pricing model, recognizing forfeitures as they occur, using the following weighted average assumptions:

	2004	2003
Risk free interest rate	4.35%	4.13%
Expected life	5 years	2 to 5 years
Expected volatility	100%	113%
Expected dividend per share	$Nil	$Nil

(Stated in U.S. dollars)

5. SHARE CAPITAL (Continued)

(b) Stock options (continued)

The fair value of stock options granted to non-employees are re-measured at the earlier of each financial reporting or vesting date. Changes in the underlying assumptions as well as the foreign exchange rates will result in fluctuations in the fair value of the outstanding options and any adjustment is charged or credited to operations upon re-measurement. During 2004, 740,584 options issued prior to 2004 were re-measured, resulting in a recovery of $297,213. Total stock-based compensation recorded in respect of these options was $998,471 (2003 - $1,295,684).

Option pricing models require the input of highly subjective assumptions regarding the expected volatility. Changes in assumptions can materially affect the fair value estimate, and therefore, use of the Black-Scholes option pricing model, as required by Canadian GAAP, may not provide a realistic measure of the fair value of the Company's stock options at the date of the grant or thereafter.

6. RELATED PARTY TRANSACTIONS

(a) The Company incurred the following expenses, on a cost recovery basis, with companies related by way of directors or shareholders in common:

	2004	2003
Exploration	$ -	$ 35,305
Office and administration	394,314	220,768
Salaries and benefits	382,513	245,126
	$ 776,827	$501,199

(b) Exploration expenses of $2,282,004 (2003 - $1,411,321) were recovered or recoverable from Ivanhoe Mines, a significant shareholder of the Company, on a cost recovery basis, during the year ended December 31, 2004. At December 31, 2004, an amount of $1,807,801 (2003 - $580) was receivable from Ivanhoe Mines.

(c) Accounts payable at December 31, 2004 included $73,490 (December 31, 2003 - $72,952) which was due to a company under common control or companies related by way of directors in common.

(Stated in U.S. dollars)

7. INCOME TAXES

The reported recovery of income taxes differs from the amount computed by applying the Canadian basic statutory tax rates to the net loss. The reasons for this difference and the related tax effects are as follows:

		2004		2003
Net loss for the year	**$**	**5,452,264**	$	6,243,467
Statutory tax rate		**35.6%**		37.6%
Provision for recovery of income taxes based on combined Canadian federal and provincial statutory rates	**$**	**1,949,797**	$	2,347,544
Deduct:				
Lower effective tax rate on losses in foreign jurisdictions		**193,799**		(381,225)
Tax effect of losses not recognized		**(1,752,784)**		(946,809)
Non-deductible expenses		**(390,812)**		(1,019,510)
Provision for recovery of income taxes	**$**	**-**	$	-

Future income taxes result principally from temporary differences in the recognition of certain revenue and expense items for financial and income tax reporting purposes. Significant components of the Company's future tax assets and liabilities as of December 31, 2004 and 2003 are as follows:

`		**2004**		2003
Future income tax assets:				
Tax loss carry-forwards	**$**	**2,457,707**	$	723,386
Other tax deductions carried forward		**891,190**		837,749
Book and tax base differences on assets		**350,813**		493,753
Total future income tax assets		**3,699,710**		2,054,888
Valuation allowance		**(3,699,710)**		(2,054,888)
Net future income tax assets	**$**	**-**	$	-

(Stated in U.S. dollars)

7. INCOME TAXES (Continued)

At December 31, 2004, the Company had the following non-capital losses available to reduce future years' income for Canadian tax purposes:

Expiry Date	
2007	$ 46,000
2008	166,000
2009	353,000
2010	1,246,000
2011	4,383,000
	$ 6,194,000

The Company also has $2.2 million (CDN $3.0 million) of foreign exploration and development expenditures which can be used to offset future taxable income.

8. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash working capital items:

	2004	2003
Net (increase) decrease in:		
Accounts receivable	**$ (470,249)**	$ (28,038)
Interest receivable	**-**	28,733
Receivable from related party	**(1,804,038)**	255,961
Prepaid expenses	**(256,669)**	(76,702)
Net increase in:		
Accounts payable and accrued liabilities	**409,461**	190,290
	$ (2,121,495)	$ 370,244

(Stated in U.S. dollars)

9. SEGMENTED INFORMATION

(a) Industry Information

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

(b) Geographic Information

	China	Canada	Total
As at December 31, 2004			
Capital assets	$ 188,497	$ 33,593	$ 222,090
As at December 31, 2003			
Capital assets	$ 74,618	$ 26,802	$ 101,420

10. FINANCIAL INSTRUMENTS

The fair values of the Company's cash, accounts receivable, amount receivable from related party and accounts payable were estimated to approximate their carrying values.

The Company undertakes transactions denominated in foreign currencies and as such is exposed to foreign exchange risk due to fluctuations in foreign exchange rates.

JINSHAN GOLD MINES INC.
Consolidated Schedule of Exploration Expenses
December 31, 2004 and 2003
(Stated in U.S. dollars)

		Gold Projects			Copper Projects			
	General Exploration	217 Gold	Dandong (QCZ) Gold	JBS Platinum & Palladium	Zhaotong	Huize-Xuanwei	Guizhou	**December 31, 2004**
Payments to joint venture companies & partners	$ 190,000	$ 2,625,000	$ -	$ -	$ -	$ -	$ 110,000	$ 2,925,000
Drilling consultants	1,390	329,918	-	320	-	-	-	331,628
Geological consultants	483,789	118,306	3,604	44,390	14,143	13,764	52,181	730,176
Engineering & other consultants	44,731	468,680	-	21,056	-	13,283	-	547,750
Project management	92,146	30,850	806	14,283	3,315	9,999	2,972	154,372
Maps & reproductions	14,246	24,518	247	5,544	-	-	-	44,555
Sampling and assaying	(994)	539,736	2,807	49,462	7,012	9,320	3,858	611,202
General & administrative	61,835	236,390	13,120	8,545	14,112	107	32	334,141
Salaries & benefits	27,917	191,419	93	22,850	11,077	128	156	253,640
Travel	210,515	162,260	42,791	32,541	40,648	17,764	19,008	525,525
Amount recovered / recoverable	-	(4,624,805)	76,886	(1,078,465)	(94,817)	(33,958)	(98,138)	(5,853,297)
	$ 1,125,576	$ 102,272	$ 140,354	$ (879,475)	$ (4,511)	$ 30,406	$ 90,068	$ 604,691
Stock-based compensation (recovery)								(265,524)
Costs incurred pursuant to restructuring agreement (Note 3(a))								3,247,476
								$ 3,586,643

		Gold Projects			Copper Projects			
	General Exploration	217 Gold	Dandong (QCZ) Gold	JBS Platinum & Palladium	Zhaotong	Huize-Xuanwei	Guizhou	**December 31, 2003**
Payments to joint venture companies & partners	$ -	$ 427,500	$ 780,000	$ 750,000	$ 500,000	$ 500,000	$ -	$ 2,957,500
Drilling and other consultants	-	284,257	625	-	2,002	163	-	287,047
Geological consultants	17,524	101,464	4,630	51,352	50,779	35,819	10,758	272,327
General exploration	315,508	358,239	179,597	310,253	87,962	59,024	6,543	1,317,126
General & administrative	(50,721)	71,116	10,642	6,021	30,395	6,155	1,805	75,413
Salaries & benefits	-	26,212	1,972	1,059	20,373	189	-	49,805
Travel	19,739	47,459	42,318	38,522	56,808	29,201	2,986	237,033
Amount recovered / recoverable	-	(35,910)	(637,067)	(90,209)	(429,766)	(328,733)	(15,755)	(1,537,440)
	$ 302,050	$ 1,280,337	$ 382,717	$ 1,066,999	$ 318,553	$ 301,817	$ 6,337	$ 3,658,811
Stock-based compensation								1,154,378
								$ 4,813,189

JINSHAN GOLD MINES INC.
Schedule B – Supplementary Information
December 31, 2004
(Stated in U.S. dollars)

1. Securities Issued

The following common shares were issued during the year ended December 31, 2004:

Date	Security	Type	Number	Price Cdn $	Proceeds Cdn $	Consideration	Commission
1/7/2004	Common shares	Warrant exercise	140,000	$ 0.40	$ 56,000	Cash	Nil
1/21/2004	Common shares	Option exercise	6,250	0.90	5,625	Cash	Nil
2/16/2004	Common shares	Option exercise	10,000	0.73	7,300	Cash	Nil
2/23/2004	Common shares	Option exercise	2,500	0.90	2,250	Cash	Nil
3/11/2004	Common shares	Option exercise	6,667	0.73	4,867	Cash	Nil
3/19/2004	Common shares	Option exercise	5,000	0.80	4,000	Cash	Nil
3/19/2004	Common shares	Option exercise	6,600	0.73	4,818	Cash	Nil
4/2/2004	Common shares	Option exercise	200,000	1.16	232,000	Cash	Nil
5/6/2004	Common shares	Share issuance	2,500,000	1.75	4,375,000	Property	Nil
5/19/2004	Common shares	Option exercise	25,000	0.73	18,250	Cash	Nil
7/14/2004	Common shares	Option exercise	40,000	0.80	32,000	Cash	Nil
7/14/2004	Common shares	Option exercise	8,333	0.73	6,083	Cash	Nil
10/12/2004	Common shares	Option exercise	8,334	0.73	6,084	Cash	Nil
			2,958,684		$ 4,754,277		

The following share purchase options were granted during the year ended December 31, 2004:

Date	Number	Optionee	Price Cdn $	Expiry Date
26-Jan-04	25,000	Employees	$ 2.36	26-Jan-09
13-Apr-04	495,000	Employees	2.00	13-Apr-09
13-Apr-04	50,000	Consultant	2.00	13-Apr-09
20-May-04	10,000	Employees	1.31	20-May-09
1-Dec-04	200,000	Consultant	0.87	1-Dec-09
1-Dec-04	127,000	Employees	0.87	1-Dec-09
	907,000			

(Stated in U.S. dollars)

2. Securities Outstanding

As at December 31, 2004, the following securities were outstanding:

(a) The Company is authorized to issue an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

(b) There are 48,552,948 common shares outstanding with a recorded value of $20,077,100.

(c) Summary of options and warrants outstanding as at December 31, 2004:

Description	Number outstanding	Exercise Price Cdn $	Expiry Date
Warrants	5,100,000	$ 1.15	2-Jul-05
Warrants	2,000,000	1.20	11-Oct-04
Warrants	4,000,000	2.20	12-Dec-05
	11,100,000		
Options	250,000	$ 0.90	1-Jun-07
Options	40,000	1.05	30-Jun-05
Options	110,000	0.90	31-Aug-07
Options	60,000	1.16	17-Feb-08
Options	520,550	0.80	8-May-08
Options	1,216,084	0.73	6-Aug-08
Options	75,000	3.60	18-Nov-08
Options	25,000	2.36	26-Jan-09
Options	545,000	2.00	13-Apr-09
Options	10,000	1.31	20-May-09
Options	327,000	0.87	1-Dec-09
	3,178,634		

3. Directors and Officers

Jay Chmelauskas, President & Director
Pierre Lebel, Chairman & Director
Daniel Kunz, Director
Edward Flood, Director
Ian He, Director
Peter Meredith, Director
Xiang Dong Jiang, Vice President Business Development
Greg Shenton, Chief Financial Officer
Beverly Bartlett, Secretary

JINSHAN GOLD MINES INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations
For the year ended December 31, 2004
(Stated in U.S. dollars)

Suite 654, 999 Canada Place, Vancouver, B.C. Canada V6C 3E1
Tel: 604-609-0598 Fax: 604-688-8391 E-mail: info@jinshanmines.com, www.jinshanmines.com

Overview

Jinshan Gold Mines Inc. ("Jinshan" or the "Company") is an exploration stage company engaged in the acquisition and exploration of mineral properties in the People's Republic of China ("China"). Jinshan and its subsidiaries are collectively referred to as the "Company". Jinshan is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange under the symbol JIN. On March 8, 2004, Jinshan Gold Mines Inc. changed its name from Pacific Minerals Inc., in order to more accurately reflect the Company's focus on mineral exploration, development and production in China.

Independent resources estimate of 217 Gold project

In March, 2005, the Company released the results of a new independent resources estimate on the 217 Gold project which estimates the measured and indicated resource at 83 million tonnes grading 0.82 grams per tonne (g/t) gold, for contained gold content of approximately 2.2 million ounces. In addition, the project contains an estimated 37 million tonnes of inferred resources grading 0.89 g/t gold, for an additional contained gold content of approximately 1.0 million ounces. The resource estimate was calculated by Mario E. Rossi of GeoSytems International Inc., a qualified person as defined in National Instrument 43-101, and was based on the results of a drilling program undertaken during 2004. Details of this new resource estimate are available in a Technical Report which is available on Sedar.

Funding and mineral exploration agreements with Ivanhoe Mines Ltd. ("Ivanhoe Mines")

In May 2002, the Company granted Ivanhoe Mines, for a period of ten years, the first right of refusal to participate in any mineral property interest acquired in China by the Company. For each new project, Ivanhoe Mines and the Company were to each contribute equally on the first $1 million of expenditures per project. Thereafter, the Company was to retain a carried interest in the project through to development.

On April 20, 2004, Ivanhoe Mines and the Company entered into a definitive agreement to restructure their May 2002 mineral exploration and development joint venture. This agreement reduced from 80% to 50% Ivanhoe Mines' maximum earn-ins on the Company's interests in certain of the Company's projects in China, including the 217 Gold Project in Inner Mongolia Region, the Dandong (QCZ) Gold Project in Liaoning Province, and the JBS Platinum and Palladium development and exploration projects in Yunnan Province**.** In April, 2004 Ivanhoe Mines reimbursed the Company a total of $2.4 million representing 50% of expenditures incurred to date on all projects subject to the joint venture agreement. Of this amount, $2.1 million related to expenditures incurred during 2003. Ivanhoe Mines retains the right to earn up to 80% of the available interest in any new projects acquired by the Company in China (excluding properties acquired by the Company in Anhui and Liaoning provinces), under terms similar to those announced in June, 2002. The revised agreement also contains a mutual non-compete clause, whereby the Company agrees not to compete for any new mineral properties in the Inner Mongolia Region and Ivanhoe Mines undertakes not to compete for any new mineral properties in the Liaoning Province. In addition, Ivanhoe Mines has transferred to the Company 50% of its interest in the Shuteen exploration licence in southern Mongolia.

In consideration for this transaction, the Company issued to Ivanhoe Mines 2.5 million common shares with a fair value of $3,247,476, as reimbursement for prior exploration costs, including property payments. Ivanhoe Mines also may, in appropriate circumstances, make available to the Company future opportunities in Mongolia and China. If any such opportunity falls within a 20-kilometre radius of Ivanhoe Mines' then existing properties, Ivanhoe Mines will retain the right to earn up to 80% of the available interest.

Subsequent to this transaction, Ivanhoe Mines and Jinshan entered an agreement with Quincunx (BVI) Ltd., their joint venture partner on the Shuteen exploration license, to convert their shared interest in the project to a 20% carried interest through to development.

Critical Accounting Estimates

A detailed summary of all of the Company's significant accounting policies is included in Note 2 to the annual Consolidated Financial Statements for the year ended December 31, 2004.

All direct costs related to the acquisition of mineral property interests are capitalized by property. Exploration costs are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized. Exploration costs include value-added taxes incurred in foreign jurisdictions when recoverability of those taxes is uncertain.

The Company reviews the carrying values of its other mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. An impairment loss is recognized when the carrying value of those assets is not recoverable and exceeds their fair value.

Future income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values, using the enacted or substantially enacted, as applicable, income tax rates at each balance sheet date. Future income tax assets also result from unused loss carry-forwards and other deductions. The valuation of future income tax assets is reviewed quarterly and adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount.

The Company accounts for stock options granted to directors, officers, employees and non-employees using the fair value method of accounting. Accordingly, the fair value of the options at the date of the grant is determined using the Black-Scholes option pricing model, as required by generally accepted accounting principles, and stock-based compensation is accrued and charged to operations, with an offsetting credit to contributed surplus, on a straight-line basis over the vesting periods. The fair value of stock options granted to non-employees is re-measured at the earlier of each financial reporting or vesting date, and any adjustment is charged or credited to operations upon re-measurement. Option pricing models require the input of highly subjective assumptions regarding the expected volatility. Changes in assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a realistic measure of the fair value of the Company's stock options at the date of the grant or thereafter.

Recent Accounting Pronouncements

On January 27, 2005, the CICA issued Section 3855 of the Handbook entitled Financial Instruments - Recognition and Measurement. It expands Handbook Section 3860, Financial Instruments - Disclosure and Presentation, by prescribing when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how gains and losses on financial instrument are to be presented.

All financial instruments will be required to be classified into various categories. Held to maturity investments, loans and receivables will be measured at amortized cost, with amortization of premium or discounts, losses and impairment included in current period interest income or expense. Held for trading financial assets and liabilities will be measured at fair market value with all gains and losses included in net income in the period in which they arise. All available for sale financial assets will be measured at fair market value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet, and losses due to impairment will be included in net income. All other financial liabilities are to be carried at amortized cost.

The mandatory effective date of Section 3855 is for fiscal years beginning on or after October 1, 2006, with optional early recognition for fiscal years beginning on or after December 31, 2004. The Company intends to adopt this standard in its fiscal year ending December 31, 2005.

At present, the Company's most significant financial instruments are cash, accounts receivable and accounts payable. This new section will require little difference in accounting for these financial instruments from current standards.

The new Handbook Section 1530 - Comprehensive Income introduces a new requirement to temporarily present certain gains and losses outside of net income. Section 1530 defines comprehensive income as a change in value of net assets that is no longer due to owner activities. Assets that are classified as available for sale will have revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet.

At present, the Company does not have any "available for sale" investments.

The effective date of this new Section is for fiscal years beginning on or after October 1, 2006, with optional early recognition for fiscal years beginning on or after December 31, 2004. The Company intends to adopt this new standard in its fiscal year ending December 31, 2005.

Forward Looking Statements

Except for statements of historical fact relating to the Company, certain information contained herein constitutes forward-looking statements. Forward-looking statements are frequently characterized by words such as "plan," "expect," "project," "intend," "believe," "anticipate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include the inherent risks involved in the exploration and development of mineral properties, the uncertainties involved in interpreting drilling results and other ecological data, fluctuating metal prices, the possibility of project costs overruns or unanticipated costs and expenses, uncertainties relating to the availability and costs of financing needed in the future and other factors described in this report under the heading "Outlook". The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change. The reader is cautioned not to place undue reliance on forward-looking statements.

Exploration Properties

Gold

a) 217 Gold Project

Property description - The 217 Gold project consists of a licensed area of 36 square kilometers ("km^2") in the western part of Inner Mongolia, northern China. The 217 Gold project is centrally positioned within the east-west-trending Tien Shan Gold Belt. The site is approximately 650 km northwest of Beijing and 160 km south of Ivanhoe's major gold and copper discovery at Turquoise Hill (Oyu Tolgoi), in southern Mongolia.

Option agreement - In April 2002, the Company entered into a joint venture agreement with a Chinese partner to acquire up to a 96.5% interest in the 217 Gold project. Under the terms of the agreement, the Company has earned a 55% interest in the project by paying $250,000 to the joint venture company Ningxia Pacific Mining Co. Ltd. ("NPM"). The Company earned an additional 41.5% interest by making, over a three year period, payments totaling $750,000 to the Chinese partner; the final payment and transfer of interest occurring in April, 2005. Finally, the Chinese partner is also entitled to receive from the Company two $1 million payments, the first one being when the decision is made to start construction of a mining operation and the second, thirty days following commencement of commercial mining operations.

Up to December 31, 2004, the Company contributed $4.4 million to NPM as registered capital, and had paid $600,000 to the Chinese partner (of which $350,000 is included in the payments of registered capital to NPM). In addition, the Company has incurred exploration and other expenditures in respect of this project aggregating $1.7 million.

Funding arrangement – Under the terms of the definitive agreement dated April 20, 2004, Ivanhoe Mines and the Company will each fund 50% of the exploration expenditures on the 217 Gold project. Accordingly, Ivanhoe Mines has funded $3.1 million of exploration expenditures to December 31, 2004.

Resource estimate – In March, 2005, the Company released the results of a new independent resource estimate on the 217 Gold project which estimates the measured and indicated resource at 83 million tonnes grading 0.82 grams per tonne (g/t) gold, for contained gold content of approximately 2.2 million ounces. In addition, the project contains an estimated 37 million tonnes of inferred resources grading 0.89 g/t gold, for an additional contained gold content of approximately 1.0 million ounces. The resource estimate was calculated by Mario E. Rossi of GeoSytems International Inc., a qualified person as defined in National Instrument 43-101, and was based on the results of a drilling program undertaken during 2004. Details of this new resource estimate are available in a Technical Report which is available on Sedar.

Exploration results – Construction has commenced at the 217 Gold project on a pilot project which is expected to advance the property towards test production once weather conditions permit leaching in 2005. The pilot project consists of a small open pit and an underground tunnel to provide bulk-tonnage samples to better establish anticipated grade and metallurgical recoveries. A 1,000 tonne-per-day crusher and conveyor system has been installed and two 50,000-tonne heap-leach pads, carbon columns and solution ponds have been constructed to enable heap leaching on both run-of-mine material and single-stage crushed material. In addition, an environmental impact assessment base-line study and mine permitting has commenced.

Open pit mining of the oxide material commenced in July, 2004 and was completed in October. The operation produced approximately 100,000 tonnes for heap leach/bulk tonnage trials that are set to commence in May, 2005. In addition, construction of a 250 metre underground decline to access the sulphide zone for bulk sample testing was completed in March, 2005. The pilot program was designed to test a targeted, commercial production rate of 100,000 ounces per year. Results from this pilot project will be factored into ongoing mine engineering studies which, if favorable, will result in a full scale production decision in late 2005.

b) PingYi Gold Project

Property description – The PingYi gold project consists of an area of approximately 30 km^2 in the GuiLaiZhuang gold district, PingYi County, Shandong Province, China.

Option agreement - The Company has signed an option agreement with the Bureau of Geology and Mineral Resources ("BGMR") of Shandong Province, China, that gives Jinshan an exclusive right to form a joint venture on BGMR's exploration permit areas in Shandong's PingYi County. Under the terms of the option agreement, Jinshan had the right to carry out a six-month exploration program commencing May 2004 on the areas covered by BGMR's exploration permits. This exploration program focused on identifying prospective targets that warrant more extensive exploration. Jinshan has the right to form a joint venture with BGMR in which Jinshan would earn a 70% interest by contributing 70% of the registered capital to the joint-venture company.

Funding arrangement – Under the terms of the definitive agreement dated April 20, 2004, Ivanhoe Mines has declined participation in this project.

Exploration results – An exploration program consisting of ground geophysics, geochemistry and sampling has been completed. A formal joint venture agreement is being negotiated but has not yet been reached; no further exploration work is planned until completion of this agreement.

c) Xijishui Gold Project

Property description - The Xijishui gold project consists of exploration permits covering 19 km^2. The project is approximately 200 kilometres northeast of the city of Lanzhou located in Gansu Province.

Option agreement - The Company has signed an option agreement with the Yinchuan Gaoxin District Shijin Mining Ltd. ("YGDSM") that gives the Company the right to purchase up to 95% of the Xijishui gold project through payments to YGDSM of US$640,000 to be made over a three year period.

Funding arrangement – Under the terms of the definitive agreement dated April 20, 2004, Ivanhoe Mines has declined participation in this project.

Exploration results – An exploration program consisting of geological mapping and sampling was completed during 2004. No further work is scheduled on this project at this time.

d) Dandong (QCZ) Gold Project

The Company has signed a joint venture agreement with Liaoning Pacific Gold Mining Co Ltd. ("LPGM") whereby the Company must pay the Chinese partner $4 million over six years and contribute an additional $16 million to the joint venture company in order to earn an 80% interest in LPGM . The Company can increase its interest to 90% through contributing an additional $10 million to LPGM. LPGM owns the Dandong (QCZ) gold project which covers 480 km^2 of exploration permits located within an overall 790 km^2 area of interest situated in the eastern Liaoning Province, some 140 km southwest of the provincial capital of Shenyang. An exploration program was completed in 2003. With the current focus on the 217 Gold project, no further work is scheduled on the Dandong (QCZ) property and the Company is actively seeking third-party participation in this project.

Up to December 31, 2004, the Company had contributed $880,000 to LGPM as registered capital and had incurred exploration and other expenditures aggregating $397,000. Ivanhoe has funded $638,000 of project expenses representing 50% of expenditures since inception of the project.

Platinum & Palladium

JBS Platinum and Palladium Project & JBS Regional Project

In April, 2005, the Company sold its interest in Yunnan Yunbao Platinum & Palladium Mining Co. Ltd. ("YYPP"), the JBS joint venture company, which holds an option on the JBS Palladium and Platinum property and other regional exploration properties in Yunnan Province, China, for $1.4 million. The Company, together with Ivanhoe its joint-venture partner, had earned an approximate 20% interest in the JBS Joint Venture.

The interest in YYPP was sold back to the Chinese partner, subject to approval by Chinese authorities. The $1.4 million proceeds from the sale will be split evenly between the Company and Ivanhoe. The first payment of $500,000 was received in April, 2005 and the balance is scheduled to be paid in two additional installments over the next 12 months.

The Company has carried out drilling, geological modeling and regional exploration within the JBS joint venture permitted areas over the past two years, however, after initial scoping studies it was determined that the estimated grade and tonnage did not meet the Company's financial criteria. Under the terms of the definitive agreement dated April 20, 2004, Ivanhoe and the Company each funded 50% of the exploration expenditures on the JBS Platinum and Palladium project. Up to December 31, 2004, the Company had contributed $1.5 million to YYPP as registered capital and had incurred exploration and other expenditures of $657,000 Ivanhoe has reimbursed the Company $1.1 million of this amount

Generative Activities

The Company continues on a concerted program to acquire prospective exploration properties and to identify potential acquisitions in China and Asia on a selective basis, as part of a strategy to rationalize and expand its project portfolio. The Company has a strong technical exploration team working in China which is exploring for gold and base metals in specifically targeted areas of the country. During 2004, the Company evaluated approximately 75 greenfield and brownfield opportunities.

The rationalization of the Company's asset portfolio resulted in a number of projects being discontinued during 2004. Specifically among these were the three native copper projects which were included in three separate joint venture agreements, namely the Zhaotong (North) project, the Huize-Xuanwei (South) project, both in Yunnan Province, and the Guizhou project, in neighboring Guizhou Province. Despite the cessation of exploration activities on the native copper projects, these joint venture companies have been maintained in order that they may be utilized in the future to house new exploration projects.

Selected Annual Information

($ in thousands, except per share information)	Year ended December 31,		
	2004	2003	2002
Exploration expenses	$ 3,587	$ 4,813	$ 1,893
Net loss	$ (5,452)	$ (6,243)	$ (4,273)
Net loss per share	$ (0.11)	$ (0.16)	$ (0.14)
Cash	$ 4,030	$ 7,903	$ 3,298
Total assets	$ 7,001	$ 8,219	$ 3,782

***** December 31, 2003 and 2002 figures have been reclassified to be consistent with current disclosure***

For each of the years ended December 31, 2004, 2003, and 2002, the Company had no net sales or other operating revenues, no long-term liabilities and no dividends were declared.

For each of the three years 2002, 2003 and 2004, exploration expenditures were the major component of the annual net loss. Although exploration activity in 2002 was less than that in 2003, other factors also contributed to the year over year difference in this amount including annual scheduled contributions to joint venture companies and partners that were $1.3 million lower in 2002 and stock-based compensation which was $1.0 million higher in 2003. Exploration expenditures in 2004 included the recovery, from Ivanhoe Mines, of its share of exploration expenditures on projects subject to joint venture agreements. Of this recovery, $2.1 million received and credited to operations in 2004 were in respect of expenditures originally incurred during 2003. Stock-based compensation charged to exploration activities in 2004 was $1.4 million lower than the amount charged in 2003. The recognition of stock based-compensation, particularly that which is related to stock options issued to non-employee contractors, can be volatile on a year over year basis as the fair value of each option granted must be recalculated on periodic vesting and financial reporting dates. Also contributing to the net loss incurred in 2002 was the write-down of mineral property costs in the amount of $932,000.

Total assets consist primarily of cash and current assets which will decline on a year to year basis as these working capital items are utilized for operations. During 2003, common shares issued for cash totaled $8.5 million and accounted for the increase in the cash balance at the end of this year.

(Expressed in U.S. Dollars)

Results of Operations

		Year Ended December 31,		
		2004		2003
EXPENSES				
Administration and office	$	**547,297**	**$**	375,187
Amortization		**44,988**		30,919
Investor relations		**88,669**		8,878
Travel		**95,510**		189,488
Exploration expenses		**3,586,643**		4,813,189
Professional fees		**233,742**		361,088
Salaries and benefits		**350,859**		268,341
Stock-based compensation		**556,321**		257,833
Shareholder information, transfer agent and filing fees		**74,920**		79,590
		5,578,949		6,384,513
OTHER INCOME/(EXPENSES)				
Interest income		**49,565**		58,209
Foreign exchange gain		**77,120**		100,111
Loss on disposal of capital assets		**-**		(20,645)
Other income		**-**		3,371
		126,685		141,046
NET LOSS	$	**(5,452,264)**	$	(6,243,467)

Years ended December 31, 2004 and 2003

The Company incurred a net loss of $5.5 million for the year ended December 31, 2004 as compared to a net loss of $6.2 million in 2003. This change is due primarily to a decrease in exploration expenditures of $1.2 million from 2003 to 2004. Increases in salary and administrative costs as well as stock-based compensation expense in 2004 were responsible for the balance of the difference in the year over year net loss.

Exploration expenditures totaled $3.6 million for the year ended December 31, 2004 as compared to $4.8 million for 2003. This decrease is primarily due to the recovery, from Ivanhoe Mines, of its share of exploration expenditures on projects subject to joint venture agreements. Certain of these recoveries received and credited to operations in 2004 were in respect of expenditures originally incurred during 2003. Total exploration expenditures incurred on the Company's projects in China, without giving effect to the cost recoveries received from Ivanhoe or stock-based compensation expenses and recoveries, were $6.5 million and $5.2 million for 2004 and 2003, respectively. This $1.3 million increase in 2004 is reflective of an increase in the number of exploration projects on which work was undertaken as well as increased exploration activity on those projects during the 2004 year. In addition, stock-based compensation charged to exploration activities decreased in the 2004 year by $1.4 million over the amount recorded in 2003. Recognition of stock-based compensation, particularly with regard to compensation associated with the issuance of stock options to consultants, can change dramatically from period to period depending upon such factors as vesting schedules, changing market values and assumptions made regarding volatility.

Total administration costs (operating costs less exploration expenses and stock-based compensation) were relatively stable on a year over year basis, aggregating $1.4 million in 2004 as compared to $1.3 million for 2003.

Office and administration fees and salary costs incurred during 2004 increased by $250,000 over those incurred in 2003. This increase reflects a period of greater corporate activity in 2004, particularly with regard to corporate and financial regulatory functions, and it is also reflective of a period of relative inactivity during the first 3 months of 2003. Certain of the Company's administrative staff and office facilities are employed/provided by Global Mining Management ("GMM") (see 'Other related party transactions' below) whose costs are allocated on an as-used basis. Accordingly, quarterly fluctuations in the costs of administrative and personnel costs can be expected commensurate with increases or decreases in quarterly administrative activity.

Investor relations costs increased significantly in 2004, $89,000 in the current year as compared to $9,000 in 2003. This increase is reflective of the attendance by officials of the Company at various professional conferences during 2004.

Travel costs decreased in 2004 as air travel and accommodation costs by employees traveling between Canada and China for business development and for the purpose of initial project organization has decreased. The majority of travel is now directly related to management of ongoing exploration projects.

The Company incurred $234,000 in professional fees for the 2004 year as compared to $361,000 in 2003. Legal costs associated with the negotiation and formation of joint ventures in China and for equity financings in early 2003 accounted for the majority of the legal costs incurred during 2003, resulting in expenditures which were $127,000 higher than those incurred during 2004. Legal fees were also incurred in relation to ongoing statutory filing requirements and these amounts remained relatively stable over the two-year period. Accounting fees increased during 2004 by $31,000 due to expanded work required on the audit of the December 31, 2003 financial statements resulting from a number of accounting changes which were adopted that year; these additional costs were incurred during 2004.

Stock-based compensation in the amount of $556,000 was recorded in 2004, as compared to the $258,000 in 2003. Stock-based compensation is recognized over the vesting period of the stock options to which it relates and will fluctuate in accordance with the vesting patterns of the underlying options.

Interest income decreased in 2004 from the amount earned during 2003 as the cash balances to which this income relates was also declining during these periods. The foreign exchange gains in both years are reflective of Canadian dollar cash balances held during a period of strengthening of the Canadian dollar versus its U.S. counterpart.

Selected Quarterly Data

($ in thousands, except per share information)

	2004				2003			
QUARTER ENDED	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep*	30-Jun*	31-Mar*
Exploration expenses	$ 822	$ 884	$ 1,342	$ 538	$ 1,919	$ 2,023	$ 615	$ 256
Net loss	$ (1,142)	$ (1,102)	$ (2,047)	$ (1,161)	$ (2,339)	$ (2,488)	$ (555)	$ (861)
Net loss per share	$ (0.02)	$ (0.02)	$ (0.04)	$ (0.03)	$ (0.06)	$ (0.07)	$ (0.01)	$ (0.02)

** Amounts have been restaed in accordance with Note 3 to the annual consolidated financial statements for the year ended December 31, 2004*

Fluctuations in the quarterly net loss amounts over the two year period ended December 31, 2004 is almost entirely due to fluctuations in the level of exploration expenditures on a period over period basis. Exploration expenditures fluctuate on a quarterly basis due to such factors as: variations in the scheduled contributions to joint venture companies and partners; timing of recovery and recognition of exploration costs from Ivanhoe Mines; and fluctuations in the recognition of stock-based compensation charged to exploration activities.

	Three Months Ended,		
	December 31, 2004	**September 30, 2004**	**December 31, 2003 ***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
EXPENSES			
Administration and office	$ **134,969**	$ 127,352	$ 144,849
Amortization	**16,250**	9,263	1,018
Investor relations	**20,721**	22,925	(17,241)
Travel	**15,390**	6,319	35,033
Exploration expenses	**822,149**	884,293	1,919,012
Professional fees	**49,721**	87,974	155,960
Salaries and benefits	**99,636**	72,641	92,021
Stock-based compensation	**111,918**	107,511	117,761
Shareholder information, transfer agent and filing fees	**4,093**	1,284	40,386
	1,274,847	1,319,562	2,488,799
OTHER INCOME/(EXPENSES)			
Interest income	**17,685**	11,875	10,382
Foreign exchange gain	**114,875**	205,386	160,769
Other expense	**-**	-	(21,549)
	132,560	217,261	149,602
NET LOSS	$ **(1,142,287)**	$ (1,102,301)	$ (2,339,197)

** December 31, 2003 figures have been reclassified to be consistent with current disclosure*

Three months ended December 31, 2004 and 2003

The Company incurred a net loss of $1.1 million for the three months ended December 31, 2004 as compared to a net loss of $2.3 million for the same period in 2003. This change is due primarily to a decrease in exploration expenditures of $1.1 million from 2003 to 2004. Exploration costs for the 2004 quarter included a recovery, from Ivanhoe Mines, of its share of joint venture expenditures in the amount of $1.4 million as compared to an amount of $634,000 in the 2003 period. This change is due to a full 50% participation by Ivanhoe Mines in the 217 Gold project during 2004 whereas Ivanhoe Mines' participation in this project for 2003 was virtually nil. Also contributing to the lower exploration expenditures during the 2004 quarter was a decrease of $813,000 in stock-based compensation charged to exploration expenses on a period over period basis.

Total exploration expenditures for the quarters ended December 31, 2004 and 2003, net of recoveries from Ivanhoe Mines and stock-based compensation, were $2.1 million and $1.6 million, respectively. This increase is representative of a change in focus from generative exploration activities on a number of projects in the 2003 quarter to a virtually exclusive concentration of resources on the 217 Gold project and pilot mining activities in the 2004 quarter. This change is also largely responsible for the decrease in travel expenditures in the 2004 period.

Professional fees decreased in the December 2004 quarter over those incurred in the same period in 2003. The 2003 expenditures include $61,000 for legal fees in respect of various statutory filings and the preparation of documents and agreements for the joint ventures and financings. In addition, accounting and accrued audit fees were $81,000 in the December period which was incurred in respect of the preparation, review and audit of the Company's financial statements as well as for advisory services in respect of accounting changes, adopted for the 2003 year.

For the 2004 period, accrued audit fees were $40,000, the balance of professional fees for this period consists of legal fees in respect of various statutory matters.

Shareholder information, transfer agent and filing fees decreased in the 2004 quarter as listing fees of $26,500, paid to the TSX Venture Exchange in December 2003, were not duplicated in the 2004 period. These fees were paid in respect of the listing of 5.5 million new common shares which were issued in December, 2003. Investor relations costs for the 2004 quarter are reflective of expenditures on professional conferences during this period; these costs were not duplicated in 2003. The balance of administrative costs remained relatively constant on a period to period basis.

Three months ended December 31, 2004 and September 30, 2004

The Company incurred a net loss of $1.1 million in each of the three-month periods ended December 31, 2004 and September 30, 2004. Although net exploration expenditures were roughly the same for these periods, individual components of these costs did differ. Total exploration expenditures for the quarters ended December 31, 2004 and September 30, 2004, net of recoveries from Ivanhoe Mines and stock-based compensation, were $2.1 million and $1.7 million, respectively. The majority of this difference is due to higher scheduled property payments in the December period. Exploration expenditure recoveries from Ivanhoe Mines were $1.4 million for the December quarter and $764,000 for the September quarter; the majority of both these amounts are related to the 217 Gold project. Stock-based compensation was $108,000 in the December quarter versus a credit of $36,000 in the September period.

Total administrative expenditures, net of exploration costs and stock-based compensation, were roughly the same over the December and September quarters, reflecting a period of relative administrative stability.

Liquidity and Capital Resources

The balance sheets as at December 31, 2004 and 2003 are shown in the following table for ease of reference:

	December 31, 2004	December 31, 2003
ASSETS		
Current		
Cash	$ 4,030,374	$ 7,903,819
Accounts receivable	575,884	101,756
Receivable from related party	1,807,801	3,763
Prepaid expenses	364,841	108,004
	6,778,900	8,117,342
CAPITAL ASSETS	222,090	101,420
	$ 7,000,990	$ 8,218,762
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 741,105	$ 331,644
SHAREHOLDERS' EQUITY		
Share capital	20,077,100	16,326,789
Contributed surplus	1,939,729	1,865,009
Cumulative translation adjustments	460,850	460,850
Deficit	(16,217,794)	(10,765,530)
	6,259,885	7,887,118
	$ 7,000,990	$ 8,218,762

As at December 31, 2004, the Company had a working capital balance of $6.0 million and cash resources of $4.0 million. During 2004, the Company received $2.4 million from Ivanhoe Mines representing reimbursement of the cumulative costs of the joint venture projects created under the April 20, 2004 definitive agreement, and at December 31, 2004 an additional balance of $1.8 million was due to the Company from Ivanhoe Mines in this respect. Net cash outflows from operating activities for the year ended December 31, 2004 were $4.1 million, or $2.3 million net of the amount receivable from Ivanhoe Mines.

Cash inflows from financing activities during 2003 were $8.5 million, which was raised through the issuance of common shares by way of private placement and by the exercise of warrants and options; for 2004, this amount was only $287,000 resulting from the exercise of warrants and options.

At December 31, 2004, the Company had approximately $2.6 million held in Canadian funds which amount exposes the Company to risks associated with foreign exchange fluctuations. For the year ended December 31, 2004, these Canadian denominated funds incurred an unrealized foreign exchange gain of $109,000 due to the strengthening of the Canadian dollar versus its' U.S. counterpart. The Company converted approximately $4.6 million of Canadian funds into U.S. dollars during 2004.

The Company expects to spend approximately $3.0 million during 2005 on its share of exploration and development projects, inclusive of capital contributions, exploration and general and administrative costs, and expects to fund these operations from its working capital balance on hand. Should a decision be made during 2005 to commence commercial production at the 217 Gold project, additional financing will be required to fund the capital and start-up costs. It is currently estimated that the Company's share of these costs could be approximately $5 to $10 million for the 2005 year. The Company anticipates that funding for this project would be either through a debt facility or combination of debt and new equity financings.

The Company's long term financial requirements both in respect of the 217 Gold project and other optional payments under various joint venture projects currently exceed the working capital available on hand. The Company expects to finance future obligations and commitments through the exercise of options and warrants, additional equity or debt financings, all of which are subject to favorable market conditions. However, there can be no assurance that debt facilities or additional equity financings will be available when required or at terms that are favorable to the Company.

Related Party Transactions

Certain administrative costs are paid to GMM for corporate secretarial, accounting, investor relations and administrative services performed on behalf of the Company. GMM is related to Jinshan as certain officers are common to each company. GMM provides these services to a group of companies, some of which are related to Jinshan and others which are not. The services provided by GMM are incurred on an as-used basis. The Company has utilized the services of the GMM staff and office since April 1, 2003 and has incurred costs of $628,000 for the year ended December 31, 2004 and $466,000 for the nine-month period ended December 31, 2003.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares without par value. As at April 13, 2005: 48,552,948 common shares were issued and outstanding; 3,258,634 share purchase options had been granted and were outstanding; and 11,100,000 common share purchase warrants had been issued and were outstanding. On a fully diluted basis, 62,911,582 common shares were outstanding.

Risk Factors

The business of mineral exploration and extraction involves a high degree of risk. Few properties that are explored are ultimately developed into production. At present, none of the Company's properties has a known body of commercial ore. Material risks and uncertainties affecting the Company, their potential impact, and the Company's principal risk management strategies, are as follows:

- *Additional Funding Requirements* - The further development and exploration of the various mineral properties in which it holds interests depends upon the Company' ability to obtain financing through joint ventures, debt financing, equity financing or other means. There can be no assurance that the Company will be successful in obtaining any required financing as and when needed. Depressed markets for precious and base metals may make it difficult, or impossible, for the Company to obtain debt financing or equity financing on favorable terms, or at all. The Company operates in a region of the world that is prone to economic and political upheaval and mineral properties held by the Company are located in politically and economically unstable countries, which may make it more difficult for the Company to obtain debt financing from project lenders. Failure to obtain additional financing on a timely basis may cause the Company to postpone its development plans, forfeit rights in some or all of its properties or reduce or terminate some or all of its operations.
- *Risks pertaining to foreign countries* - China is, and for the foreseeable future is expected to remain, the country in which the Company concentrates most of its business activities and financial resources. In addition to interests in projects in China, the Company may enter into contractual arrangements in other foreign jurisdictions. The foreign legal frame work for these agreements, particularly in developing countries, is often based on recent political reforms and newly enacted legislation, which may not be consistent with long-standing local conventions and customs. As a result, there may be ambiguities, inconsistencies and anomalies in the agreements or the legislation upon which they are based which are atypical of more developed legal systems and which may affect the interpretation and enforcement of the Company's rights and obligations and those of our foreign partners. Local institutions and bureaucracies responsible for administering foreign laws may lack a proper understanding of the laws or the experience necessary to apply them in a modern business context. Foreign laws may be applied in an inconsistent, arbitrary and unfair manner and legal remedies may be uncertain, delayed or unavailable.
- *Uncertainties related to mineral resource estimates* – There is a degree of uncertainty attributable to the calculation of mineral resources and corresponding grades being mined or dedicated to future production. Until resources are actually mined and processed, the quantity of resources and grades must be considered as estimates only. In addition, the quantity and value of reserves or resources may vary, depending on metals prices. Any material change in the quantity of resources, grades or stripping ratio may affect the economic viability of the Company's properties. In addition, there can be no assurance that metal recoveries in small-scale laboratory tests will be duplicated in larger-scale tests under on-site conditions, or during production.
- *Metal price volatility* – Metal prices are subject to volatile price changes from a variety of factors, including international economic and political trends, expectations of inflation, global and regional demand, currency-exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods.
- *Currency risks* – The bulk of the Company's activities are denominated in U.S. currency. During the past year, the Company maintained some of its surplus funds in Canadian dollars. During most of this period, the Canadian dollar strengthened against the U.S. dollar, resulting in a foreign exchange gain to the Company. There is no guarantee that the Canadian dollar will continue on this trend in the future and a sudden weakening of the Canadian dollar vis-a-vis the U.S. dollar could generate a significant foreign exchange loss to the Company.

- *Limited production history* - The Company has paid no dividends on its common shares since incorporation and does not anticipate doing so in the foreseeable future. To date, the Company has not received any cash flow generated from planned operations. All exploration projects of the Company will need funding from the Company. The Company has a limited operating history and there can be no assurance of its ability to operate its projects profitably. While the Company may in the future generate additional working capital through the operation, development, sale or possible syndication of its properties, there is no assurance that the Company will be capable of producing positive cash flow on a consistent basis or that any such funds will be available for exploration and development programs.
- *Uninsurable risks or self-insured risks* –Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts or slides, fires, floods, earthquakes or other environmental occurrences, and political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any further profitability and result in increasing costs and a decline in the value of the securities of the Company. The Company does not maintain insurance against political or environmental risks.

Outlook

The Company will focus mainly on bringing the Chang Shan Hao 217 gold project into production, potentially as one of the largest heap-leach gold mines in China. It will also continue to identify and evaluate prospective mineral properties in Asia for acquisition on a selective basis. The Company seeks to generate positive cash flow from its mineral properties in China, starting with the 217 project, in an amount that is sufficient to fund growth opportunities without further dilution of shareholder's equity.

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April 13, 2005