



JINSHAN GOLD MINES INC.

Consolidated Financial Statements

June 30, 2008

(Unaudited)

(Stated in U.S. dollars)

JINSHAN GOLD MINES INC.

Consolidated Balance Sheets

(Unaudited)

(Stated in U.S. dollars)

	<u>June 30,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 8,429,552	\$ 26,952,425
Restricted cash (Note 3)	11,668,038	-
Accounts receivable	157,834	348,914
Prepaid expenses and deposits (Note 4)	6,201,124	2,001,980
Inventory (Note 5)	1,726,856	434,609
	<u>28,183,404</u>	<u>29,737,928</u>
PROPERTY, PLANT AND EQUIPMENT (Note 6)	<u>62,376,436</u>	<u>57,727,460</u>
	<u>\$ 90,559,840</u>	<u>\$ 87,465,388</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 11,163,500	\$ 15,066,485
LONG TERM		
Notes payable (Note 7)	44,146,793	44,267,023
Asset retirement obligation	4,929,711	4,460,023
	<u>49,076,504</u>	<u>48,727,046</u>
COMMITMENTS AND CONTINGENCIES (Note 14)		
SHAREHOLDERS' EQUITY		
Share capital (Note 8)		
Authorized		
Unlimited common shares without par value		
Issued		
163,166,659 common shares (2007 - 156,561,424)	73,297,053	59,809,025
Contributed surplus	9,106,028	10,922,519
Accumulated other comprehensive income	460,850	460,850
Deficit	(52,544,095)	(47,520,537)
	<u>30,319,836</u>	<u>23,671,857</u>
	<u>\$ 90,559,840</u>	<u>\$ 87,465,388</u>

CONTINUING OPERATIONS (Note 1)

APPROVED BY THE BOARD

"Daniel Kunz"

Director

"Pierre Lebel"

Director

See accompanying notes to the interim consolidated financial statements

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2008	2007	2008	2007
EXPENSES				
Administration and office	\$ 318,149	\$ 226,091	\$ 606,124	\$ 464,931
Amortization	4,191	12,963	8,104	23,569
Exploration expenses (See Schedule)	926,299	1,677,993	2,294,814	2,621,309
Investor relations	205,442	99,173	318,792	155,425
Professional fees	169,583	271,714	472,772	449,790
Salaries and benefits	372,828	268,340	587,912	465,221
Shareholder information, transfer agent and filing fees	72,660	57,799	138,081	105,500
Stock-based compensation	478,077	259,917	1,011,242	677,126
Travel	303,990	117,075	458,450	205,839
	2,851,219	2,991,065	5,896,291	5,168,710
OTHER (EXPENSES) INCOME				
Foreign exchange (loss) gain	(172,657)	(1,330,027)	1,072,234	(1,338,744)
Interest income	45,981	-	141,762	-
Interest on notes payable (Note 7)	(202,758)	-	(341,263)	-
Other interest and financing expense	-	-	-	(10,973)
	(329,434)	(1,330,027)	872,733	(1,349,717)
NET LOSS	\$ (3,180,653)	\$ (4,321,092)	\$ (5,023,558)	\$ (6,518,427)
BASIC LOSS PER SHARE	\$ (0.02)	\$ (0.03)	\$ (0.03)	\$ (0.04)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	162,043,806	150,061,374	160,362,410	148,452,723

See accompanying notes to the interim consolidated financial statements

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

	Number of Shares	Amount	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total
Balances, December 31, 2006	145,358,949	\$ 49,069,482	\$ 8,133,004	\$ 460,850	\$ (30,989,273)	\$ 26,674,063
Shares issued for:						
Exercise of warrants	9,495,373	8,915,867	(994,521)	-	-	7,921,346
Exercise of stock options	1,707,102	1,823,676	(673,498)	-	-	1,150,178
Stock-based compensation charged to operations	-	-	2,127,010	-	-	2,127,010
Fair Value of share purchase warrants issued in connection with the 12% senior unsecured promissory notes, net of \$70,721 issue costs (Note 7)	-	-	2,330,524	-	-	2,330,524
Net loss and comprehensive loss	-	-	-	-	(16,531,264)	(16,531,264)
Balances, December 31, 2007	156,561,424	\$ 59,809,025	\$ 10,922,519	\$ 460,850	\$ (47,520,537)	\$ 23,671,857
Shares issued for:						
Exercise of warrants	5,407,167	11,915,435	(2,306,274)	-	-	9,609,161
Exercise of stock options	1,198,068	1,572,593	(672,303)	-	-	900,290
Stock-based compensation charged to operations	-	-	1,162,086	-	-	1,162,086
Net loss and comprehensive loss	-	-	-	-	(5,023,558)	(5,023,558)
Balances, June 30, 2008	163,166,659	\$ 73,297,053	\$ 9,106,028	\$ 460,850	\$ (52,544,095)	\$ 30,319,836

See accompanying notes to the interim consolidated financial statements

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

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
OPERATING ACTIVITIES				
Net loss	\$ (3,180,653)	\$ (4,321,092)	\$ (5,023,558)	\$ (6,518,427)
Items not requiring use of cash and cash equivalents:				
Amortization	4,191	12,963	8,104	23,569
Stock-based compensation	558,926	220,759	1,162,086	834,008
Unrealized foreign exchange loss (gain)	427,129	1,296,396	(704,290)	1,400,086
	(2,190,407)	(2,790,974)	(4,557,658)	(4,260,764)
Change in non-cash operating working capital items (Note 10 (a))	(2,232,971)	557,103	(9,265,354)	(2,586,704)
	(4,423,378)	(2,233,871)	(13,823,012)	(6,847,468)
INVESTING ACTIVITIES				
Property, plant and equipment additions	(14,951,942)	(8,735,534)	(24,116,630)	(11,822,627)
Proceeds from sale of pre-commercial gold production	9,978,610	-	20,906,313	-
Restricted cash deposits	2,333,608	-	(11,668,037)	-
	(2,639,724)	(8,735,534)	(14,878,354)	(11,822,627)
FINANCING ACTIVITIES				
Issuance of common shares	4,992,308	3,817,637	10,509,451	5,850,112
Proceeds from the private placement offering comprising the 12% senior unsecured promissory notes and share purchase warrants, net of \$550,142 in issue costs (Note 7)	-	18,189,485	-	18,189,485
	4,992,308	22,007,122	10,509,451	24,039,597
EFFECT OF FOREIGN EXCHANGE RATE CHANGES				
ON CASH AND CASH EQUIVALENTS	67,149	610,125	(330,957)	576,123
NET (DECREASE) INCREASE IN CASH FOR THE PERIOD	(2,003,645)	11,647,842	(18,522,872)	5,945,625
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	10,433,198	22,174,286	26,952,425	27,876,503
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 8,429,553	\$ 33,822,128	\$ 8,429,553	\$ 33,822,128
CASH AND CASH EQUIVALENTS ARE COMPRISED OF THE FOLLOWING:				
Cash in bank	\$ 8,390,038	\$ 10,708,935	\$ 8,390,038	\$ 10,708,935
Bank short-term deposits	39,515	23,113,193	39,515	23,113,193
	\$ 8,429,553	\$ 33,822,128	\$ 8,429,553	\$ 33,822,128

Supplemental Cash Flow Information (Note 10 (b))

See accompanying notes to the interim consolidated financial statements

JINSHAN GOLD MINES INC.

Notes to the Consolidated Financial Statements

(Unaudited)

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

1. BASIS OF PRESENTATION AND CONTINUING OPERATIONS

The accompanying interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). However, they do not include all the information and disclosures required by Canadian GAAP for annual consolidated financial statements. They have been prepared using the same accounting policies and methods of applications as the latest annual consolidated financial statements, except as discussed herein. In the opinion of management, all adjustments of a normal recurring nature necessary for a fair presentation have been made. The results for interim periods are not necessarily indicative of results for the entire year. The information contained in the interim consolidated financial statements should be read in conjunction with Jinshan Gold Mines Inc.’s (“Jinshan”) latest annual consolidated financial statements for the year ended December 31, 2007, and the notes thereto.

The unaudited interim consolidated financial statements include the accounts of Jinshan and all its subsidiaries (individually and collectively referred to as the (“Company”)). All significant inter-company transactions and balances have been eliminated.

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

The Company is a pre-production stage company engaged in the acquisition, exploration, and development of mineral properties in the People’s Republic of China (“China”) and, accordingly, has not yet recorded any revenue. The Company started up gold production in July 2007, and its gold mine is in the pre-commercial production stage as of June 30, 2008. Accordingly, proceeds from the sale of gold produced have been offset against mine development costs. Commercial production is deemed to have commenced when management determines that operational commissioning of major mine and plant components are completed, operating results are being achieved consistently for a period of time and that there are indicators that these operating results will be sustained. The Company determines commencement of commercial production based on the following factors which indicate that planned principal operations have commenced. These would include one or more of the following:

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

Effective in the third quarter of 2008, the Company has determined that for accounting purposes, the Chang Shan Hao Gold Mine (“CSH Gold Mine”) has entered into commercial production and commencing in the third quarter of 2008, the financial statement presentation will reflect revenues and cost of mining operations in the consolidated statement of operations.

JINSHAN GOLD MINES INC.

Notes to the Consolidated Financial Statements

(Unaudited)

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

1. BASIS OF PRESENTATION AND CONTINUING OPERATIONS (Continued)

The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to develop properties, including sustaining capital for its CSH Gold Mine, and to establish future profitable production. The Company may not have sufficient cash to fund the exploration and development of its mineral properties to commercial production and, therefore, may require additional funding, which if not raised, may result in the delay, postponement or curtailment of some of its activities. Management continues to evaluate the need for additional financing and monitor cash flow from the sale of pre-commercial gold production. Management is of the opinion that additional financing will be available to continue its planned activities in the normal course. There can, however, be no assurance that the Company will be able to raise sufficient funds in the future to complete its planned activities.

2. CHANGES IN ACCOUNTING POLICIES

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

- (a) Section 3862 – Financial Instruments – Disclosures, which replaces Section 3861 and provides expanded disclosure requirements that provide additional detail by financial asset and liability categories (see Note 12).
- (b) Section 3863 – Financial Instruments – Presentation, to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows (see Note 12).
- (c) Section 3031 – Inventories, which establishes standards for the measurement and disclosure of inventories. It provides the Canadian equivalent to International Accounting Standard IAS 2 – Inventories. There was no material impact on the Company's financial condition or operating results, as a result of the adoption of this new standard. The main features of Section 3031 are:
 - measurement of inventories at the lower of cost and net realizable value, with guidance on the determination of cost, including allocation of overheads and other costs to inventory;
 - cost of inventories of items that are not ordinarily interchangeable, and goods or services produced and segregated for specific projects, assigned by using a specific identification of their individual costs;
 - consistent use (by type of inventory with similar nature and use) of either first-in, first-out (FIFO) or weighted average cost formula to measure the cost of other inventories; and
 - reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories.

JINSHAN GOLD MINES INC.

Notes to the Consolidated Financial Statements

(Unaudited)

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

2. CHANGES IN ACCOUNTING POLICIES (Continued)

(d) Section 1535 – Capital Disclosures, which establishes standards for disclosing information about an entity’s capital and how it is managed (see Note 13). Under this standard, the Company will be required to disclose the following, based on the information provided internally to the Company’s key management personnel:

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

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

3. RESTRICTED CASH

The Company signed a contract with an equipment manufacturer to purchase crusher equipment for \$15,557,383 to be delivered in late 2008. The Company established a \$15,000,000 letter of credit facility with its bank and opened a \$14,001,645 standby letter of credit for the purchase of the equipment. As security for the standby letter of credit, which expires on January 15, 2009, the Company placed \$14,001,645 as restricted cash with its bank. The Company has reduced its standby letter of credit to \$11,668,037 after making a further progress payment of \$2,333,608.

4. PREPAID EXPENSES AND DEPOSITS

	June 30, 2008	December 31, 2007
CSH Gold Mine construction deposits	\$ 4,716,858	\$ 1,228,902
Deposits for spare parts	341,760	-
Insurance	48,240	402,091
Rent deposits	277,742	264,385
Other	816,524	106,602
	\$ 6,201,124	\$ 2,001,980

JINSHAN GOLD MINES INC.

Notes to the Consolidated Financial Statements

(Unaudited)

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

5. INVENTORY

Inventory consists of materials and supplies and is valued at the lower of cost or net realizable value.

	June 30, 2008	December 31, 2007
Consumables	\$ 1,588,428	\$ 429,277
Spare parts	138,428	5,332
	\$ 1,726,856	\$ 434,609

6. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2008		
	Cost	Accumulated Amortization	Net Book Value
Motor vehicles	\$ 1,272,244	\$ 269,207	\$ 1,003,037
Machinery and Equipment	24,710,697	1,753,244	22,957,453
Furniture and Office Equipment	689,159	280,267	408,892
Buildings	4,159,732	299,943	3,859,789
Capital works in progress	1,024,993	-	1,024,993
Mineral properties and deferred development	33,122,272	-	33,122,272
	\$ 64,979,097	\$ 2,602,661	\$ 62,376,436

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

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

JINSHAN GOLD MINES INC.

Notes to the Consolidated Financial Statements

(Unaudited)

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

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

Mineral properties and deferred development consist of development costs capitalized for the CSH Gold Mine commencing on May 1, 2006, when the Company determined by way of a feasibility study that the CSH Gold Mine had economically recoverable reserves. Development costs capitalized primarily consist of fees paid to consulting engineers, interest on the 12% senior unsecured promissory notes (\$7,946,056 on a cumulative basis, net of related interest income), accretion of asset retirement obligation amounts, and other pre-commercial production costs. Net proceeds of \$20,906,313 received from the sale of pre-commercial gold production during the six months ended June 30, 2008, have been credited to development costs.

During the six months ended June 30, 2008, \$3,607,746 (2007 - \$1,830,044) of interest (including \$1,225,352 (2007 - \$597,282) of accretion on the 12% senior unsecured promissory notes) was capitalized to mineral properties and deferred development.

7. NOTES PAYABLE

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

	Note A	Note B	Note C	Total
Balances of the notes payable, December 31, 2006	\$ 21,604,895	\$ -	\$ -	\$ 21,604,895
Total proceeds	-	11,668,067	7,000,840	18,668,907
Less: fair value of warrants	-	(1,500,777)	(900,466)	(2,401,243)
Fair value of the notes payable	21,604,895	10,167,290	6,100,374	37,872,559
Less: transaction costs for the notes payable	-	(462,252)	(17,170)	(479,422)
Unrealized foreign exchange loss	3,771,705	831,956	520,987	5,124,648
Accretion to December 31, 2007	1,332,098	282,052	135,088	1,749,238
Balances of the notes payable, December 31, 2007	\$ 26,708,698	\$ 10,819,046	\$ 6,739,279	\$ 44,267,023
Unrealized foreign exchange gain	(812,442)	(328,955)	(204,185)	(1,345,582)
Accretion to June 30, 2008	788,865	296,297	140,190	1,225,352
Balances of the notes payable, June 30, 2008	\$ 26,685,121	\$ 10,786,388	\$ 6,675,284	\$ 44,146,793

8. SHARE CAPITAL

Outstanding stock options and warrants

As of June 30, 2008, there were 7,815,467 stock options outstanding with exercise prices and expiry dates ranging from CDN \$0.50 to CDN \$3.60 and August 6, 2008 to May 1, 2014, respectively.

As of June 30, 2008, there were 6,310,000 warrants outstanding with exercise prices and expiry dates ranging from CDN \$1.60 to CDN \$2.50 and December 14, 2008 to June 26, 2009, respectively.

JINSHAN GOLD MINES INC.
Notes to the Consolidated Financial Statements
(Unaudited)
(Stated in U.S. dollars, except as otherwise noted)

9. RELATED PARTY TRANSACTIONS

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

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Administration and office	\$ 206,631	\$ 166,793	\$ 399,683	\$ 333,709
Salaries and benefits	458,106	315,650	767,435	546,361
	<u>\$ 664,737</u>	<u>\$ 482,443</u>	<u>\$ 1,167,118</u>	<u>\$ 880,070</u>

- (b) Accounts payable as at June 30, 2008, includes \$297,730 (2007 - \$289,968), which is due to companies that were under common control or related by way of directors in common.
- (c) The Company paid \$220,891 (2007 - \$nil) for the three months ended June 30, 2008, and \$439,784 (2007 - \$nil) interest expense for the six months ended June 30, 2008, to its current and former significant shareholders, China National Gold Corporation and Ivanhoe Mines Ltd., respectively.
- (d) Prepaid expenses and deposits as of June 30, 2008, include \$227,749 (2007 - \$227,749), which is deposited with a company that was under common control or related by way of directors in common.

JINSHAN GOLD MINES INC.
Notes to the Consolidated Financial Statements
(Unaudited)
(Stated in U.S. dollars, except as otherwise noted)

10. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Change in non-cash operating working capital items	Three months ended		Six months ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Net (increase) decrease in:				
Accounts receivable	\$ 275,930	\$ (120,704)	\$ 170,375	\$ (180,071)
Prepaid expenses and deposits	(3,386,246)	558,667	(4,199,144)	(604,394)
Inventory	(1,105,200)	(157,915)	(1,292,247)	(157,915)
Net increase (decrease) in:				
Accounts payable and accrued liabilities	1,982,545	277,055	(3,944,338)	(1,644,324)
	<u>\$ (2,232,971)</u>	<u>\$ 557,103</u>	<u>\$ (9,265,354)</u>	<u>\$ (2,586,704)</u>
 (b) Additional non-cash transactions				
	Three months ended		Six months ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Transfer of contributed surplus to share capital upon exercise of stock options and warrants	\$ 1,498,181	\$ 117,204	\$ 2,978,577	\$ 433,662
Amounts included in accounts payable for property, plant and equipment	41,353	952,906	41,353	952,906
Accretion of notes payable	625,799	321,315	1,225,352	597,282

11. SEGMENTED INFORMATION

(a) Industry Information

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

(b) Geographic Information

	China	Canada	Total
As at June 30, 2008			
Property, plant and equipment	\$ 62,340,442	35,994	\$ 62,376,436
<hr/>			
As of December 31, 2007			
Property, plant and equipment	\$ 57,708,098	19,362	\$ 57,727,460
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JINSHAN GOLD MINES INC.

Notes to the Consolidated Financial Statements

(Unaudited)

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

12. FINANCIAL INSTRUMENTS

The fair values of the Company's cash and cash equivalents, accounts receivable, and accounts payable approximate their carrying values. The fair value of the notes payable, by their nature, is not readily determinable.

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

(a) Currency risk

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

	June 30, 2008	December 31, 2007
	<u>In Canadian Dollars</u>	
Cash and cash equivalents	\$ 1,810,576	\$ 21,540,662
Accounts receivable	60,985	261,192
Accounts payable and accrued liabilities	(560,869)	(2,139,315)
Notes payable	(44,967,923)	(43,740,256)
	<u>\$ (43,657,231)</u>	<u>\$ (24,077,717)</u>
	<u>In Chinese Renminbi</u>	
Cash and cash equivalents	19,830,479	27,514,458
Accounts receivable	536,596	348,267
Accounts payable and accrued liabilities	(71,842,362)	(91,398,781)
Asset retirement obligation	(33,875,988)	(32,621,062)
	<u>(85,351,275)</u>	<u>(96,157,118)</u>

Based on the above net exposures as of June 30, 2008, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar and RMB against the U.S. dollar would result in an increase/decrease of approximately \$4,138,000 (\$3,903,000 for the Canadian dollar and \$235,000 for the RMB) in the Company's net loss.

(b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company sells all of its gold to one creditworthy customer. The Company's cash and short-term bank deposits are held in large Chinese and Canadian financial institutions. Short-term bank deposits are composed of financial instruments

JINSHAN GOLD MINES INC.

Notes to the Consolidated Financial Statements

(Unaudited)

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

12. FINANCIAL INSTRUMENTS (Continued)

issued by Canadian banks and companies with high investment-grade ratings. These investments mature at various dates over the current operating period. The Company does not have any asset backed commercial paper in its short-term bank deposits. The Company's accounts receivable consists primarily of goods and services tax due from the Federal Government of Canada.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 13.

Accounts payable and accrued liabilities are due within the current operating period.

(d) Interest rate risk

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

(e) Commodity price risk

The ability of the Company to develop its mineral properties and the future profitability of the Company are directly related to the market price of gold. The Company has not hedged any of its future gold sales. The Company's input costs are also affected by the price of fuel. The Company closely monitors gold and fuel prices to determine the appropriate course of action to be taken by the Company.

13. MANAGEMENT OF CAPITAL RISK

The Company manages its cash and cash equivalents, notes payable, common shares, stock options, and warrants as capital (see Notes 7 and 8). The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

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

JINSHAN GOLD MINES INC.

Notes to the Consolidated Financial Statements

(Unaudited)

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

13. MANAGEMENT OF CAPITAL RISK (Continued)

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

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

The Company will need additional capital resources to complete or carry out its exploration and development plans and operations for the next 12 months. The Company has complied with all covenants included in the indenture for its notes payable.

14. COMMITMENTS AND CONTINGENCIES

- (a) In October 2006, the Company signed a ten year service contract with a third party to provide mining services for the CSH Gold Mine commencing in the first quarter of 2007. The value of the mining service each year will vary and is dependent upon the amount of mining work performed.
- (b) The Company established a \$15,000,000 letter of credit facility with its bank in February 2008 and as of June 30, 2008, had an \$11,668,037 standby letter of credit for the purchase of crusher equipment.
- (c) The Company signed several contracts for construction and equipment totaling \$34,762,691 for the crusher installation project at the CSH Gold Mine. The Company expects these contract expenditures to occur through to 2010.
- (d) The Company is from time to time involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which it may be required to pay by reason thereof, will have a material effect on the financial conditions or future results of operations of the Company.

JINSHAN GOLD MINES INC.

Notes to the Consolidated Financial Statements

(Unaudited)

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

15. SUBSEQUENT EVENTS

Subsequent to June 30, 2008:

- (a) 454,500 stock options were exercised at prices ranging from CDN \$0.53 to CDN \$2.00. As a result, the Company issued 454,500 common shares and received net proceeds of \$385,229 (CDN \$389,445) upon the exercise of the stock options.
- (b) The Company signed several contracts for construction and equipment totaling \$4,249,909 for the crusher installation project at the CSH Gold Mine.

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

	<u>(1) Gold Mine</u>		<u>Generative</u>			Three months ended June 30, 2008
	<u>CSH (217)</u>		<u>General</u>	<u>Dadiangou</u>	<u>Xinjiang</u>	
	<u>Gold</u>					
Drilling	\$ 54,861	\$ -	\$ -	\$ -	\$ -	54,861
Geological	-	21,455	-	-	-	21,455
Engineering & other	83,368	-	66,575	20,549	-	170,492
Sampling and assaying	21,950	559	24,391	-	-	46,900
General & administrative	-	19,803	54,177	29,974	-	103,954
Salaries & benefits	-	156,883	29,145	147,126	-	333,154
Travel	-	63,693	38,764	12,177	-	114,634
	<u>\$ 160,179</u>	<u>\$ 262,393</u>	<u>\$ 213,052</u>	<u>\$ 209,826</u>	<u>\$ -</u>	845,450
Stock-based compensation						80,849
						<u>\$ 926,299</u>

	<u>(1) Gold Mine</u>		<u>Generative</u>			Three months ended June 30, 2007
	<u>CSH (217)</u>		<u>General</u>	<u>Dadiangou</u>	<u>Xinjiang</u>	
	<u>Gold</u>					
Drilling	\$ 353,302	\$ -	\$ 446,651	\$ -	\$ -	799,953
Geological	-	7,454	457,644	289,035	-	754,133
Engineering & other	-	1,084	-	-	-	1,084
Sampling and assaying	-	710	51	-	-	761
General & administrative	-	1,032	423	-	-	1,455
Salaries & benefits	-	50,398	67,160	9,878	-	127,436
Travel	-	21,980	4,587	5,762	-	32,329
	<u>\$ 353,302</u>	<u>\$ 82,658</u>	<u>\$ 976,516</u>	<u>\$ 304,675</u>	<u>\$ -</u>	1,717,151
Stock-based compensation						(39,158)
						<u>\$ 1,677,993</u>

(1) Commencing May 1, 2006, costs incurred for the development of the CSH (217) Gold Mine have been capitalized.

Current exploration expenses relate to the drilling campaign in the Southwest Zone.

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

	<u>(1) Gold Mine</u>		<u>Generative</u>			<u>Six Months Ended</u> <u>June 30, 2008</u>
	<u>CSH (217)</u>		<u>General</u>	<u>Dadiangou</u>	<u>Xinjiang</u>	
	<u>Gold</u>					
Drilling	\$ 378,296	\$ -	\$ -	\$ -	\$ -	378,296
Geological	-	39,121	-	-	-	39,121
Engineering & other	321,292	-	138,039	51,445	-	510,776
Sampling and assaying	41,839	559	24,391	-	-	66,789
General & administrative	-	26,017	113,489	103,203	-	242,709
Salaries & benefits	-	340,970	92,071	248,103	-	681,144
Travel	-	106,485	90,249	28,401	-	225,135
	<u>\$ 741,427</u>	<u>\$ 513,152</u>	<u>\$ 458,239</u>	<u>\$ 431,152</u>	<u>\$ -</u>	2,143,970
Stock-based compensation						150,844
						<u>\$ 2,294,814</u>

	<u>(1) Gold Mine</u>		<u>Generative</u>			<u>Six Months Ended</u> <u>June 30, 2007</u>
	<u>CSH (217)</u>		<u>General</u>	<u>Dadiangou</u>	<u>Xinjiang</u>	
	<u>Gold</u>					
Drilling	\$ 386,150	\$ -	\$ 643,718	\$ -	\$ -	1,029,868
Geological	-	37,671	505,942	532,425	-	1,076,038
Engineering & other	-	1,084	2,375	-	-	3,459
Project management	-	-	-	3,150	-	3,150
Sampling and assaying	-	10,456	773	1,218	-	12,447
General & administrative	-	22,288	4,193	-	-	26,481
Salaries & benefits	-	95,356	124,816	19,519	-	239,691
Travel	-	52,676	13,405	7,212	-	73,293
	<u>\$ 386,150</u>	<u>\$ 219,531</u>	<u>\$ 1,295,222</u>	<u>\$ 563,524</u>	<u>\$ -</u>	2,464,427
Stock-based compensation						156,882
						<u>\$ 2,621,309</u>

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



JINSHAN GOLD MINES INC.

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

June 30, 2008

(Unaudited)

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

JINSHAN GOLD MINES INC.

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

June 30, 2008

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

The following management's discussion and analysis of financial condition and results of operations ("MD&A") was prepared as of August 11, 2008, and should be read in conjunction with the consolidated financial statements and notes thereto of Jinshan Gold Mines Inc. ("Jinshan" or the "Company") for the three and six months ended June 30, 2008, and for the year ended December 31, 2007. Unless the context otherwise provides, references in this MD&A to Jinshan or the Company refer to Jinshan and each of its subsidiaries on a consolidated basis.

Overview

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

The Company's other properties include the Dadiangou project in Gansu Province, where the Company has completed a total of 11,865 metres drilled in 51 diamond drill holes, and has completed an initial estimate of inferred resources. The Company also holds 12 exploration permits in the Eastern Xinjiang Uygur Autonomous Region ("Xinjiang") of Northwest China, where the Company is conducting early stage reconnaissance exploration, including geophysical surveys, geological mapping, and geochemical sampling.

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

Highlights

	Three months ended June 30, 2008	Six months ended June 30, 2008	From commencement to June 30, 2008
Pre-commercial gold production (ounces)	12,558	23,844	45,838
Pre-commercial silver production (ounces)	4,937	10,351	18,773
Net proceeds from the sale of pre-commercial production of gold and silver	\$10.0 million	\$20.9 million	\$35.2 million

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Net loss	\$3.2 million	\$4.3 million	\$5.0 million	\$6.5 million
Basic loss per share	\$0.02	\$0.03	\$0.03	\$0.04
Net cash outflows from operations	\$4.4 million	\$2.2 million	\$13.8 million	\$6.8 million
Property, plant and equipment cash expenditures	\$15.0 million	\$8.7 million	\$24.1 million	\$11.8 million

	Balance, June 30, 2008	Balance, June 30, 2007
Cash and cash equivalents	\$8.4 million	\$33.8 million
Working capital	\$17.0 million	\$35.2 million
Restricted cash	\$11.7 million	\$ nil

JINSHAN GOLD MINES INC.

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

June 30, 2008

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

Outlook

The Company initiated gold production at the CSH Gold Mine in July 2007 and continues to work toward achieving improved production levels by optimizing the leach circuit and taking various measures to improve gold recovery in the process plant.

The Company is working with its largest shareholder, China National Gold Corporation, to identify potential projects that can be developed in the near term and other exploration projects in China. The Company also continues to evaluate strategic acquisition prospects on a selective basis, focussing on businesses that have potential synergies with the Company's existing Chinese operations.

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

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

JINSHAN GOLD MINES INC.

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

June 30, 2008

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

Critical Accounting Estimates

A detailed summary of all of the Company's significant accounting policies is included in Note 2 to the annual Consolidated Financial Statements for the year ended December 31, 2007.

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

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

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

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

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

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

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

JINSHAN GOLD MINES INC.

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

June 30, 2008

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

Future Accounting Pronouncements

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

Changes in Accounting Policies

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

- (a) Section 3862 – Financial Instruments – Disclosures, which replaces Section 3861 and provides expanded disclosure requirements that provide additional detail by financial asset and liability categories (see Note 12 to the Company's unaudited consolidated financial statements for the six months ended June 30, 2008).
- (b) Section 3863 – Financial Instruments – Presentation, to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows (see Note 12 to the Company's unaudited consolidated financial statements for the six months ended June 30, 2008).
- (c) Section 3031 – Inventories, which establishes standards for the measurement and disclosure of inventories. It provides the Canadian equivalent to International Accounting Standard IAS 2 – Inventories. There was no material impact on the Company's financial condition or operating results, as a result of the adoption of this new standard. The main features of Section 3031 are:
 - measurement of inventories at the lower of cost and net realizable value, with guidance on the determination of cost, including allocation of overheads and other costs to inventory;
 - cost of inventories of items that are not ordinarily interchangeable, and goods or services produced and segregated for specific projects, assigned by using a specific identification of their individual costs;
 - consistent use (by type of inventory with similar nature and use) of either first-in, first-out (FIFO) or weighted average cost formula to measure the cost of other inventories; and
 - reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories.

JINSHAN GOLD MINES INC.

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

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

- (d) Section 1535 – Capital Disclosures, which establishes standards for disclosing information about an entity's capital and how it is managed (see Note 13 to the Company's unaudited consolidated financial statements for the six months ended June 30, 2008). Under this standard, the Company will be required to disclose the following, based on the information provided internally to the Company's key management personnel:
- qualitative information about its objectives, policies and processes for managing capital;
 - summary quantitative data about what it manages as capital;
 - whether during the period it complied with any externally imposed capital requirement to which it is subject; and
 - when the Company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.
- (e) Section 1400 – General Standards of Financial Statement Presentation, to include requirements for management to assess and disclose an entity's ability to continue as a going concern (see Note 1 to the Company's unaudited consolidated financial statements for the six months ended June 30, 2008).

Forward Looking Statements

Certain statements made herein, other than statements of historical fact relating to the Company, are forward-looking statements. These include, but are not limited to, statements respecting anticipated business activities, planned expenditures, corporate strategies, participation in projects, the actual nature and scope of any financing transactions, the expected timing and success for receipt of required government approvals, the timing of commercial production, anticipated future production rates at the CSH Gold Mine and efforts being implemented to improve recovery and production rates, the results of the expansion study and a decision on whether to pursue the expansion, anticipated production and capital costs, the timing and scope of exploration activities and other statements that are not historical facts. When used in this MD&A, the words such as, "could," "plan," "estimate," "expect," "intend," "may," "potential," "should," and similar expressions, are forward-looking statements. Although the Company believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. Important factors that could cause actual results to differ from these forward looking statements include those described under the heading "Risk Factors" included elsewhere in this MD&A and in the Company's Annual Information Form. The reader is cautioned not to place undue reliance on forward-looking statements.

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

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Development and Exploration Properties

a) CSH Gold Mine

Property description - The CSH Gold Mine consists of a licensed area of 36 square kilometres ("km²") in the western part of Inner Mongolia, northern China. It is centrally positioned within the east-west-trending TianShan Gold Belt. The site is approximately 650 kilometres ("km") northwest of Beijing.

Joint venture agreement - In April 2002, the Company entered into a joint venture agreement with a Chinese partner, the Brigade 217 of the Northwest Geological Bureau, to acquire up to a 96.5% interest in the CSH Gold Mine. In April 2005, the Company completed its earn-in obligations and acquired the 96.5% interest. The Chinese partner was also entitled to receive from the Company two \$1 million payments, the first of which was paid in May 2007, and the second was paid in February 2008.

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

	Cumulative Balance December 31, 2007	Additions During the Period	Cumulative Balance June 30, 2008
Exploration	\$ 7,029,874	741,427	\$ 7,771,301
Mineral properties and deferred development	\$ 28,324,016	4,798,256	\$ 33,122,272
Capital expenditures	\$ 30,303,994	1,137,110	\$ 31,441,104

Development activities – The Company has completed substantially all infrastructure necessary for gold production and the Company has a full complement of mining personnel for operating the mine. Open pit mining is performed by a third party mining contractor and the first ore mined was trucked and placed on the leach pad in April 2007. As of June 30, 2008, 7,588,000 tonnes of ore with an average grade of 0.72 g/t, compared to an expected average grade of 0.76 g/t, were placed on the heap leach pad.

Gold production continues at the CSH Gold Mine with a total production of 45,838 gold ounces since the startup of the process plant in July 2007 to the end of June 2008. Gold sales have totaled \$35.2 million for an average unhedged price of \$ 836 per ounce over this period. Jinshan's most recent shipment of gold was sold at approximately \$870 per ounce.

Production at the CSH Gold Mine is currently performing at about 5,000 ounces per month, which is below the monthly target rate for 2008 of 9,000 ounces per month. The process plant CIC efficiency is still operating at about 60% compared to the expectation of better than 90%. Process experts from both Summit Valley Engineering of Bountiful, Utah and Kappas Cassidy of Reno, Nevada in conjunction with KD Engineering of Tucson, Arizona, visited the mine site in June and identified areas where production performance could be improved. Their recommendations generally focused on improving the carbon handling procedures in the plant, improving heating elements in the kiln to regenerate the carbon, and installing water softeners for the stripping vessels. The Company is implementing these recommendations, including the removal of inefficient "sick" carbon from the process circuit and the replacement and installation of new kiln components, which is expected to further increase the production rate. However there could be other unforeseen factors that may adversely affect the production rate.

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Commercial production is deemed to have commenced when management determines that operational commissioning of major mine and plant components are completed, operating results are being achieved consistently for a period of time and that there are indicators that these operating results will be sustained. The Company determines commencement of commercial production based on the following factors which indicate that planned principal operations have commenced. These would include one or more of the following:

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

Effective in the third quarter of 2008, the Company has determined that for accounting purposes, the CSH Gold Mine has entered into commercial production and commencing in the third quarter of 2008, the financial statement presentation will reflect revenues and cost of mining operations in the consolidated statement of operations.

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

Exploration activities – Exploration and drilling will continue at the CSH Gold Mine during the 2008 field season. The first priority for exploration is to convert inferred resources to the measured and indicated category with additional infill drilling at the Northeast and Southwest Zones. The second priority will be to drill several gold anomalies and carry out trenching along the 9 km surface strike extension of prospective stratigraphy that was defined by grid rock sampling during the 2007 field season.

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

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

On March 31, 2008, a technical report entitled *Throughput Expansion Technical Report* (the "2008 CSH Technical Report") was prepared by Joseph Keane of KD Engineering Co, Inc., Mario Rossi of Geosystems International Inc., John Nilsson of Nilsson Mine Services, and Russell Brown of Golder Associates Inc.

Construction is underway to install the crusher and expand processing capacity. The expansion is predicated upon resolving the processing issues that have, to date, adversely affected the anticipated initial production rate. The original mine production schedule was developed to process 20,000 tonnes of ore per day or a production rate, based on installed capacity of approximately 120,000 ounces of gold per annum. In the 2008 CSH Technical Report, the authors prepared a mine plan for an open pit mine with a heap leach facility at a processing rate of approximately 30,000 tonnes of ore per day over a period of ten years, amounting to an average production of approximately

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165,000 ounces of gold per year. The development contemplates open pit mines in both the Northeast and Southwest Zones, along with associated waste dumps, heap leach facility, crusher and ancillary support infrastructure such as maintenance, fuel and administration facilities. Additionally, the projection for overall mine production tonnage increases to indicate an average of 26.5 million tonnes per annum during the next six years and then taper off as the lower benches of the Northeast Pit will be primarily ore. An emphasis has been placed on recovering weathered ore from the Northeast Zone in 2008, and therefore the majority of the strike length of the deposit will be opened up during this period.

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

Assuming the crusher is installed and is operational, commencing in 2009, fresh and weathered material will be delivered, which will need to be crushed before leaching. A phase-in period for start-up and commissioning of the crushing plant is anticipated.

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

The 2008 CSH Technical Report concluded that increasing the mining rate capacity to 30,000 tonnes per day will involve additional mining equipment and personnel. In the 2008 CSH Technical Report, it is envisaged that capital infrastructure development for the CSH Gold Mine will evolve in two phases. The crushing plant purchased by the Company is capable of operating at a nominal rate of 30,000 tonnes per day. A leach pad extension for Phase II will be installed the following year. The construction of the leach pad extension is expected to begin in May 2009. Capital costs for Phases I and II are estimated at approximately \$68.1 million, which includes costs for the primary, secondary and tertiary crushing systems, infrastructure, and processing facility. The capital cost for future phases, which include leach pad expansion and the addition of an event pond, is estimated at \$21.2 million. Accordingly, the estimated aggregate capital costs for the entire project are estimated at approximately \$89.3 million.

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

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

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The Company has experienced incremental increases in operating costs as compared to those identified in the 2008 CSH Technical Report, which are mainly a result of increases in the cost of relevant inputs such as fuel. These cost increases result in an estimated total cash cost (including royalties and production taxes) of approximately \$458 per ounce through to 2009 and an average of approximately \$394 for the life of the mine.

In connection with ongoing engineering and operating analysis, the Company is contemplating the addition of a conveyor system for its mining operations. The addition of this system would result in an increase in capital costs for the crusher installation, while resulting in potentially lower operating costs. A decision to purchase this system and its actual cost are still subject to further review, and engineering studies are underway to consider the installation of conveyors and stackers that would support lower operating costs and perhaps improve heap leach performance.

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

b) Dadiangou Project

Property description – The Dadiangou project consists of a licensed area of 15 km² in Gansu Province, China. The project is located in the Qinling Fold Belt, a gold producing region that trends west to east through the provinces of Gansu and Shaanxi in central China.

Joint venture agreement – In September 2005, the Company entered into a joint venture agreement with a Chinese partner to acquire a majority interest in the Dadiangou project. Under the terms of the agreement, the Company can earn a 71% interest by incurring exploration expenditures of approximately \$3.7 million and making payments to the Chinese partner of approximately \$1.5 million (of which \$125,000 has been paid) over the first three years of exploration commencing on September 19, 2006. The Company can increase its interest to 80% by incurring additional exploration expenditures of approximately \$2.8 million and by making additional payments of approximately \$354,000 to the Chinese partner. The Chinese partner can then choose to participate at a 20% level for all future expenditures, or have their ownership interest diluted. The amounts in the joint venture agreement are denominated in Chinese Renminbi (“RMB”) and a rate of 7.0590 RMB per U.S. dollar was used to convert the RMB amounts to U.S. dollars.

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

	Cumulative		Cumulative	
	Balance	Additions	Balance	
	December 31,	During the	June 30,	
	2007	Period	2008	
Exploration	\$ 3,825,906	458,239	\$ 4,284,145	

On September 19, 2006, the Company announced the receipt of the business license for the joint venture company, Gansu Pacific Mining Co. Ltd., and paid the Chinese partner \$150,000 pursuant to an additional agreement entered into on July 11, 2006. Since the receipt of the business license, the Company has completed Phase I and Phase II drill programs for a total of 11,865 metres drilled in 51 diamond drill holes. Currently, a Phase III, 3,000 metre infill and expansion drill program is underway. This program is designed to test the Dadiangou Main Shear Zone (“Zone”) along strike from previous drilling and to provide infill data within the current Inferred Resource to allow the estimation of Measured and Indicated Resources. In addition to drilling, the Company has completed surface mapping, trenching, soil sampling, and underground channel sampling programs. A camp has been established on site and approximately 15 km of road into the site has been rehabilitated.

Exploration results – The Dadiangou project hosts multiple gold-bearing shear zones up to 80 metres wide over a strike length estimated to be 3,000 metres. Gold mineralization occurs within the shear zones associated with quartz

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and sulphide minerals (predominantly pyrite). Phase I drilling tested the "Zone" over 2,000 metres of strike length with drill holes spaced between 100 and 180 metres apart. Most drill holes were angled at -45° and tested the Zone at depths of up to 350 metres. Phase II drilling extended the known mineralized strike length of the Zone to approximately 3,000 metres and reduced the spacing of drill sections in the central portion of the Zone to 80 to 100 metres in order to provide the data density needed to support a National Instrument 43-101 compliant resource estimation.

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

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

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

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

The Company is actively advancing the Dadiangou project towards a preliminary assessment study. Environmental, hydrogeological, metallurgical, and other studies are currently ongoing and will be used to support a preliminary assessment study. The Dadiangou project is envisioned as a potential open-pit, cyanide-leach gold operation. Initial metallurgical testwork shows that gold recoveries in excess of 90% can be obtained by grinding and cyanide leaching of sulphide mineralization from Dadiangou. Additional test work is ongoing to define an optimized process flowsheet.

c) Xinjiang Projects

The Company currently holds 12 exploration permits covering 443 km² in the Xinjiang Uygur Autonomous Region ("Xinjiang") of Northwest China. The permits are held under a Chinese-Foreign Joint Venture in which the Company holds a 99% interest and the partner, Yunnan Geological and Mining Co. Ltd., holds a 1% interest. The permits were granted between January 2006 and February 2007 by the MOLAR in Beijing and/or the Xinjiang Bureau of Land and Resources. Four of the initial permits had expiration dates in late 2007, and accordingly the Company has filed application to renew the exploration permits. At the present time the Company is awaiting approval for these renewals.

Field programs commenced in early March 2006 and by the end of 2006, the Company had completed an initial phase of geological mapping, sampling and prospecting on six permits. More than 4,000 rock chip, stream sediment, and soil samples were collected during the course of exploration and submitted to SGS Laboratories in Tianjin, China for gold fire assay and multi-element geochemical analyses. In addition, approximately 150 km² have been covered with ground magnetic geophysical surveys.

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Fieldwork during the 2008 season has been confined to the Xingou C+D properties. A field program of geological mapping and rock chip sampling was completed in June 2008. No significant zones of gold mineralization were discovered.

In addition to the permit-specific work, the Company continues to evaluate new opportunities in the Xinjiang region.

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

	Cumulative Balance December 31, 2007	Additions During the Period	Cumulative Balance June 30, 2008
Exploration	\$ 3,062,247	431,152	\$ 3,493,399

Generative Activities

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

Results of Operations

Overview

The Company initiated gold production at the CSH Gold Mine in July 2007 which as of June 30, 2008, was accounted for as a pre-commercial production stage mine. Accordingly, the company did not record any revenue and the financial results are not fully comparable to prior years due to potential significant changes to the nature of the Company's activities. Effective in the third quarter of 2008, the Company has determined that for accounting purposes, the CSH Gold Mine has entered into commercial production and commencing in the third quarter of 2008, the financial statement presentation will reflect revenues and cost of mining operations in the consolidated statement of operations.

For each of the six months ended June 30, 2008 and 2007, the Company had no net sales or other operating revenues, and no dividends were declared.

Selected Quarterly Data (Unaudited)

(\$ in thousands, except per share information)	2008		2007		2006			
	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep
Exploration expenses	\$926	\$1,369	\$2,131	\$1,851	\$1,678	\$943	\$798	\$551
Net loss	3,181	1,843	4,577	5,436	4,321	2,197	2,482	2,018
Basic loss per share	0.02	0.01	0.03	0.04	0.03	0.01	0.01	0.02

Fluctuations in the quarterly net loss amounts over the two year period ended June 30, 2008, are primarily due to fluctuations in the level of exploration expenditures, foreign exchange gain or loss on the conversion of the notes payable from Canadian dollars to U.S. dollars, and interest expense for the 12% promissory notes on a period over period basis. Exploration expenditures fluctuate on a quarterly basis due to such factors as: variations in the scheduled contributions to joint venture companies and partners; and fluctuations in the recognition of stock-based compensation charged to operations.

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Sale proceeds, net of refining charges, currently received from the sale of pre-commercial gold production are credited to deferred development costs. The Company has a contract for the purchase and sale of gold and silver with a refiner in China. Under the terms of the contract, the refiner refines the doré bars into 0.9995 pure gold and residual silver. Title to the gold and silver passes to the refiner on the date of payment by the refiner to the Company. The selling price of the refined gold is based on the Shanghai Gold Exchange, which closely tracks the London Gold Fixing, and the Shanghai Huatong Platinum & Silver Exchange for refined silver. Gold and silver sales prices are denominated in RMB and sale proceeds are received by the Company in RMB.

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

	Three Months Ended		
	June 30, 2008	2007	Increase (Decrease)
Expenses			
Administration and office	\$ 318,149	\$ 226,091	\$ 92,058
Amortization	4,191	12,963	(8,772)
Exploration expenses	926,299	1,677,993	(751,694)
Investor relations	205,442	99,173	106,269
Professional fees	169,583	271,714	(102,131)
Salaries and benefits	372,828	268,340	104,488
Shareholder information, transfer agent and filing fees	72,660	57,799	14,861
Stock-based compensation	478,077	259,917	218,160
Travel	303,990	117,075	186,915
	<u>2,851,219</u>	<u>2,991,065</u>	<u>(139,846)</u>
Other (Expenses) Income			
Foreign exchange loss	(172,657)	(1,330,027)	(1,157,370)
Interest income	45,981	-	45,981
Interest on notes payable	(202,758)	-	202,758
	<u>(329,434)</u>	<u>(1,330,027)</u>	<u>1,000,593</u>
Net Loss	<u>\$ (3,180,653)</u>	<u>\$ (4,321,092)</u>	<u>\$ 1,140,439</u>

Three months ended June 30, 2008 and 2007

The Company incurred a net loss of \$3.2 million for the three months ended June 30, 2008, compared to a net loss of \$4.3 million in 2007. The decrease of \$1.1 million from 2007 to 2008 was primarily due to the decrease in foreign exchange loss and decrease in exploration expenses which were partially offset by increases in stock-based compensation, interest on notes payable and travel.

Foreign exchange loss for the three months ended June 30, 2008, was \$173,000 compared to a loss of \$1.3 million for 2007. There was an unrealized foreign exchange loss of \$384,000 for the three months ended June 30, 2008, as a result of the conversion of the Canadian dollar denominated notes payable to U.S. dollars at the rate in effect on June 30, 2008. This unrealized foreign exchange loss was partially offset by an unrealized exchange gain of \$67,000 on Canadian dollar cash deposits. The U.S. dollar exchange rate weakened slightly against the Canadian dollar during the three months ended June 30, 2008.

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Exploration expense decreased by \$752,000 for the three months ended June 30, 2008, compared to 2007, primarily because there was no drilling activity this year at the Dadiangou project and the Southwest Zone of the CSH Gold Mine.

Exploration costs are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized. On May 1, 2006, the Company commenced capitalization of development costs for its CSH Gold Mine, as it was determined in the April 2006 feasibility study that the CSH Gold Mine has economically recoverable reserves. Development costs capitalized primarily consists of capitalized interest, asset retirement obligations, amounts paid to the Chinese partner, fees paid to consulting engineers, and other pre-commercial production costs. As of June 30, 2008, \$33 million in development costs incurred at the CSH Gold Mine were capitalized, which includes \$4.9 million of asset retirement obligation, \$7.9 million of capitalized interest (net of related interest income) on the promissory notes issued to fund the development of the CSH Gold Mine, and \$2 million paid to the Company's Chinese partner. As of June 30, 2008, the Company is in the pre-commercial production stage and accordingly, approximately \$35.2 million realized from the sale of gold produced has been offset against development costs.

Stock-based compensation increased by \$218,000 for the three months ended June 30, 2008, compared to 2007, primarily due to the increase in the number of stock options granted in July 2007 and the higher weighted average fair value on the stock option grant date.

Interest on notes payable for the three months ended June 30, 2008, increased by \$203,000 from 2007 due to the issuance of the \$18.7 million 12% promissory notes in June 2007. This was offset by an increase of \$46,000 in interest income earned on cash deposits from the proceeds of the 12% promissory notes.

Travel expenses for administrative personnel increased by \$186,000 for the three months ended June 30, 2008, compared to 2007 primarily due to the increased travel for various Company presentations.

Investor relations costs increased by \$106,000 for the three months ended June 30, 2008, compared to 2007 primarily as a result of new presentation and trade show materials, increased public relations costs and increased participation in investor shows and conferences.

Salaries and benefits increased by \$104,000 for the three months ended June 30, 2008, compared to 2007 primarily due to the increase in salary costs for corporate employees and other benefit costs.

Professional fees decreased by \$102,000 for the three months ended June 30, 2008, compared to 2007 primarily due to legal costs incurred in 2007 when the Company sought, but did not complete, an equity offering to finance its development and exploration activities.

Administration and office expenses for the three months ended June 30, 2008, increased by \$92,000 compared with 2007, primarily due to increases in insurance, communications, and administrative and support costs.

Shareholder information, transfer agent and filing fees increased by \$15,000 for the three months ended June 30, 2008, compared to 2007 primarily due to increased printed material for shareholders and increases in transfer agent and filing fees.

Amortization expense decreased by \$9,000 for the three months ended June 30, 2008, compared to 2007 primarily due to certain fixed assets being fully depreciated.

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

	Six Months Ended		
	June 30, 2008	2007	Increase (Decrease)
Expenses			
Administration and office	\$ 606,124	\$ 464,931	\$ 141,193
Amortization	8,104	23,569	(15,465)
Exploration expenses	2,294,814	2,621,309	(326,495)
Investor relations	318,792	155,425	163,367
Professional fees	472,772	449,790	22,982
Salaries and benefits	587,912	465,221	122,691
Shareholder information, transfer agent and filing fees	138,081	105,500	32,581
Stock-based compensation	1,011,242	677,126	334,116
Travel	458,450	205,839	252,611
	5,896,291	5,168,710	727,581
Other (Expenses) Income			
Foreign exchange gain (loss)	1,072,234	(1,338,744)	(2,410,978)
Interest income	141,762	-	141,762
Interest on notes payable	(341,263)	-	341,263
Other interest and financing expense	-	(10,973)	(10,973)
	872,733	(1,349,717)	2,222,450
Net Loss	\$ (5,023,558)	\$ (6,518,427)	\$ 1,494,869

Six months ended June 30, 2008 and 2007

The Company incurred a net loss of \$5.0 million for the six months ended June 30, 2008, compared to a net loss of \$6.5 million in 2007. The decrease of \$1.5 million from 2007 to 2008 is primarily due to foreign exchange gains, decreased exploration expenses, and increased interest income. These were partially offset by increases in expenses for interest on notes payable, stock-based compensation, travel, investor relations, administration and office, and salaries and benefits.

Foreign exchange gain for the six months ended June 30, 2008, was \$1.1 million compared to a loss of \$1.3 million for 2007. There was an unrealized foreign exchange gain of \$1.3 million for the six months ended June 30, 2008, as a result of the conversion of the Canadian dollar denominated notes payable to U.S. dollars at the rate in effect on June 30, 2008. This unrealized foreign exchange gain was partially offset by an unrealized exchange loss of \$331,000 on Canadian dollar cash deposits. The U.S. dollar exchange rate strengthened against the Canadian dollar during the six months ended June 30, 2008.

Interest on notes payable for the six months ended June 30, 2008, increased by \$341,000 from 2007 due to the issuance of the \$18.7 million 12% promissory notes in June 2007. This was offset by an increase of \$142,000 in interest income earned on cash deposits from the proceeds of the 12% promissory notes.

Stock-based compensation increased by \$334,000 for the six months ended June 30, 2008, compared to 2007, primarily due to the increase in the number of stock options granted in July 2007 and the higher weighted average fair value on the stock option grant date.

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Exploration expense decreased by \$326,000 for the six months ended June 30, 2008, compared to 2007, primarily because there was no drilling activity at the Dadiangou project. This was offset by increased work done in the Southwest Zone of the CSH Gold Mine and general exploration activities.

Travel expenses for administrative personnel increased by \$253,000 for the six months ended June 30, 2008, compared to 2007, primarily due to increased travel for various Company presentations.

Investor relations costs increased by \$163,000 for the six months ended June 30, 2008, compared to 2007, primarily as a result of increased participation in investor conferences, new presentation and trade show materials, and sponsorships.

Administration and office expenses for the six months ended June 30, 2008, increased by \$141,000 compared with 2007, primarily due to increases in insurance, communications expenses and administration support costs.

Salaries and benefits increased by \$123,000 for the six months ended June 30, 2008, compared to 2007, primarily due to the increase in salary costs for corporate employees and other benefit costs.

Shareholder information, transfer agent and filing fees increased by \$33,000 for the six months ended June 30, 2008, compared to 2007, primarily due to increased printed material for shareholders and increases in transfer agent and filing fees.

Professional fees increased by \$23,000 for the six months ended June 30, 2008, compared to 2007 primarily due to fees and costs incurred for assistance with various accounting matters.

Amortization expense decreased by \$15,000 for the six months ended June 30, 2008, compared to 2007, primarily due to certain fixed assets being fully depreciated.

Certain of the Company's administrative staff and office facilities are employed/provided by Global Mining Management ("GMM") (see "Related Party Transactions" below) whose costs are allocated on an as-used basis. Accordingly, fluctuations in the costs of administrative and personnel costs can be expected commensurate with increases or decreases in yearly corporate activity and the level of personnel employed.

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Liquidity and Capital Resources

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

	June 30, 2008	December 31, 2007
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 8,429,553	\$ 26,952,425
Restricted Cash	11,668,037	-
Accounts receivable	157,834	348,914
Prepaid expenses and deposits	6,201,124	2,001,980
Inventory	1,726,856	434,609
	28,183,404	29,737,928
PROPERTY, PLANT AND EQUIPMENT	62,376,436	57,727,460
	\$ 90,559,840	\$ 87,465,388
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 11,163,500	\$ 15,066,485
LONG TERM		
Notes payable	44,146,793	44,267,023
Asset retirement obligation	4,929,711	4,460,023
	49,076,504	48,727,046
SHAREHOLDERS' EQUITY		
Share capital	73,297,053	59,809,025
Contributed surplus	9,106,028	10,922,519
Accumulated other comprehensive income	460,850	460,850
Deficit	(52,544,095)	(47,520,537)
	30,319,836	23,671,857
	\$ 90,559,840	\$ 87,465,388

The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to develop properties, including sustaining capital for its CSH Gold Mine, and to establish future profitable production. The Company may not have sufficient cash to fund the exploration and development of its mineral properties to commercial production and, therefore, may require additional funding, which if not raised, may result in the delay, postponement or curtailment of some of its activities. Management continues to evaluate the need for additional financing and monitor cash flow from the sale of pre-commercial gold production. Management is of the opinion that additional financing will be available to continue its planned activities in the normal course. There can, however, be no assurance that the Company will be able to raise sufficient funds in the future to complete its planned activities.

The Company expects to finance future obligations and commitments through internally generated cash flow, the exercise of options and warrants, additional equity or debt financings, or a combination thereof, 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 or at terms that are favorable to the Company.

As of June 30, 2008, the Company had a working capital balance of \$17.0 million and cash resources of \$8.4 million. During the three months ended June 30, 2008, net cash outflows from operations were \$4.4 million and \$15.0 million of cash was spent on property, plant and equipment, primarily for deferred development cost at the

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CSH Gold Mine. Cash inflows during the three months ended June 30, 2008, were \$10.0 million from the sale of pre-commercial gold production and \$5.0 million from the exercise of share purchase warrants and stock options. The net cash decrease for the three months ended June 30, 2008, was \$2.0 million, net of \$2.3 million of cash previously restricted.

During the six months ended June 30, 2008, net cash outflows from operations were \$13.8 million and \$24.1 million of cash was spent on property, plant and equipment, primarily for deferred development cost at the CSH Gold Mine. Cash inflows during the six months ended June 30, 2008, were \$20.9 million from the sale of pre-commercial gold production and \$10.5 million from the exercise of share purchase warrants and stock options. The net cash decrease for the six months ended June 30, 2008 was \$18.5 million, which included \$11.7 million allocated to restricted cash.

The Company signed a contract with an equipment manufacturer to purchase crusher equipment for \$15.6 million to be delivered in late 2008. The Company established a \$15 million letter of credit facility with its bank and opened a \$14 million standby letter of credit for the purchase of the equipment. As security for the standby letter of credit, which expires on January 15, 2009, the Company placed \$14 million as restricted cash with its bank. The Company has reduced its standby letter of credit to \$11.7 million after making a further progress payment of \$2.3 million.

As of June 30, 2008, of the total \$8.4 million in cash and cash equivalents, the Company had approximately CDN \$1.8 million (\$1.8 million) held in Canadian funds and RMB 19.3 million (\$2.9 million) in Chinese funds, which exposes the Company to risks associated with foreign exchange fluctuations. Included in the Company's total cash and cash equivalents are \$39,000 in bank short-term deposits, none of which are invested in asset backed commercial paper. The Company's \$11.7 million in restricted cash has been placed in bank short-term deposits, none of which is invested in asset backed commercial paper.

As the Company is in the pre-commercial production stage, its primary source of cash has been through the issuance of common shares and warrants from private placements, exercise of stock options, warrants, and long-term debt. Such proceeds received have been used to fund the development of the CSH Gold Mine and exploration expenditures.

The Company has started construction of the crusher to process sulphide ore starting in 2009. This crusher installation is also expected to increase throughput capacity from 20,000 to 30,000 tonnes of ore per day. The timing of increased capacity is dependent on completion of the crusher construction activities. Furthermore, the increased production capacity requires further approval from various government agencies. Capital expenditure required for the crusher installation is estimated to be approximately \$68.1 million. The Company expects to finance the crusher installation through a combination of loans and gold sales proceeds. There can, however, be no assurance that the Company will be able to raise sufficient funds in the future to complete its planned activities.

The Company is currently negotiating with the Industrial and Commercial Bank of China ("ICBC") for a bridge loan. As the bridge loan is not expected to fall within the definition of permitted debt as defined in the notes payable indentures, the Company will be required to seek noteholder approval. The bridge loan is expected to be part of a larger loan facility with ICBC to be implemented, subject to approvals and other conditions, by the end of 2008.

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

	Payments Due By Year					
	Total	2008	2009	2010	2011	2012 Thereafter
Principal repayment on notes payable	\$ 49,086,982	\$ -	\$ 29,452,189	\$ 19,634,793	\$ -	\$ -
Operating leases (a)	115,410	41,769	52,392	7,083	7,083	7,083
Payments to joint venture partner (b)	1,699,958	552,486	580,819	-	566,653	-
Purchase commitments (c)	34,762,691	27,835,479	6,894,559	32,653	-	-
Total	\$ 85,665,041	\$ 28,429,734	\$ 36,979,959	\$ 19,674,529	\$ 573,736	\$ 7,083

(a) Operating leases are primarily for premises.

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

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

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

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

On December 14, 2006, the Company completed a \$25.9 million (CDN \$ 30 million) ("Note A") private placement offering consisting of senior unsecured promissory notes ("Notes") and 6,000,000 warrants for financing the development of the CSH Gold Mine. The Notes mature on December 14, 2009, are repayable in Canadian dollars, and carry an annual interest rate of 12%. Interest on the Notes is payable on a calendar quarterly basis commencing on June 30, 2007. The Company can elect to prepay the Notes after 18 months from the issue date with no prepayment penalty. The Company has allocated the \$25.9 million face value of the private placement offering to the Notes and warrants proportionately, based on their respective fair values. The fair value of the Notes was determined by discounting the stream of future payments of interest and principal at the estimated prevailing market rate of 17% for a debt instrument of comparable maturity and credit quality. The fair value of the warrants was measured using the Black-Scholes option pricing model and was based on a risk free annual interest rate of 3.9%, an expected life of 2 years, an expected volatility of 79%, and a dividend yield rate of nil. The fair value of the warrants, net of \$153,000 issue costs, is included in contributed surplus in the shareholders' equity section of the Company's consolidated balance sheet. Each warrant entitles the holder to acquire one common share at CDN \$1.60 and expires 24 months from the issue date. The Company has the right to accelerate the expiry date of the warrants after 18 months from the issue date, if the Company's common shares trade at or above a volume weighted average share price of CDN \$2.75 for 20 consecutive trading days.

On June 26, 2007, the Company concluded an \$18.7 million (CDN \$20 million) private placement offering consisting of senior unsecured promissory notes ("June 07 Notes") and 4,000,000 warrants. China National Gold Corporation, a significant shareholder of the Company, holds \$7 million (CDN \$7.5 million) ("Note C") of the June 07 Notes. Other third parties hold the remaining \$11.7 million (CDN \$12.5 million) ("Note B"). The June 07 Notes mature on June 26, 2010, are repayable in Canadian dollars and carry an annual interest rate of 12%. Interest on the June 07 Notes is payable on a calendar quarterly basis commencing on September 30, 2007. The Company can elect to prepay Note B after 18 months from the issue date with no prepayment penalty and Note C after 6 months from the issue date with no prepayment penalty. Note B ranks pari passu with the notes issued in December 2006 ("Note A") while Note C is subordinate to Notes A and B. The Company has allocated the \$18.7 million face value of the private placement offering to the June 07 Notes and warrants proportionately, based on their respective fair values. The fair value of the June 07 Notes was determined by discounting the stream of future payments of interest and principal at the estimated prevailing market rate of 17% for a debt instrument of comparable maturity and credit quality. The fair value of the warrants was measured using the Black-Scholes option pricing model and was based on a risk free annual interest rate of 4.6%, an expected life of 2 years, an expected volatility of 72%, and a dividend yield rate of nil. The fair value of the warrants, net of the \$71,000 issue costs, is included in contributed surplus in the shareholders' equity section of the Company's consolidated balance sheet. Each warrant entitles the holder to acquire one common share at CDN \$2.50 and expire 24 months from the issue date. The Company has the right to accelerate the expiry date of the warrants after 18 months from the issue dates, if the Company's common shares trade at or above a volume weighted average share price of CDN \$4.25 for 20 consecutive trading days.

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

	Note A	Note B	Note C	Total
Balances of the notes payable, December 31, 2006	\$ 21,604,895	\$ -	\$ -	\$ 21,604,895
Total proceeds	-	11,668,067	7,000,840	18,668,907
Less: fair value of warrants	-	(1,500,777)	(900,466)	(2,401,243)
Fair value of the notes payable	21,604,895	10,167,290	6,100,374	37,872,559
Less: transaction costs for the notes payable	-	(462,252)	(17,170)	(479,422)
Unrealized foreign exchange loss	3,771,705	831,956	520,987	5,124,648
Accretion to December 31, 2007	1,332,098	282,052	135,088	1,749,238
Balances of the notes payable, December 31, 2007	\$ 26,708,698	\$ 10,819,046	\$ 6,739,279	\$ 44,267,023
Unrealized foreign exchange gain	(812,442)	(328,955)	(204,185)	(1,345,582)
Accretion to June 30, 2008	788,865	296,297	140,190	1,225,352
Balances of the notes payable, June 30, 2008	\$ 26,685,121	\$ 10,786,388	\$ 6,675,284	\$ 44,146,793

Subsequent to June 30, 2008:

- (a) 454,500 stock options were exercised at prices ranging from CDN \$0.53 to CDN \$2.00. As a result, the Company issued 454,500 common shares and received net proceeds of \$385,229 (CDN \$389,445) upon the exercise of the stock options.
- (b) The Company signed several contracts for construction and equipment totalling \$4.2 million for the crusher expansion project at the CSH Gold Mine.

Off-Balance Sheet Arrangements

The Company has a \$15 million letter of credit facility with its bank and has an outstanding \$11.7 million standby letter of credit, which expires on January 15, 2009.

Related Party Transactions

The Company is a party to a shareholders' cost-sharing agreement with certain other public and private companies, (the "Other Companies") pursuant to which the Company and the Other Companies are equal shareholders in Global Mining Management ("GMM") and, through GMM, share office space, furnishings and equipment and communications facilities (on a cost recovery basis) and the employment of various administrative, office and management personnel in Vancouver, British Columbia. Costs of the shared office facilities and the shared employees are recovered from the Company proportionate to the time spent by the shared employees on matters pertaining to the Company. Certain of the directors and officers of the Company were also officers and directors of GMM. Accordingly, fluctuations in the costs of administrative and personnel costs can be expected commensurate with increases or decreases in yearly corporate activity and the level of personnel employed. The Company has utilized the services of the GMM staff and office since April 1, 2003, and has incurred costs of \$665,000 (2007 - \$482,000) for the three months ended June 30, 2008 and \$1.2 million (2007 - \$880,000) for the six months ended June 30, 2008.

The Company paid \$221,000 (2007 - \$nil) for the three months ended June 30, 2008, and \$440,000 (2007 - \$nil) for the six months ended June 30, 2008, to its current and former significant shareholders, China National Gold Corporation and Ivanhoe Mines Ltd., respectively.

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Financial Instruments

The fair values of the Company's cash and cash equivalents, accounts receivable, and accounts payable approximate their carrying values. The fair value of the notes payable, by their nature, is not readily determinable.

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

(a) Currency risk

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

	June 30, 2008	December 31, 2007
	<u>In Canadian Dollars</u>	
Cash and cash equivalents	\$ 1,810,576	\$ 21,540,662
Accounts receivable	60,985	261,192
Accounts payable and accrued liabilities	(560,869)	(2,139,315)
Notes payable	(44,967,923)	(43,740,256)
	<u>\$ (43,657,231)</u>	<u>\$ (24,077,717)</u>
	<u>In Chinese Renminbi</u>	
Cash and cash equivalents	19,830,479	27,514,458
Accounts receivable	536,596	348,267
Accounts payable and accrued liabilities	(71,842,362)	(91,398,781)
Asset retirement obligation	(33,875,988)	(32,621,062)
	<u>(85,351,275)</u>	<u>(96,157,118)</u>

Based on the above net exposures as of June 30, 2008, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar and RMB against the U.S. dollar would result in an increase/decrease of approximately \$4,138,000 (\$3,903,000 for the Canadian dollar and \$235,000 for the RMB) in the Company's net loss.

(b) Credit risk

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

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(c) Liquidity risk

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

Accounts payable and accrued liabilities are due within the current operating period.

(d) Interest rate risk

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

(e) Commodity price risk

The ability of the Company to develop its mineral properties and the future profitability of the Company are directly related to the market price of gold. The Company has not hedged any of its future gold sales. The Company's input costs are also affected by the price of fuel. The Company closely monitors gold and fuel prices to determine the appropriate course of action to be taken by the Company.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares without par value. As of August 11, 2008, 163,621,159 common shares were issued and outstanding, 7,360,967 stock purchase options had been granted and were outstanding, and 6,310,000 common share purchase warrants had been issued and were outstanding. On a fully diluted basis, 177,292,126 common shares were outstanding.

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Changes in Internal Controls over Financial Reporting

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

Risk Factors

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

Production Estimates for the CSH Gold Mine may be inaccurate

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

Jinshan's actual production may vary from estimates for a variety of reasons, including, among others: actual ore mined varying from estimates of grade, tonnage, dilution, and metallurgical and other characteristics; mining and milling losses being greater than planned; short-term operating factors relating to the ore reserves, such as the need for sequential development of ore bodies and the processing of new or different ore grades; risk and hazards associated with mining, milling and conversion; failure of mining methods; natural phenomena, including but not limited to, inclement weather conditions, earthquakes, pit wall failures, ground movements and cave-ins; significant interruption to production facilities due to fires or failure of critical equipment; and unexpected labour shortages or strikes. At present, production is at approximately 50% of capacity. The differential from maximum production capacity is due to several factors, including limitations imposed by cold weather during the winter months and lower than expected recoveries from the run-of-mine ore processing operations. While Jinshan expects that the production rate will increase in the near term, there is no guaranty that it will be able to achieve its maximum nameplate production rates. Failure to achieve production estimates could have a material adverse impact on Jinshan's future cash flows, earnings, results of operations and financial condition.

Jinshan has limited experience in placing properties into production

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

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

The acquisition of title to resource properties or interests therein is a very detailed and time-consuming process. Title to, and the area of, resource concessions may be disputed. Jinshan has conducted an internal investigation of title to the CSH Gold Mine. Based on a review of records the relevant government agencies in China maintain, the CSH Gold Mine interests are registered in the name of the applicable joint venture company. There is no guarantee of title to any of Jinshan's properties. The properties may be subject to prior unregistered agreements or transfers and undetected defects may affect title. Title is based upon interpretation of the applicable laws, which laws may be

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ambiguous, inconsistently applied and subject to reinterpretation or change. Jinshan has not surveyed the boundaries of any of its mineral properties and consequently the boundaries of the properties may be disputed.

Mining permits and licenses are required

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

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

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

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

The Company's ability to make payments on and to refinance its debt depends on its ability to generate cash in the future, which will be affected by the financial performance of the CSH Gold Mine and by general economic, financial, competitive, legislative, regulatory and other factors beyond the Company's control. The Company cannot assure that its business will generate sufficient cash flows from operations or that future borrowings will be available to it in amounts sufficient to enable it to service its debt at maturity or otherwise, or to fund its other liquidity needs. If the Company is unable to meet its debt obligations or to fund its other liquidity needs, the Company may need to restructure or refinance its debt. The Company's ability to refinance its debt or obtain additional financing will depend on: its financial condition at the time; restrictions in agreements governing its debt; and other factors, including financial market or industry conditions. As a result, it may be difficult for the Company to obtain financing on terms that are acceptable to it, or at all. Without this financing, the Company could be forced to sell assets under unfavourable circumstances to make up for any shortfall in its payment obligations. In addition, the Company may not be able to sell assets quickly enough or for sufficient amounts to enable it to meet its obligations.

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

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

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

Mining projects are sensitive to the volatility of metal prices

The mining industry is intensely competitive and there is no assurance that, even if commercial quantities of a mineral resource are recovered from the CSH Gold Mine, the Dadiangou Gold Projects or discovered on Jinshan's other properties, a profitable market will exist for the sale of the same. There can be no assurance that metal prices will be such that Jinshan's properties can be mined at a profit. Factors beyond the control of Jinshan may affect the marketability of any minerals discovered. Metal prices are subject to volatile price changes from a variety of factors including international economic and political trends, expectations of inflation, global and regional demand, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The supply of, and demand for, Jinshan's principal products and exploration targets: gold, copper and silver, is affected by various factors, including political events, economic conditions and production costs.

There are risks associated with conducting business in China

China is, and for the foreseeable future is expected to remain, the country in which Jinshan concentrates most of its business activities and financial resources. Jinshan has applied for and received mining licences and exploration licences for its properties; nevertheless, the legal framework is, in many instances, based on recent political reforms or newly enacted legislation, which may not be consistent with long-standing local conventions and customs. As a result, there may be ambiguities, inconsistencies and anomalies in the agreements or the legislation upon which they are based, which are atypical of more developed legal systems and which may affect the interpretation and enforcement of Jinshan's rights and obligations. Local institutions and bureaucracies responsible for administering foreign laws may lack a proper understanding of the laws or the experience necessary to apply them in a modern business context. The laws may be applied in an inconsistent, arbitrary and unfair manner and legal remedies may be uncertain, delayed or unavailable. As an example, Jinshan holds its interest in the CSH Gold Mine through a joint venture company. Many aspects of the law regarding Chinese joint venture companies are ambiguous, inconsistently applied and subject to reinterpretation or change. While Jinshan believes that Ningxia, the joint venture company that holds the CSH Gold Mine, has been properly established and has taken the steps necessary to obtain its interest in the CSH Gold Mine, there can be no guarantee that such steps will be sufficient to preserve Jinshan's interest in the CSH Gold Mine.

There are several levels of government with influence over Jinshan's mineral production, development and exploration activities. A loss of support for one or more of the Company's projects by any one of those levels of government could result in substantial disruption in Jinshan's ability to continue operations. Such a loss of support could occur on a national level, such as a change in government policy to discourage foreign investment or

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nationalization of mining industries or it may occur at a provincial or local level, in which Jinshan's ability to conduct operations is hindered by aggressive or capricious application of jurisdiction within the control of a particular level of government.

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

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

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

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

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

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

Jinshan does not maintain insurance over certain of its business operations

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

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

Jinshan has paid no dividends on its Common Shares since incorporation and does not anticipate doing so in the foreseeable future. To date, Jinshan has generated limited cash flow from the CSH Gold Mine, and no cash flow from its other operations. All Jinshan's exploration projects will need funding from Jinshan. Jinshan has a limited

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operating history and there can be no assurance of its ability to operate its projects profitably. While Jinshan may in the future generate additional working capital through the operation, development, sale or possible syndication of its properties, there is no assurance that Jinshan will be capable of producing positive cash flow on a consistent basis or that any such funds will be available for exploration, development and production programs.

Jinshan's financial position is subject to fluctuations in currency

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

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

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

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

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

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

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

- anticipated tonnage, grades and metallurgical characteristics of ore to be mined and processed;
- anticipated recovery rates of minerals from the ore;
- cash operating costs of comparable facilities and equipment; and
- anticipated climatic conditions.

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

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

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

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

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

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

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

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

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

JINSHAN GOLD MINES INC.

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

June 30, 2008

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

There are uncertainties related to mineral resource estimates

There is a degree of uncertainty attributable to the calculation of mineral resources and corresponding grades being mined or dedicated to future production. Until resources are actually mined and processed, the quantity of resources and grades must be considered as estimates only. In addition, the quantity and value of reserves or resources may vary, depending on metal prices. Any material change in the quantity of resources, grades or stripping ratio may affect the economic viability of the Company's properties. In addition, there can be no assurance that metal recoveries in small-scale laboratory tests will be duplicated in larger-scale tests under on-site conditions, or during production.

There are risks associated with conducting business through joint ventures

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

Counterparties

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

Share Price Volatility

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

Qualified Persons

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

August 11, 2008