



British Columbia  
Securities Commission

**QUARTERLY AND YEAR END REPORT  
BC FORM 51-901F (previously Form 61)**

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INCORPORATED AS PART OF:

Schedule A

Schedule B  
(place X in appropriate category)

**ISSUER DETAILS**

NAME OF ISSUER	FOR QUARTER ENDED	DATE OF REPORT YY/MM/DD
Jinshan Gold Mines Inc. (formerly Pacific Minerals Inc.)	December 31, 2003	04/04/07

ISSUER'S ADDRESS Suite 654, 999 Canada Place

CITY	PROVINCE	POSTAL CODE	ISSUER FAX NO.	ISSUER TELEPHONE NO.
Vancouver	B.C.	V6C 3E1	604-682-6728	604-609-0598

CONTACT PERSON	CONTACT'S POSITION	CONTACT TELEPHONE NO.
Greg Shenton	Chief Financial Officer	604-609-0598

CONTACT E-MAIL ADDRESS	WEB SITE ADDRESS
info@jinshanmines.com	<a href="http://www.jinshanmines.com">www.jinshanmines.com</a>

**CERTIFICATE**

The three schedules required to complete this Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.

"Jay Chmelauskas"	Jay Chmelauskas	04/04/07 DATE SIGNED YY/MM/DD
DIRECTOR'S SIGNATURE	PRINT FULL NAME	

"Pierre Lebel"	Pierre Lebel	04/04/07 DATE SIGNED YY/MM/DD
DIRECTOR'S SIGNATURE	PRINT FULL NAME	

(Electronic signatures should be entered in "quotations")



*Auditors' Report and Consolidated Financial Statements of*

**JINSHAN GOLD MINES INC.**  
*(formerly known as Pacific Minerals Inc.)*

*December 31, 2003 and 2002*  
*(stated in U.S. dollars)*

Deloitte & Touche LLP  
P.O. Box 49279  
Four Bentall Centre  
2800 - 1055 Dunsmuir Street  
Vancouver, British Columbia  
V7X 1P4

Tel: (604) 669 4466  
Fax: (604) 685 0395  
www.deloitte.ca

**Deloitte  
& Touche**

## **Auditors' Report**

To the Shareholders of  
Jinshan Gold Mines Inc.  
(formerly Pacific Minerals Inc.)

We have audited the consolidated balance sheets of Jinshan Gold Mines Inc. (formerly Pacific Minerals Inc.) as at December 31, 2003 and 2002 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act of British Columbia, we report that, in our opinion, these principles have been applied on a consistent basis.

***“Deloitte & Touche LLP”***

Chartered Accountants  
Vancouver, British Columbia  
March 26, 2004

**Deloitte  
Touche  
Tohmatsu**

**JINSHAN GOLD MINES INC.**  
**(Formerly known as Pacific Minerals Inc.)**  
**Consolidated Balance Sheets**  
**December 31, 2003 and 2002**  
**(Stated in U.S. dollars)**

<b>ASSETS</b>	<u>2003</u>	<u>2002</u> (Note 4)
<b>CURRENT</b>		
Cash	\$ 7,903,819	\$ 132,321
Short-term investments	-	3,165,358
Accounts receivable	101,756	73,718
Interest receivable	-	28,733
Receivable from related party (Note 10(b))	3,763	259,724
Prepaid expenses	108,004	31,302
	<u>8,117,342</u>	<u>3,691,156</u>
<b>CAPITAL ASSETS (Note 6)</b>	<u>101,420</u>	<u>90,796</u>
	<u>\$ 8,218,762</u>	<u>\$ 3,781,952</u>

**LIABILITIES**

<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 331,644	\$ 141,354

**SHAREHOLDERS' EQUITY**

Share capital (Note 7 (a))	16,326,789	7,291,695
Contributed surplus (Note 8)	1,865,009	961,950
Cumulative translation adjustments (Notes 4 (b) and 9)	460,850	(90,984)
Deficit	(10,765,530)	(4,522,063)
	<u>7,887,118</u>	<u>3,640,598</u>
	<u>\$ 8,218,762</u>	<u>\$ 3,781,952</u>

APPROVED BY THE BOARD

"Jay Chmelauskas"

Director

"Pierre Lebel"

Director

# JINSHAN GOLD MINES INC.

(Formerly known as Pacific Minerals Inc.)

## Consolidated Statements of Operations and Deficit

Years ended December 31, 2003 and 2002

(Stated in U.S. dollars)

	<u>2003</u>	<u>2002</u>
		(Note 4)
EXPENSES		
Administration and office	\$ 396,872	\$ 90,108
Amortization	30,919	12,353
Business development	448,588	200,821
Consulting fees	174,773	213,903
Exploration expenses (Note 4(a) and Schedule)	4,242,756	1,893,275
Professional fees	392,595	138,788
Rent	42,441	39,280
Salaries and benefits	318,146	43,907
Stock-based compensation	257,833	568,953
Shareholder information, transfer agent and filing fees	79,590	180,536
Mineral property written off (Note 11)	-	931,599
	<u>6,384,513</u>	<u>4,313,523</u>
OTHER INCOME AND (EXPENSES )		
Interest income	58,209	37,628
Foreign exchange gain	100,111	-
Loss on disposal of capital assets	(20,645)	-
Other income	3,371	2,587
	<u>141,046</u>	<u>40,215</u>
NET LOSS	<u>\$ (6,243,467)</u>	<u>\$ (4,273,308)</u>
DEFICIT, BEGINNING OF YEAR		
As previously reported	(1,882,871)	(35,758)
Adjustment to reflect accounting changes:		
Mineral properties (Note 4(a))	(2,070,239)	(212,997)
Stock-based compensation (Note 4(d))	(568,953)	-
As restated	<u>(4,522,063)</u>	<u>(248,755)</u>
DEFICIT, END OF YEAR	<u>\$ (10,765,530)</u>	<u>\$ (4,522,063)</u>
BASIC AND DILUTED LOSS PER SHARE	<u>\$ (0.16)</u>	<u>\$ (0.14)</u>
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	<u>38,095,073</u>	<u>29,530,490</u>

**JINSHAN GOLD MINES INC.**  
**(Formerly known as Pacific Minerals Inc.)**  
**Consolidated Statements of Cash Flows**  
**Years ended December 31, 2003 and 2002**  
**(Stated in U.S. dollars)**

	<u>2003</u>	<u>2002</u>
		(Note 4)
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (6,243,467)	\$ (4,273,308)
Items not involving use of cash:		
Amortization	30,919	84,070
Stock-based compensation	1,412,211	710,259
Loss on disposal of capital assets	20,645	-
Mineral property written off	-	931,599
Unrealized foreign exchange losses	19,487	13,900
	<u>(4,760,205)</u>	<u>(2,533,480)</u>
Change in non-cash operating working capital items (Note 13)	370,244	(252,068)
	<u>(4,389,961)</u>	<u>(2,785,548)</u>
<b>INVESTING ACTIVITIES</b>		
Redemption / (purchase) of short-term investments	3,638,983	(3,183,983)
Capital asset additions	(45,770)	(69,933)
Repayment of advances	-	123,475
Cash acquired on acquisition of subsidiary (Note 2)	-	91,380
	<u>3,593,213</u>	<u>(3,039,061)</u>
<b>FINANCING ACTIVITY</b>		
Issuance of common shares	8,520,505	5,957,708
<b>NET CASH INFLOW</b>	<b>7,723,757</b>	<b>133,099</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		
<b>ON CASH</b>	<b>47,741</b>	<b>(778)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>132,321</b>	<b>-</b>
<b>CASH, END OF YEAR</b>	<b>\$ 7,903,819</b>	<b>\$ 132,321</b>

**JINSHAN GOLD MINES INC.**  
**(Formerly known as Pacific Minerals Inc.)**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2003 and 2002**  
**(Stated in U.S. dollars)**

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**1. NATURE OF OPERATIONS**

Jinshan Gold Mines Inc. (formerly known as Pacific Minerals Inc.) together with its subsidiaries and joint venture (individually and collectively referred to as the “Company”) is a development stage company engaged in the acquisition and exploration of mineral properties in the People’s Republic of China (“China”). The ability of the Company to continue operations is dependent upon the continued financial support of its shareholders, other investors and lenders, together with the successful development of the Company’s interests in its mineral properties.

The Company changed its name to Jinshan Gold Mines Inc. (“Jinshan”) on March 9, 2004.

**2. REVERSE TAKEOVER**

On January 18, 2002, the Company acquired Pacific PGM Inc. (“PGM”) by the purchase of all the issued and outstanding shares of PGM for Canadian (“CDN”) \$6,000,000, payable by the issue of 15,000,000 shares of the Company issued at a deemed price of CDN\$0.40 per share.

This acquisition has been accounted for as a reverse takeover whereby the purchase method of accounting has been used with PGM being the accounting parent and the Company being the accounting subsidiary. These consolidated financial statements include the operations of the Company, being the accounting subsidiary, from the date of acquisition of PGM.

The net assets of the Company at fair value at the date of acquisition were as follows :

Current assets (including cash of \$91,380)	\$	1,131,217
Capital assets		16,507
Mineral property		1,030,578
Less: current liabilities		(23,116)
<u>Net asset acquired</u>	\$	<u>2,155,186</u>

The results of operations of the accounting subsidiary for the period from January 1, 2002 to January 18, 2002 (the date of the business combination) are summarized as follows:

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**JINSHAN GOLD MINES INC.**  
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**(Stated in U.S. dollars)**

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**2. REVERSE TAKEOVER (Continued)**

REVENUE		
Royalty income	\$	1,145
Interest income		58
		<hr/>
		1,203
<hr/>		
EXPENSES		
Accounting and audit fees		1,139
Advertising and promotion		377
Amortization of capital assets		273
Bank charges		24
Consulting fees		7,944
Office and miscellaneous		262
Meals		15
Travel		64
Rent		884
Amortization of QC project		3,765
		<hr/>
		14,747
NET LOSS FOR THE PERIOD	\$	(13,544)

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**3. SIGNIFICANT ACCOUNTING POLICIES**

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

*(a) Principles of consolidation*

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

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**JINSHAN GOLD MINES INC.**  
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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*(b) Accounting estimates*

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

*(c) Foreign currencies*

The Company changed its functional currency to U.S. dollars in 2003 (Note 4(c)) as it is the currency of the primary economic environment in which the Jinshan and its foreign subsidiaries operate. Accordingly, monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect at the balance sheet date and non-monetary assets and liabilities at the exchange rates in effect at the time of acquisition or issue. Revenues and expenses are translated at rates approximating the exchange rates in effect at the time of the transactions. All exchange gains and losses are included in operations.

*(d) Joint ventures*

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

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

*(e) Cash*

Cash includes short-term money market instruments with terms to maturity, at the date of acquisition, not exceeding ninety days. There were no short-term money market investments at December 31, 2003 or December 31, 2002.

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**JINSHAN GOLD MINES INC.**  
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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*(f) Capital assets*

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

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

*(g) Mineral properties*

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

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

*(h) Stock-based compensation*

The Company accounts for stock options granted to directors, officers, employees and non-employees using the fair value method of accounting (Note 4(d)). Accordingly, 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. If and when the stock options are exercised, the applicable amounts of contributed surplus are transferred to share capital.

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**JINSHAN GOLD MINES INC.**  
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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*(i) Income taxes*

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

*(j) Loss per share*

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

*(k) Comparative figures*

Certain of the comparative figures have been reclassified to conform with the presentation as at and for the year ended December 31, 2003.

**4. ACCOUNTING CHANGES**

*(a) Mineral properties*

During the year ended December 31, 2002 and prior years, the Company capitalized the acquisition costs of mineral properties and the related direct exploration expenditures thereon. Effective April 1, 2003, the Company changed its method of accounting for mineral properties with the result that exploration expenditures are expensed as incurred unless the mineral property has been identified as having substantial evidence that the property has economically recoverable reserves.

Effective July 1, 2003, the Company also changed its method of accounting whereby payments made to joint venture companies and partners, previously considered to be

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**JINSHAN GOLD MINES INC.**  
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**4. ACCOUNTING CHANGES (Continued)**

*(a) Mineral properties (continued)*

acquisition costs, are now considered to be exploration expenditures, which are also expensed as incurred.

These accounting changes are consistent with the current reporting practices of the Company's major shareholder and other companies in the mining industry.

These changes have been applied retroactively and comparative amounts have been restated accordingly, with the result that the net loss for years ended December 31, 2003 and 2002 has been increased by \$3,088,378 (\$0.08 per share) and \$1,857,242 (\$0.06 per share), respectively, and the deficit as at December 31, 2001 has been increased by \$212,997, with a corresponding decrease in the carrying amount of mineral properties as at December 31, 2002 by \$2,070,239.

*(b) Reporting currency*

The Company changed its reporting currency to United States dollars effective June 30, 2003. The change in reporting currency was made to improve investors' ability to compare the Company's results with those of most other publicly traded businesses in the industry. The consolidated financial statements as at that date were translated from Canadian dollars to United States dollars using the current rate method. Under this method, the assets and liabilities were translated using the exchange rate in effect at the balance sheet date. The statements of operations and cash flows were translated at the average rate for the respective reporting periods. Any resulting foreign exchange gains and losses were recorded as a separate component of shareholders' equity and described as cumulative translation adjustments. The translated amount for non-monetary items at June 30, 2003 became the historical basis for those items in subsequent reporting periods.

*(c) Functional currency*

As of July 1, 2003, the Company adopted the United States dollar as its primary currency of measurement. The change in the Company's currency of measurement was made due to the increasing number of United States dollar denominated expenditures as a percentage of overall expenditures.

Effective July 1, 2003, the Company translates transactions denominated in foreign currencies into United States dollars at the exchange rate in effect on the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated into

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**JINSHAN GOLD MINES INC.**  
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**4. ACCOUNTING CHANGES (Continued)**

*(c) Functional currency (continued)*

United States dollars at the exchange rates in effect at the balance sheet date. The resulting exchange gains and losses are recognized in operations.

As a result of the change in the currency of measurement, the Company's foreign currency risk has changed from United States dollar denominated monetary assets and liabilities to non-United States dollar denominated monetary assets and liabilities and the risk of the impact of exchange rate changes relative to the United States dollar.

*(d) Stock-based compensation*

In 2002, the Company adopted the accounting recommendations of The Canadian Institute of Chartered Accountants (the "CICA") with respect to stock-based compensation and other stock based payments. These recommendations established standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments in exchange for goods and services. As permitted by the standard, this change was applied prospectively for new awards granted on or after January 1, 2002. The Company used the intrinsic value based method of accounting for stock-based compensation awards granted to employees and directors and the fair value method for stock-based compensation awards granted to non-employees. Accordingly, only stock-compensation awards to non-employees were charged to operations.

In September 2003, the Accounting Standards Board of the CICA revised the provisions of CICA Handbook Section 3870, Stock-Based Compensation and Other Stock-Based Payments, to require that all share-based transactions be measured on a fair value basis and the resulting expense recognized in financial statements, for financial periods beginning on or after January 1, 2004. Earlier adoption of the revised standard was encouraged. The Company therefore changed its method of accounting in 2003 to recognize stock-based compensation for all stock-based compensation awards granted including awards to employees and directors. This change has been applied retroactively to January 1, 2002 and comparative financial statements have been restated accordingly. As a result, the net loss for years ended December 31, 2003 and 2002 and contributed surplus at December 31, 2003 and 2002 have been increased by \$257,833 (\$0.01 per share) and \$568,953 (\$0.02 per share), respectively.

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**JINSHAN GOLD MINES INC.**  
**(Formerly known as Pacific Minerals Inc.)**  
**Notes to the Consolidated Financial Statements**  
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**(Stated in U.S. dollars)**

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**5. MINERAL PROPERTY INTERESTS**

(a) *Agreement with Ivanhoe Mines Ltd. ("Ivanhoe")*

Ivanhoe and the Company reached an agreement in principle dated October 24, 2003, to restructure their May 2002 mineral project participation agreement. The revised agreement reduces from 80% to 50% Ivanhoe's maximum earn-ins on the Company's interests in its most significant projects in China, including: the 217 Gold Project; the Dandong (QCZ) Gold Project; and the JBS Platinum and Palladium development and exploration projects. Ivanhoe will reimburse the Company in 2004 for 50% of the \$2,723,641 incurred to December 31, 2003 in respect of these three projects. Ivanhoe retains the right to earn up to 80% of the available interest in any new projects acquired by the Company in China (excluding properties acquired by the Company in Anhui and Liaoning provinces). In addition, Ivanhoe has agreed to transfer to the Company 50% of its interest in the Shuteen exploration licence in southern Mongolia. In exchange for the transfer of the interest in the Shuteen Property and agreeing to the restructuring of the mining exploration agreement, the Company has agreed to issue to Ivanhoe 2.5 million Common Shares at a deemed value of \$3,346,592. This agreement in principle is subject to the execution of a definitive agreement and regulatory approval.

**GOLD**

(b) *217 Gold project*

In April 2002, the Company entered into a co-operative joint venture agreement with a Chinese partner to acquire a 96.5% interest in the 217 Gold project. Under the terms of the agreement, the Company earned a 55% interest in the project by paying \$250,000 to the joint venture company, Ningxia Pacific Mining Co. Ltd. ("NPM"). The Company can earn an additional 41.5% interest by making, over a three year period, payments totaling \$750,000 to the Chinese partner. Finally, the Chinese partner is also entitled to receive from the Company two \$1 million payments, the first one being within thirty days of the decision of the Board of Directors of NPM to commence construction and installation of a commercial mining operation, and the second within thirty days of commencement of commercial mining operations. As of December 31, 2003, the Company had contributed \$1,750,000 to NPM and the Chinese partner and had incurred costs of \$543,928 on the project, of which \$1,146,964 is recoverable from Ivanhoe (see (a) above).

(c) *Dandong (QCZ) Gold Project*

On October 14, 2002, the Company entered into a binding letter agreement with a Chinese partner, Liaoning Pacific Gold Mining Co. Ltd. (LPGM), through Pacific Northern Gold Inc. ("PNG"), a company jointly controlled with Ivanhoe, to develop the Dandong (QCZ) Gold project gold-silver prospect located at Dandong District of Liaoning Province, China. This agreement was superseded by a co-operative joint

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# JINSHAN GOLD MINES INC.

(Formerly known as Pacific Minerals Inc.)

## Notes to the Consolidated Financial Statements

December 31, 2003 and 2002

(Stated in U.S. dollars)

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### 5. MINERAL PROPERTY INTERESTS (Continued)

(c) *Dandong (QCZ) Gold Project (Continued)*

venture agreement entered into on July 30, 2003. Under the terms of the new agreement, the Company must contribute \$5,050,000 over three years for a 51% interest in the initial registered capital of LPGM. The Company can also earn up to 80% of LPGM upon contributing, in the aggregate, capital contributions of \$19,800,000. As of December 31, 2003, the Company had contributed \$880,000 to LPGM and had incurred costs of \$329,608 on the project, of which \$709,608 was funded by Ivanhoe.

#### **Platinum and Palladium**

(d) *JBS Platinum and Palladium Project*

In June 2001, the Company entered into a co-operative joint venture agreement with a Chinese partner, to develop the JBS platinum-palladium prospect located in Yunnan Province, China. Under the agreement, the Company has to make total cash contributions of \$14,000,000 over five years in order to earn a 70% interest in the joint venture company, Yunnan Yunbao Platinum & Palladium Mining Co. Ltd. ("YYPP"). Additional amounts of \$750,000 and \$12,500,000 must be contributed within two and five years, respectively, from October 1, 2001. Both the Company and the Chinese partner will share subsequent cash contributions and profits on a 70/30 basis. As of December 31, 2003, the Company had contributed \$1,500,000 to YYPP and had incurred costs of \$443,746 on the project, of which \$971,873 is recoverable from Ivanhoe (see (a) above).

#### **Native Copper**

(e) *Zhaotong Project*

On December 2, 2002, the Company entered into a co-operative joint venture agreement with a Chinese partner through China Platinum & Palladium Inc. ("CHIPP"), a company jointly controlled with Ivanhoe, to develop the Zhaotong copper-silver prospect located at Zhaotong District of Yunnan Province, China. Under the agreement, the Company, through CHIPP, must contribute \$4,000,000 over three years in order to earn a 70% interest in the joint venture company, Yunnan Xinzhaoh Copper Mining Co. Ltd. ("YXC"). As of December 31, 2003, the Company had contributed \$600,000 to YXC and had incurred costs of \$393,901 on the project, of which \$496,950 was funded by Ivanhoe.

(f) *Huize-Xuanwei Project*

On December 2, 2002, the Company entered into a co-operative joint venture agreement with a Chinese partner through Yunnan Southern Copper Inc. ("YSC"), a company jointly controlled with Ivanhoe, to develop the Huize-Xuanwei copper-silver prospect located at Huize-Xuanwei District of Yunnan Province, China. Under the agreement, the Company, through YSC, must contribute \$4,000,000 over three years in order to earn a 75% interest in the joint venture company, Yunnan Xindian Mining Co. Ltd. ("YXM").

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**JINSHAN GOLD MINES INC.**  
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**(Stated in U.S. dollars)**

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**5. MINERAL PROPERTY INTERESTS (Continued)**

*(f) Huize-Xuanwei Project (Continued)*

As of December 31, 2003, the Company had contributed \$600,000 to YXM and had incurred costs of \$191,833 on the project, of which \$395,917 was funded by Ivanhoe.

*(g) Guizhou Project*

On November 20, 2003, the Company entered into a co-operative joint venture agreement with a Chinese partner through Guizhou Copper-Silver Mining Inc. ("GCSM"), a company jointly controlled with Ivanhoe, to develop the Guizhou copper-silver prospect located at Weining-Liupanshui District of Guizhou Province, China. Under the terms of the agreement, the Company, through GCSM, must contribute \$4,000,000 over three years in order to earn a 75% interest in the joint venture company, Guizhou Qian Tong Mining Inc. Ltd. ("GQTM"). As of December 31, 2003, the Company had contributed \$100,000 to GQTM and had incurred costs of \$62,190 on the project, of which \$81,095 was funded by Ivanhoe.

**6. CAPITAL ASSETS**

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Motor vehicle	\$ 61,895	\$ 13,730	\$ 48,165	\$ 42,710
Machinery and equipment	1,874	312	1,562	2,010
Computer equipment	42,464	16,630	25,834	21,526
Furniture and fixtures	10,244	3,121	7,123	5,349
Office equipment	19,161	3,423	15,738	17,711
Computer software	7,433	4,435	2,998	1,490
	\$ 143,071	\$ 41,651	\$ 101,420	\$ 90,796

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**JINSHAN GOLD MINES INC.**  
**(Formerly known as Pacific Minerals Inc.)**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2003 and 2002**  
**(Stated in U.S. dollars)**

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**7. SHARE CAPITAL, WARRANTS AND STOCK OPTIONS**

*(a) Common stock*

Authorized		
100,000,000 common shares without par value		
100,000,000 preferred shares without par value		
issued and outstanding common shares were	<u>Number of</u>	<u>Amount</u>
as follows:	<u>Shares</u>	
Balance, December 31, 2001		
Prior to reverse takeover ("RTO") of PGM	6,063,956	\$ 1,930,873
Shares issued for cash for private placement	4,285,715	817,586
Balance before RTO	10,349,671	2,748,459
Elimination of deficit and incorporation of assets	-	(2,748,363)
Adjusted balance before RTO	10,349,671	96
Shares issued to effect acquisition		
of the Company, the accounting subsidiary, by PGM	15,000,000	2,151,477
Shares issued for cash for:		
Private placements with Ivanhoe	7,100,000	4,266,675
Exercise of warrants	2,750,900	688,931
Exercise of options	803,750	184,516
Balance, December 31, 2002	36,004,321	7,291,695
Shares issued for cash for:		
Private placements with:		
Ivanhoe	2,500,000	3,331,049
Other investors	3,000,000	3,654,214
Exercise of warrants	1,823,386	528,774
Exercise of options	2,266,557	1,006,468
Transfer from contributed surplus on exercise of options	-	514,589
Balance, December 31, 2003	45,594,264	\$ 16,326,789

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**JINSHAN GOLD MINES INC.**  
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**7. SHARE CAPITAL, WARRANTS AND STOCK OPTIONS (Continued)**

*(b) Warrants*

The following is a summary of warrants outstanding at December 31, 2003:

<u>Number of Warrants</u>	<u>Exercise price (Expressed in CDN \$)</u>	<u>Expiry date</u>
5,100,000 (1)	1.00	July 2, 2004
2,000,000 (1)	1.10	October 11, 2004
1,500,000	2.20	December 12, 2005
2,500,000 (1)	2.20	December 12, 2005
<u>11,100,000</u>		

(1) Held by Ivanhoe

*(c) Stock options*

The stock option plan permits the Board of Directors of the Company to grant options, which vest over a period of years, to directors, employees and non-employees to acquire common shares of the Company at the closing trading price of the common shares on the day preceding the date of the grant. The Compensation and Benefits Committee which was formed on November 18, 2003, determines and makes recommendations to the Board of Directors as to the recipients of, and nature and size of, share compensation awards in compliance with applicable securities law, stock exchange and other regulatory requirements. The Company is authorised to issue options to a maximum of 5,000,000 common shares pursuant to the stock option plan. At December 31, 2003, there were no options available for future grants.

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

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**JINSHAN GOLD MINES INC.**  
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**(Stated in U.S. dollars)**

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**7. SHARE CAPITAL, WARRANTS AND STOCK OPTIONS (Continued)**

(c) *Stock options (Continued)*

	2003		2002	
	Number of Options	Weighted- average Exercise Price (Expressed in CDN)	Number of Options	Weighted- average Exercise Price (Expressed in CDN)
Balance, beginning of year	4,281,250	\$ 0.63	3,060,000	\$ 0.36
Options granted	2,951,000	0.90	2,425,000	0.87
Options exercised	(2,266,557)	0.62	(803,750)	0.36
Options forfeited	(2,048,750)	0.67	(400,000)	0.60
Balance, end of year	2,916,943	\$ 0.88	4,281,250	\$ 0.63

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**JINSHAN GOLD MINES INC.**  
**(Formerly known as Pacific Minerals Inc.)**  
**Notes to the Consolidated Financial Statements**  
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**(Stated in U.S. dollars)**

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**7. SHARE CAPITAL, WARRANTS AND STOCK OPTIONS (Continued)**

*(c) Stock options (continued)*

The following table summarizes information about stock options outstanding and exercisable at December 31, 2003:

Options Outstanding			Options Exercisable	
Number Outstanding at December 31, 2003	Weighted-average Remaining Contractual Life (years)	Exercise Price (Expressed in CDN \$)	Number Exercisable at December 31, 2003	Exercise Price (Expressed in CDN \$)
250,000	3.42	\$ 0.90	250,000	\$ 0.90
40,000	1.50	1.05	20,000	1.05
50,000	3.50	1.05	16,666	1.05
3,750	0.67	0.90	1,250	0.90
40,000	1.67	0.90	40,000	0.90
110,000	3.67	0.90	110,000	0.90
65,625	0.81	0.90	-	0.90
260,000	4.13	1.16	160,000	1.16
593,050	4.36	0.80	46,050	0.80
1,429,518	4.60	0.73	402,852	0.73
75,000	4.89	3.60	15,000	3.60
<b>2,916,943</b>	<b>4.19</b>	<b>\$ 0.88</b>	<b>1,061,818</b>	<b>\$ 0.87</b>

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model, recognizing forfeitures as they occur, using the following weighted average assumptions:

	<b>2003</b>	2002
Risk free interest rate	<b>4.13%</b>	4.06%
Expected life	<b>2 to 5 years</b>	2 to 5 years
Expected volatility	<b>112.9%</b>	106.5%
Dividend per share	<b>\$Nil</b>	\$Nil

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**JINSHAN GOLD MINES INC.**  
**(Formerly known as Pacific Minerals Inc.)**  
**Notes to the Consolidated Financial Statements**  
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**(Stated in U.S. dollars)**

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**7. SHARE CAPITAL, WARRANTS AND STOCK OPTIONS (Continued)**

(c) *Stock options (continued)*

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

(d) *Escrow shares*

At December 31, 2002, 11,365,990 common shares of the Company were subject to an escrow agreement under which the shares were not to be transferred, assigned or released without the consent of the relevant regulatory body. These shares were released from escrow during 2003.

**8. CONTRIBUTED SURPLUS**

The contributed surplus arises from:

	<u>2003</u>	<u>2002</u>
Stock-based compensation	\$ 1,614,707	\$ 711,648
Consulting fees owed to and waived by a former director	46,983	46,983
Exploration expenses incurred by subsidiaries and paid by shareholders	203,319	203,319
	<u>\$ 1,865,009</u>	<u>\$ 961,950</u>

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**JINSHAN GOLD MINES INC.**  
**(Formerly known as Pacific Minerals Inc.)**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2003 and 2002**  
**(Stated in U.S. dollars)**

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**9. CUMULATIVE TRANSLATION ADJUSTMENTS**

Balance, December 31, 2001	\$	6,941
Translation adjustments (Note 4 (b))		(97,925)
<hr/>		
Balance, December 31, 2002		(90,984)
Translation adjustments (Note 4 (b))		551,834
<hr/>		
Balance, December 31, 2003	\$	460,850
<hr/>		

**10. RELATED PARTY TRANSACTIONS**

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

	<b>2003</b>	2002
Consulting	\$ 35,305	\$ 53,332
Office and administration	220,768	-
Salaries and benefits	245,126	87,814
	<b>\$ 501,199</b>	\$ 141,146
<hr/>		

- (b) Exploration expenses of \$1,411,321 (2002 - \$272,249) was recovered from Ivanhoe, on a cost recovery basis, during the year ended December 31, 2003. At December 31, 2003, an amount of \$580 (2002 - \$259,724) was receivable from Ivanhoe.
- (c) Accounts payable at December 31, 2003 included \$72,952 (December 31, 2002 - \$NIL) which was due to a company under common control or companies related by way of directors in common.
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**JINSHAN GOLD MINES INC.**  
**(Formerly known as Pacific Minerals Inc.)**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2003 and 2002**  
**(Stated in U.S. dollars)**

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**11. MINERAL PROPERTY WRITTEN OFF**

During the year ended December 31, 2002, the Company wrote off the unamortized acquisition cost of \$931,599 incurred on an operating mineral property from which the Company received royalty income prior to the cessation of mining activities in 2002.

**12. INCOME TAXES**

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

	2003		2002	
	Amount	Rate	Amount	Rate
Provision for recovery of income taxes based on combined Canadian federal and provincial statutory rates	\$ 2,347,544	37.6%	\$ 1,692,230	39.6%
Deduct:				
Lower effective tax rate on losses in foreign jurisdictions	(381,225)	-6.1%	(165,132)	-3.9%
Tax effect of losses not recognized	(946,809)	-15.2%	(1,065,058)	-24.9%
Non-deductible expenses	(1,019,510)	-16.3%	(462,040)	-10.8%
Provision for recovery of income taxes	\$ -	0.0%	\$ -	0.0%

Future income taxes result principally from temporary differences in the recognition of certain revenue and expense items for financial and income tax reporting purposes. Significant components of the Company's future tax assets and liabilities as of December 31, 2003 and 2002 are as follows:

	2003	2002
<b>Future income tax assets:</b>		
Tax loss carry-forwards	\$ 723,386	\$ 210,171
Other tax deductions carried forward	837,749	837,749
Book and tax base differences on assets	493,753	157,304
Total future income tax assets	2,054,888	1,205,224
Valuation allowance	(2,054,888)	(1,205,224)
	\$ -	\$ -

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**JINSHAN GOLD MINES INC.**  
**(Formerly known as Pacific Minerals Inc.)**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2003 and 2002**  
**(Stated in U.S. dollars)**

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**12. INCOME TAXES (Continued)**

Due to the uncertainty surrounding realization, the Company has made a 100% valuation allowance against its future income tax assets.

At December 31, 2003, the Company had the following non-capital losses available to reduce future years' income for Canadian tax purposes:

<u>Expiry Date</u>		
2007	\$	46,000
2008		166,000
2009		353,000
2010		1,246,000
	<b>\$</b>	<b>1,811,000</b>

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

**13. SUPPLEMENTAL CASH FLOW INFORMATION**

Net change in non-cash working capital items:

	<u>2003</u>	<u>2002</u>
Net (increase) decrease in:		
Accounts receivable	\$ (28,038)	\$ (73,718)
Interest receivable	28,733	(28,733)
Receivable from related party	255,961	(259,724)
Prepaid expenses	(76,702)	(31,247)
Accounts payable and accrued liabilities	190,290	141,354
	<b>\$ 370,244</b>	<b>\$ (252,068)</b>

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**JINSHAN GOLD MINES INC.**  
**(Formerly known as Pacific Minerals Inc.)**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2003 and 2002**  
**(Stated in U.S. dollars)**

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**14. SEGMENTED INFORMATION**

(a) *Industry Information*

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

(b) *Geographic Information*

	<u>China</u>	<u>Canada</u>	<u>Total</u>
As at December 31, 2003			
Capital assets	\$ 74,618	\$ 26,802	\$ 101,420
<hr/>			
As at December 31, 2002			
Capital assets	\$ 59,123	\$ 31,673	\$ 90,796

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**15. FINANCIAL INSTRUMENTS**

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

The Company undertakes transactions denominated in foreign currencies and as such is exposed to financial risk due to fluctuations in foreign exchange rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risks.

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Company invests its cash balances in money market instruments with financial institutions with high credit standing.

**16. SUBSEQUENT EVENTS**

Subsequent to year end, the Company issued 377,017 shares for cash consideration of \$240,000 (CDN\$316,000) on exercise of options and warrants.

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**JINSHAN GOLD MINES INC.**  
**(Formerly known as Pacific Minerals Inc.)**  
**Consolidated Schedule of Exploration Expenses**

December 31, 2003 and 2002

(Stated in U.S. dollars)

	Gold Projects		JBS Platinum & Palladium	Native Copper Projects			2003
	217 Gold	Dandong (QCZ) Gold		Zhaotong	Huize-Xuanwei	Guizhou	Total
Payments to joint venture companies & partners	\$ 427,500	\$ 780,000	\$ 750,000	\$ 500,000	\$ 500,000	\$ -	\$ 2,957,500
Drilling and other consultants	529,230	46,932	81,453	6,403	3,657	(11,508)	656,167
Geological consultants	108,442	(696)	54,884	49,968	33,979	7,657	254,234
Project management	-	80,581	31,193	17,717	17,183	541	147,215
Sampling and assaying	157,207	25,824	51,748	4,659	3,434	375	243,247
General exploration	(4,897)	21,925	139,580	72,701	26,987	(2,364)	253,932
Amount recovered / recoverable	(35,910)	(637,067)	(90,209)	(429,766)	(328,733)	(15,755)	(1,537,440)
	1,181,572	317,499	1,018,649	221,682	256,507	(21,054)	2,974,855
Stock-based compensation	459,681	20,976	232,650	230,053	162,278	48,740	1,154,378
Foreign exchange	31,836	6,246	56,684	6,086	6,200	6,471	113,523
	\$ 1,673,089	\$ 344,721	\$ 1,307,983	\$ 457,821	\$ 424,985	\$ 34,157	\$ 4,242,756

	Gold Projects		JBS Platinum & Palladium	Native Copper Projects			2002
	217 Gold	Dandong (QCZ) Gold		Zhaotong	Huize-Xuanwei	Guizhou	Total
Payments to joint venture companies & partners	\$ 497,500	\$ 100,000	\$ 750,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 1,647,500
Drilling and other consultants	99,559	33,465	177,265	29,653	30,002	29,718	399,662
Geological consultants	-	6,770	-	5,161	5,161	4,607	21,699
General exploration	11,910	4,177	21,206	3,680	3,721	3,673	48,367
Amount recovered / recoverable	-	(72,541)	-	(67,184)	(67,184)	(65,340)	(272,249)
	608,969	71,871	948,471	71,310	71,700	72,658	1,844,979
Stock-based compensation	34,442	6,758	61,324	6,584	6,705	7,002	122,815
Foreign exchange	(20,898)	(4,100)	(37,209)	(3,995)	(4,068)	(4,249)	(74,519)
	\$ 622,513	\$ 74,529	\$ 972,586	\$ 73,899	\$ 74,337	\$ 75,411	\$ 1,893,275



British Columbia  
Securities Commission

**QUARTERLY AND YEAR END REPORT  
BC FORM 51-901F (previously Form 61)**

*Freedom of Information and Protection of Privacy Act:* The personal information requested on this form is collected under the authority of and used for the purpose of administering the *Securities Act*. Questions about the collection or use of this information can be directed to the Supervisor, Financial Reporting (604-899-6731), P.O. Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, BC V7Y 1L2. Toll Free in British Columbia 1-800-373-6393.

INCORPORATED AS PART OF:

\_\_\_\_\_ Schedule A

  X   Schedule B  
(place X in appropriate category)

**ISSUER DETAILS**

NAME OF ISSUER	FOR QUARTER ENDED	DATE OF REPORT YY/MM/DD
Jinshan Gold Mines Inc. (formerly Pacific Minerals Inc.)	December 31, 2003	04/04/07

ISSUER'S ADDRESS Suite 654, 999 Canada Place

CITY	PROVINCE	POSTAL CODE	ISSUER FAX NO.	ISSUER TELEPHONE NO.
Vancouver	B.C.	V6C 3E1	604-682-6728	604-609-0598

CONTACT PERSON	CONTACT'S POSITION	CONTACT TELEPHONE NO.
Greg Shenton	Chief Financial Officer	604-609-0598

CONTACT E-MAIL ADDRESS	WEB SITE ADDRESS
info@jinshanmines.com	<a href="http://www.jinshanmines.com">www.jinshanmines.com</a>

**CERTIFICATE**

The three schedules required to complete this Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.

<i>"Jay Chmelauskas"</i>	Jay Chmelauskas	04/04/07 DATE SIGNED YY/MM/DD
DIRECTOR'S SIGNATURE	PRINT FULL NAME	

<i>"Pierre Lebel"</i>	Pierre Lebel	04/04/07 DATE SIGNED YY/MM/DD
DIRECTOR'S SIGNATURE	PRINT FULL NAME	

(Electronic signatures should be entered in "quotations")



**JINSHAN GOLD MINES INC.**  
**(formerly Pacific Minerals Inc.)**  
**Schedule B – Supplementary Information**  
**December 31, 2003**  
**(Stated in U.S. dollars)**

**1. Securities Issued**

For the year ended December 31, 2003, the following common shares were issued:

<b>Date</b>	<b>Security</b>	<b>Type</b>	<b>Number</b>	<b>Price</b> <b>Cdn \$</b>	<b>Proceeds</b>	<b>Consideration</b>	<b>Commission</b>
1/2/2003	Common shares	Option exercise	5,000	\$ 0.44	\$ 1,418	Cash	Nil
1/8/2003	Common shares	Option exercise	10,000	0.90	5,801	Cash	Nil
1/13/2003	Common shares	Option exercise	100,000	0.35	22,558	Cash	Nil
1/13/2003	Common shares	Option exercise	2,500	0.90	1,450	Cash	Nil
1/14/2003	Common shares	Option exercise	100,000	0.35	22,558	Cash	Nil
3/19/2003	Common shares	Option exercise	50,000	0.35	11,279	Cash	Nil
3/19/2003	Common shares	Option exercise	150,000	0.40	38,670	Cash	Nil
3/31/2003	Common shares	Warrant exercise	506,386	0.40	326,366	Cash	Nil
4/4/2003	Common shares	Option exercise	500,000	0.35	112,788	Cash	Nil
4/9/2003	Common shares	Warrant exercise	57,300	0.40	14,772	Cash	Nil
5/8/2003	Common shares	Warrant exercise	177,800	0.40	45,837	Cash	Nil
5/9/2003	Common shares	Warrant exercise	20,000	0.40	5,156	Cash	Nil
5/13/2003	Common shares	Warrant exercise	11,900	0.40	3,068	Cash	Nil
6/5/2003	Common shares	Option exercise	65,000	0.35	14,662	Cash	Nil
8/6/2003	Common shares	Warrant exercise	40,000	0.40	11,381	Cash	Nil
9/24/2003	Common shares	Option exercise	200,000	0.35	51,687	Cash	Nil
9/24/2003	Common shares	Option exercise	22,500	0.90	14,952	Cash	Nil
10/1/2003	Common shares	Option exercise	12,000	0.73	6,499	Cash	Nil
10/2/2003	Common shares	Warrant exercise	100,000	0.40	29,891	Cash	Nil
10/3/2003	Common shares	Option exercise	14,500	0.73	7,889	Cash	Nil
10/10/2003	Common shares	Option exercise	5,000	0.90	3,408	Cash	Nil
10/10/2003	Common shares	Option exercise	80,000	1.16	65,165	Cash	Nil
10/10/2003	Common shares	Option exercise	50,000	0.35	13,252	Cash	Nil
10/10/2003	Common shares	Option exercise	22,500	0.90	20,447	Cash	Nil
10/17/2003	Common shares	Option exercise	26,250	0.90	17,962	Cash	Nil
10/22/2003	Common shares	Warrant exercise	150,000	0.40	46,019	Cash	Nil
10/24/2003	Common shares	Option exercise	20,625	0.90	14,185	Cash	Nil
11/4/2003	Common shares	Option exercise	130,000	0.90	87,838	Cash	Nil
11/4/2003	Common shares	Option exercise	50,000	0.35	13,138	Cash	Nil
11/5/2003	Common shares	Option exercise	18,000	0.80	10,811	Cash	Nil
11/5/2003	Common shares	Option exercise	191,250	0.90	129,280	Cash	Nil
11/6/2003	Common shares	Option exercise	80,000	1.16	69,706	Cash	Nil
11/7/2003	Common shares	Option exercise	6,600	0.73	3,639	Cash	Nil
11/7/2003	Common shares	Option exercise	20,000	0.80	12,087	Cash	Nil
11/7/2003	Common shares	Option exercise	1,250	0.90	850	Cash	Nil
11/12/2003	Common shares	Option exercise	40,000	1.16	35,681	Cash	Nil
11/13/2003	Common shares	Option exercise	29,333	0.73	16,467	Cash	Nil
11/13/2003	Common shares	Option exercise	62,500	0.90	43,256	Cash	Nil
11/14/2003	Common shares	Option exercise	26,666	0.73	14,979	Cash	Nil
11/14/2003	Common shares	Option exercise	19,700	0.80	12,127	Cash	Nil
11/17/2003	Common shares	Option exercise	18,750	0.80	11,418	Cash	Nil

**JINSHAN GOLD MINES INC.**  
**(formerly Pacific Minerals Inc.)**  
**Schedule B – Supplementary Information**  
**December 31, 2003**  
**(Stated in U.S. dollars)**

**1. Securities Issued (Continued)**

<b>Date</b>	<b>Security</b>	<b>Type</b>	<b>Number</b>	<b>Price Cdn \$</b>	<b>Proceeds</b>	<b>Consideration</b>	<b>Commission</b>
11/19/2003	Common shares	Option exercise	18,333	\$ 0.73	\$ 10,267	Cash	Nil
11/20/2003	Common shares	Option exercise	50	0.73	28	Cash	Nil
11/20/2003	Common shares	Option exercise	2,500	0.80	1,536	Cash	Nil
11/24/2003	Common shares	Option exercise	5,000	0.80	3,029	Cash	Nil
11/25/2003	Common shares	Option exercise	10,000	0.80	6,000	Cash	Nil
11/28/2003	Common shares	Warrant exercise	300,000	0.40	92,500	Cash	Nil
11/28/2003	Common shares	Warrant exercise	20,000	0.35	6,167	Cash	Nil
12/2/2003	Common shares	Warrant exercise	120,000	0.40	36,974	Cash	Nil
12/3/2003	Common shares	Option exercise	20,000	0.80	11,978	Cash	Nil
12/4/2003	Common shares	Option exercise	35,000	0.80	21,339	Cash	Nil
12/4/2003	Common shares	Option exercise	3,000	0.73	1,669	Cash	Nil
12/4/2003	Common shares	Private placement	1,550,000	1.60	1,889,956	Cash	Nil
12/5/2003	Common shares	Warrant exercise	300,000	0.40	91,989	Cash	Nil
12/9/2003	Common shares	Warrant exercise	20,000	0.40	6,111	Cash	Nil
12/9/2003	Common shares	Option exercise	20,000	0.40	13,749	Cash	Nil
12/12/2003	Common shares	Private placement	1,450,000	1.60	1,764,259	Cash	Nil
12/15/2003	Common shares	Private placement	2,500,000	1.75	3,331,049	Cash	Nil
12/31/2003	Common shares	Option exercise	18,750	0.90	13,181	Cash	Nil
12/31/2003	Common shares	Option exercise	4,000	0.80	2,499	Cash	Nil
			<u>9,589,943</u>		<u>\$ 8,694,677</u>		

**JINSHAN GOLD MINES INC.**  
**(formerly Pacific Minerals Inc.)**  
**Schedule B – Supplementary Information**  
**December 31, 2003**  
**(Stated in U.S. dollars)**

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**1. Securities Issued (Continued)**

For the year ended December 31, 2003, the following share purchase options were granted:

<b>Date</b>	<b>Number</b>	<b>Optionee</b>	<b>Price Cdn \$</b>	<b>Expiry Date</b>
18-Feb-03	80,000	Ian He	\$ 1.16	17-Feb-08
18-Feb-03	300,000	Dan Kunz	1.16	17-Feb-08
18-Feb-03	160,000	Consultants	1.16	17-Feb-08
8-May-03	30,000	Greg Shenton	0.80	8-May-08
8-May-03	150,000	Mike Page	0.80	8-May-08
8-May-03	75,000	Jay Chmelauskas	0.80	8-May-08
8-May-03	30,000	Beverly Bartlett	0.80	8-May-08
8-May-03	10,000	Saundra Karlson	0.80	8-May-08
8-May-03	141,000	Employees	0.80	8-May-08
8-May-03	360,000	Consultants	0.80	8-May-08
6-Aug-03	20,000	Greg Shenton	0.73	6-Aug-08
6-Aug-03	50,000	Mike Page	0.73	6-Aug-08
6-Aug-03	75,000	Pierre Lebel	0.73	6-Aug-08
6-Aug-03	80,000	Ed Flood	0.73	6-Aug-08
6-Aug-03	110,000	Ian He	0.73	6-Aug-08
6-Aug-03	175,000	Pierre Lebel	0.73	6-Aug-08
6-Aug-03	100,000	Dan Kunz	0.73	6-Aug-08
6-Aug-03	50,000	Jay Chemlauskas	0.73	6-Aug-08
6-Aug-03	50,000	Beverly Bartlett	0.73	6-Aug-08
6-Aug-03	20,000	Saundra Karlson	0.73	6-Aug-08
6-Aug-03	20,000	Danny Hon	0.73	6-Aug-08
6-Aug-03	80,000	Peter Meredith	0.73	6-Aug-08
6-Aug-03	100,000	Employees	0.73	6-Aug-08
6-Aug-03	610,000	Consultants	0.73	6-Aug-08
18-Nov-03	75,000	Employees	3.60	18-Nov-08



## 2. Securities Outstanding

As at December 31, 2003, the following securities were outstanding:

- (a) The Company is authorized to issue an unlimited number of common shares without par value.
- (b) There are 45,594,264 common shares outstanding with a recorded value of \$16,326,789.
- (c) Summary of options and warrants outstanding as at December 31, 2003:

Description	Number outstanding	Exercise Price Cdn \$	Expiry Date
Warrants	5,100,000	\$ 1.00	2-Jul-04
Warrants	2,000,000	1.10	11-Oct-04
Warrants	4,000,000	2.20	12-Dec-05
	<u>11,100,000</u>		
Options	250,000	\$ 0.90	1-Jun-07
Options	40,000	1.05	30-Jun-05
Options	50,000	1.05	30-Jun-07
Options	3,750	0.90	31-Aug-04
Options	40,000	0.90	31-Aug-05
Options	110,000	0.90	31-Aug-07
Options	65,625	0.90	20-Oct-04
Options	260,000	1.16	17-Feb-08
Options	593,050	0.80	8-May-08
Options	1,429,518	0.73	6-Aug-08
Options	75,000	3.60	18-Nov-08
	<u>2,916,943</u>		

## 3. Directors and Officers

Jay Chmelauskas, President & Director  
Pierre Lebel, Director  
Dan Kunz, Director  
Edward Flood, Director  
Ian He, Director  
Michael Page, Vice President  
Greg Shenton, Chief Financial Officer  
Beverly Bartlett, Secretary  
Saundra Karlson, Assistant Secretary

# JINSHAN GOLD MINES INC.

(Formerly known as Pacific Minerals Inc.)

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

December 31, 2003

(Expressed in U.S. Dollars)

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### Overview

Jinshan Gold Mines Inc. ("Jinshan") (formerly known as Pacific Minerals Inc.) is a development stage company engaged in the acquisition and exploration of mineral properties in the People's Republic of China ("China"). Jinshan and its subsidiaries are collectively referred to as the "Company". Jinshan is a reporting issuer in British Columbia and trades on the TSX Venture Exchange under the symbol JIN.

- Exploration highlights

The 2003 field program has met our exploration objectives for this year. Major geophysical programs at the native copper and Dandong (QCZ) gold projects have been advanced towards identification of drill targets. Drilling campaigns were completed at the JBS platinum-palladium, Dandong (QCZ) gold and native copper projects. The planned 6,054 meter drilling program at the 217 Gold project was completed at the end of September and a resource block model and metallurgical studies were advanced during the fourth quarter. A first stage drilling program of some 1200 metres ("m") on the Dandong (QCZ) gold project has been concluded and 1600m of drilling was completed on the Zhaotong Copper project; assay results are pending. An updated National Instrument 43-101 resource estimate for the 217 Gold project will be completed in 2004, again, pending assay results.

An exclusive option agreement was obtained on a 730 square kilometre ("km<sup>2</sup>") area in the Zhongdian Porphyry Copper-Gold district in northwest Yunnan which will provide the Company with further exploration opportunities.

- Corporate reorganization

On January 18, 2002 the Company acquired all the shares of Pacific PGM Inc ("PGM"). For accounting purposes, the acquisition was deemed a reverse takeover whereby PGM was treated as the accounting parent and Jinshan as the accounting subsidiary. As a result, on a consolidated basis, the value of the Company's share capital at January 18, 2002 was reduced to almost nil and the shares issued by Jinshan to PGM were valued at the Company's net asset value at that date.

- Mineral property agreements

In 2002 and in Q2'03, the Company negotiated 6 joint venture agreements with several Chinese partners. The various mineral properties, located in China's Yunnan, Guizhou and Liaoning provinces and Inner Mongolia, include platinum and palladium, gold and native copper projects.

The Dandong (QCZ) Gold project agreement in Liaoning Province was signed on July 30, 2003 and the business licence for the sino-foreign joint venture company, Liaoning Pacific Gold Mining Co Ltd (LPGM) was issued on September 30, 2003.

New Exploration Permit applications have been submitted in Q3 for new properties in the Far West of Inner Mongolia (Xiaohuangshan) and are expected to be processed by the end of the year.

While some of the projects are at an early exploration stage, others such as the 217 Gold project and the JBS Platinum and Palladium project were explored extensively by previous Chinese partners and are at the scoping and pre-feasibility study stage.

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- Funding and mineral exploration agreements with Ivanhoe Mines Ltd.

In May and September 2002, the Company completed two private placement financings with Ivanhoe Mines Ltd. ("Ivanhoe"). In the first financing, the Company issued 5.1 million common shares at Canadian ("CDN") \$0.90 per share for a total of \$3.0 million (CDN\$4.6 million). In the second financing, the Company issued 2 million common shares at CDN\$1.00 per share for a total of \$1.3 (CDN\$2 million). The two financings included a total of 7.1 million warrants with a two year maturity, exercisable into common shares of the Company at prices ranging from CDN\$1.00 to CDN\$1.10 per share.

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

On October 24, 2003 Ivanhoe and the Company reached an agreement in principle to restructure their May 2002 mineral exploration and development joint venture. The proposed agreement will reduce from 80% to 50% Ivanhoe's maximum earn-ins on the Company's interests in the Company's most significant projects in China, including: the 217 Gold Project in the Inner Mongolia Region; the Dandong (QCZ) Gold Project in Liaoning Province; and the JBS Platinum and Palladium development and exploration projects in Yunnan Province. Ivanhoe will reimburse the Company for 50% of expenditures incurred to date on these three projects. Ivanhoe retains the right to earn up to 80% of the available interest in any new projects acquired by the Company in China (excluding properties acquired by the Company in Anhui and Liaoning provinces), under terms similar to those announced in June, 2002. The revised agreement also contains a mutual non-compete clause, whereby the Company agrees not to compete for any new mineral properties in the Inner Mongolia Region and Ivanhoe undertakes not to compete for any new mineral properties in Liaoning Province.

In addition, Ivanhoe has agreed to transfer to the Company 50% of its interest in the Shuteen exploration licence in southern Mongolia. The project has similar geological characteristics and is within the same copper-rich mineral belt that hosts Ivanhoe's Turquoise Hill and Kharmagtai porphyry copper-gold projects. The Shuteen exploration license covers approximately 93 km<sup>2</sup> (36 square miles), approximately 100 kilometres east of Kharmagtai. Ivanhoe acquired the right to earn an 80% interest in Shuteen in early 2002 by undertaking to complete a \$1.5 million exploration program before December 31, 2004. To date, Ivanhoe has spent approximately \$1.4 million on the project.

In exchange for the transfer of the interest in the Shuteen Property and agreeing to the restructuring of the mining exploration agreement, the Company has agreed to issue to Ivanhoe 2.5 million Common Shares. Ivanhoe also may, in appropriate circumstances, make available to the Company future opportunities in Mongolia and China. If any such opportunity falls within a 20-kilometre radius of Ivanhoe's then existing properties, Ivanhoe will retain the right to earn up to 80% of the available interest.

In addition, on December 15, 2003, Ivanhoe purchase an additional 2.5 million units of the Company at a price of CDN\$1.75 per unit, for net proceeds to the Company of \$3.37 million (CDN\$4.375 million). Each unit consisted of one common share and one common-share purchase warrant. Each warrant is exercisable into one common share at a price of CDN\$2.20 per share for two years from the closing date.

The Company also arranged a private placement for the issue of an additional three million units at a price of CDN\$1.60 per unit, for net proceeds to the Company of \$3.7 million (CDN\$4.8 million). This financing also closed on December 15, 2003. Each unit consisted of one common share and one-half of a common-share purchase warrant. Each whole warrant is exercisable into one common share at a price of CDN\$2.20 per share for two years from the closing date.

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- Change of Management

On June 2002, two representatives of Ivanhoe, Mr. Ed Flood and Mr. Peter Meredith, were appointed to Jinshan's Board of Directors.

In Q1'03 Mr. Rui Feng resigned as president and director and Mr. George Plewes resigned as director of Jinshan and Mr. Daniel Kunz was appointed president and director of Jinshan. In July 2003, Mr. Lou Duarte resigned as a director of Jinshan. Key exploration managers with substantial related experience were assigned to each project area. Mr. Mike Page was named manager of the JBS and native copper projects. Mr. Willem Fuchter was named manager of the Dandong gold project and Mr Jay Chmelauskas was assigned the manager of the 217 gold project.

On November 7, 2003, Mr Greg Shenton was appointed Chief Financial Officer of Jinshan replacing Mr. Danny Hon and on March 8, 2004, Mr. Jay Chmelauskas was appointed President of Jinshan replacing Mr. Daniel Kunz. Mr. Chmelauskas also joined the board of directors replacing Mr Peter Meredith.

- Name Change

On March 16, 2004, the Company changed its name from Pacific Minerals Inc. to Jinshan Gold Mines Inc. The name was chosen to more accurately reflect the Company's focus on mineral exploration, development and production in China.

- Accounting changes

Significant accounting changes adopted in 2003 were:

***Mineral properties:***

Effective April 1, 2003, the Company commenced to expense direct exploration and development expenditures for mineral properties, previously capitalized. Future direct exploration and development expenditure will only constitute part of the cost of mineral properties when there is substantial evidence that a commercial body of ore has been located.

Effective July 1, 2003, the Company also expensed the acquisition payments made to joint venture companies and partners, previously considered to be mineral property acquisition costs.

These changes have been applied retroactively with restatement of comparative figures and have increased the net loss for the year ended to December 31, 2003 and 2002 by \$3.1 million and \$1.9 million, respectively, and the deficit as at December 31, 2001 has been increased by \$213,000 with a corresponding decrease in the carrying amount of mineral properties as at December 31, 2002 by \$2.1 million.

***Reporting and functional currency changed to US dollars:***

Effective June 30, 2003, the Company adopted the United States dollar as its primary currency of measurement. The financial statements for the year ended to December 31, 2003, including previous years and previous periods have been translated from Canadian dollars into United States dollars using the current rate method.

In addition, as of July 1, 2003, the Company also adopted the United States dollar as its primary currency of measurement. The change in the Company's currency of measurement was made due to the increasing number of United States dollar denominated expenditures as a percentage of overall expenditures.

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### *Stock based compensation:*

The Company has adopted the provisions of Section 3870 of the CICA handbook regarding stock-based compensation. This section requires that all share based payments be measured on a fair value basis and the resulting expense recognized in the financial statements. In line with this requirement, the Company changed its method of accounting to recognize stock-based compensation and has adopted the fair value method of reporting effective December 31, 2003. This change has been applied retroactively to January 1, 2002. As a result, the net loss for years ended December 31, 2003 and 2002 and contributed surplus at December 31, 2003 and 2002 have been increased by \$258,000 and \$569,000, respectively.

## Critical Accounting Estimates

A detailed summary of all of the Company significant accounting policies is included in Note 3 to the annual Consolidated Financial Statements for the year ended December 31, 2003.

Management is required to make assumptions and estimates that affect the valuation of its mineral properties. The carrying value of each property currently in the exploration or development stage is evaluated as to the project economics, including the timing of the exploration and/or development work, the work programs and the exploration results experienced by the Company or others. The review of the carrying value of each producing property is made by reference to the estimated future operating results and net cash flows. When the carrying value of a property exceeds its estimated net recoverable amount, provision is made for the decline in value.

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.

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

The Company accounts for stock options granted to directors, officers, employees and non-employees using the fair value method of accounting. Accordingly, the fair value of the options at the date of the grant is determined using the Black-Scholes option pricing model 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 measure of the fair value of the Company's stock options at the date of the grant or thereafter.

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### Forward Looking Statements

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

### Exploration

#### Gold

##### a) 217 Gold project

**Property description** - The 217 Gold project consists of a licensed area of 36 km<sup>2</sup> in the western part of Inner Mongolia, northern China. The 217 Gold project is centrally positioned within the east-west-trending Tian Shan Gold Belt. This prolific gold belt hosts seven major gold mines that have collectively produced more than 70 million ounces of gold and have approximately 100 million ounces remaining in reserves and resources. The site is approximately 650 km northwest of Beijing and 160 km south of Ivanhoe's major gold and copper discovery at Turquoise Hill (Oyu Tolgoi), in southern Mongolia.

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

**Funding arrangement** – Under the terms of the agreement in principle dated October 24, 2003, it is proposed that Ivanhoe and the Company will each fund 50% of the exploration expenditures on the project. In addition, Ivanhoe will reimburse the Company for 50% of its expenditures since inception of the project. If either party elects not to fund its proportionate share of expenditures, then that party's participating interest in the joint venture will be diluted pursuant to a mutually acceptable dilution formula. The agreement in principle is subject to the execution of a definitive agreement and regulatory approval.

##### Exploration results

**Past History** - The 217 Gold project was initially discovered twenty years ago. Between 1990 and 1998, extensive exploration activities were undertaken on the project, including geological mapping, soil and rock geochemical surveys, surface trenching, the driving of a 188 meter long decline, and heap leaching of a 30,000 tonne test sample. In 1999, a major drilling program totaling 2,800 m was completed. Results from this program confirmed the presence of a low grade gold bearing zone over a length of 4.6 km.

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In 2002, the main Northeast Zone ("NGZ"), which is about 1,600 m long and up to 200 m wide, was tested with a drilling program including twenty holes totaling 4,997 m. Three additional holes were also drilled to test two significant geophysical targets situated to the south of the NGZ zone and the farthest southern extension of the Southwest Gold Zone ("SGZ").

During 2002, preliminary metallurgical tests on both sulfide and oxide samples were conducted by SGS Lakefield in Ontario. Samples from old drill core were used in the preparation of the sulfide composite, while samples obtained from several surface pits were used in the preparation of the oxide composite. The preliminary test results indicate that the metallurgical properties of the project are simple and gold can be effectively extracted with low-cost processes. Preliminary metallurgical tests have achieved in excess of a 95% gold recovery for both the oxide and sulphide mineralization using gravity separation and cyanidation.

A 33 hole (6,054 meter) drilling program was completed at the end of September 2003. The objective of the diamond drilling program was to test the Southwest extension along strike with widely spread holes, to test the immediate strike extension of the Northwest zone, and to in fill some of the Northwest Zone resources. An updated National Instrument 43-101 resource estimate prepared by Westervelt Engineering Ltd. was completed in 2004. This new estimate indicates that the Southwest Zone, which lies 1,800 m south of the project's main deposit, the Northwest Zone, contains inferred resources of 14.79 million tonnes grading 1.25 grams per tonne ("g/t") gold using a 2-to-1 strip ratio. Combined with the previously defined in-pit resource in the Northwest Zone, the revised estimate for the 217 project as a whole is a measured and indicated gold resource of 29.2 million tonnes grading 0.95 g/t and an inferred resource of 21.6 million tonnes grading 1.17 g/t.

A one tonne representative sample was shipped to Lakefield Research in Ontario in early July for additional metallurgical testing. These test results have been incorporated in the resource estimate prepared by Westervelt Engineering Ltd.. In addition, one drill hole from this years drilling campaign was dedicated to metallurgical and geotechnical testing. Bulk representative core samples from this drillhole were shipped to a laboratory in Yinchuan, China for further metallurgical and geotechnical testing that commenced in early November.

A scoping study is underway to define the Chinese capital and operating costs and production parameters for a major low-grade open pit operation. A highly respected Chinese design institute with experience in developing the largest gold mine in China (also low grade) has been hired to complete the independent scoping study. In addition, an audit team consisting of western consultants has been assembled to review the work prepared by the Chinese engineers and provide western technological input and expertise. This preliminary scoping study will be completed in the spring of 2004. Based on the results of the scoping study, the 2004 program and budget will be planned to include pre-feasibility/feasibility studies, additional drilling, a pilot project and metallurgical testing, and mining and environmental permitting.

To December 31, 2003, the Company contributed \$1,750,000 to NPM as registered capital, of which \$300,000 was paid to the Chinese partner and had incurred exploration and other expenditures aggregating \$543,928, of which \$1,146,964 is refundable by Ivanhoe under the proposed funding agreement.

### **b) Dandong (QCZ) Gold Project**

**Property description** – The Dandong (QCZ) Gold project is situated in the eastern Liaoning Province, some 140 km southwest of the provincial capital of Shenyang and about 120 km northwest of Dandong, which lies on the Yalu River and border of North Korea. The project covers 480 km<sup>2</sup> of exploration permit located within an overall 790 km<sup>2</sup> area of interest. The gold deposits and occurrences in the Dandong (QCZ) project area form part of the Changbaishan gold province of north-eastern China, which comprises two main districts situated in the Jilin Province to the north and the Liaoning Province to the South.

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**Option agreement** - The Company must pay the Chinese partner \$4 million over six years and contribute an additional \$16 million to the joint venture company, Liaoning Pacific Gold Mining Co Ltd. ("LPGM") in order to earn an 80% interest in LPGM. The Company can increase its interest to 90% through contributing an additional \$10 million to LPGM. The first payment of \$200,000 to the Chinese partner is due 6 months after formal approval has been obtained, and a further payment of \$300,000 is due 12 months after formal approval has been obtained.

**Funding agreement** – Under the terms of the agreement in principle dated October 24, 2003, it is proposed that Ivanhoe and the Company will each fund 50% of the exploration expenditures on the project. In addition, Ivanhoe will reimburse the Company for 50% of its expenditures since inception of the project. If either party elects not to fund its proportionate share of expenditures, then that party's participating interest in the joint venture will be diluted pursuant to a mutually acceptable dilution formula.

### Exploration results

In 2002, the Company identified the potential of the Dandong (QCZ) Gold project area, and concluded preliminary negotiations in November 2002 with the project's Chinese partner. The agreement was signed on July 30, 2003, and an exploration program (the 2003 program) was started in early August 2003. The 2003 program contemplated minimal geophysics (ground magnetics and IP profiling over selected targets), and sampling of recently completed trenches in order to select drill targets in the JSZ (high-grade) and GCD (high-grade / low-grade) target areas within the area of interest. Since the start of the exploration, the Company has completed the following:

- o Processed and interpreted historic data ( soil geochem, stream sediment geochem, mag, topography)
- o Set-up QA/QC protocols consistent with National Instrument 43-101 requirements
- o Conducted counterpart training (particularly with respect to the processing of diurnally-corrected mag data; the use of multichannel IP receivers, and quality control procedures
- o Undertaken preliminary geological mapping over one of the target areas (GCD); the work was largely done by the LNFGEI and remains a work-in-progress
- o Mag survey over GCD and JSZ
- o IP survey over GCD and JSZ
- o Drill proposals for GCD
- o 2,500m of drilling on GCD.

Drilling has intersected mineralization and assay results were released on March 8, 2004: the results have been posted on the Company's website, [www.jinshanmines.com](http://www.jinshanmines.com).

To December 31, 2003, the Company had contributed \$880,000 to LGPM as registered capital and had incurred exploration and other expenditures aggregating \$329,608, of which \$709,608 was funded by Ivanhoe.



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### Platinum & Palladium

#### JBS Platinum and Palladium Project

**Property description** – The JBS Platinum and Palladium project is located in the Yunnan Province and is situated approximately 200 km west of the capital city of Kunming. The JBS property, located within 45km of both rail connections and electrical power lines, comprise three Exploration Permits totaling 55.61 km<sup>2</sup>. The exploration permits are free of royalty obligations.

**Option agreement** – In October 2001, the Company negotiated a joint venture agreement with a Chinese partner in which the Company must make total cash contribution of \$14 million over five years to earn a 70% interest in the joint venture company Yunnan Yunbao Platinum & Palladium Mining Co. Ltd. ("YYPP"). Additional amounts of \$750,000 and \$12.5 million must be contributed to the Chinese partner within two and five years, respectively, from October 1, 2001. Both the Company and the Chinese partner will share subsequent cash contributions and profits on a 70/30 basis.

**Funding agreement** – Under the terms of the agreement in principle dated October 24, 2003, it is proposed that Ivanhoe and the Company will each fund 50% of the exploration expenditures on the project. In addition, Ivanhoe will reimburse the Company for 50% its of expenditures since inception of the project. If either party elects not to fund its proportionate share of expenditures, then that party's participating interest in the joint venture will be diluted pursuant to a mutually acceptable dilution formula.

#### Exploration results

**Past history** – The JBS Platinum and Palladium project was intensively explored over the last thirty years. The database of information collected since the 1970s is extensive and was found by the Company's geological consultants to have been collected in a professional manner. Surface exploration activities on the project during that period included regional geological mapping, regional soil geochemical surveys over a 30km by 50km area surrounding the property and 64,000 m of surface drilling in 150 holes. Underground work on the project included the completion of two underground adits over a length of approximately 2 km, approximately 300-500 m of underground drilling and underground channel sampling at 1m intervals along the lower of the two adits and in some cross-cuts. In 1999 and 2000, metallurgical test work at a bench and pilot-plant scale was completed. A more detailed summary of historical work completed on the JBS Platinum and Palladium property is included in a report prepared in 2001 by Hatch Associates Ltd., a copy of which has been filed with regulatory agencies and is available on Sedar.

As none of the original surface drill core is available for check assaying, an additional drilling program is required in order to confirm the structural model and the resources estimates previously calculated the project owners.

Accordingly, a two phase exploration program was undertaken commencing in 2002. The first phase, which cost an estimated \$300,000 and was completed in late September 2003, included underground mapping and sampling, drilling and technical work to produce a more precise geological structural model. The second phase, estimated at \$1.2 million, will proceed toward the completion of a bankable feasibility study.

In March 2003, the Company announced drilling results at the JBS Platinum and Palladium project indicating the intersection of significant high-grade platinum, palladium and gold mineralization. The results, conducted as infill holes between previous drilling by the Chinese partner, are confirming the high-grade potential and excellent continuity of this deposit. The main intent of the current drilling program is to confirm the grade and geometry of mineralization in the deposit and to provide geotechnical information to support development of a detailed underground mine plan. The program also intends to define the outer boundaries of economic mineralization. In Q2'03 complete assay results were made available on the Company's website for the holes that have been drilled to date. The remainder of results from this infill drilling program have been received and compiled for use in the block modeling program (below). The data has been posted on the Company's Website.

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### **Resource Modeling**

The initial part of phase-two exploration is a scoping study which has a budget of \$ 150,000. Before building a resource block model for the scoping study, the Company set out to determine whether strong magmatic indications correlated with the distribution of mineralization. A subsequent review of the underground drill core by the Company's geologists in September 2003 confirmed the presence of a primary magmatic trough that contains the JBS Pt-Pd-Ni-Cu mineralization. This work identified a previously unrecognized consistent internal stratigraphy in the trough that confirms the lower basal mineralized zone (K1), the higher grade upper hangingwall (K2) zone, and an intervening distinctive chromite horizon. The magmatic trough and the position of the basal and hangingwall mineralized zones are very similar to the Noril'sk Ni-Cu-PGE orebodies in Russia. Recognizing this stratigraphy will establish better confidence in correlating individual intersections, modeling high grade zones, and overall structure. The information will provide the firm geological basis needed for generating a block model that can be evaluated from a mining perspective.

Resource consultants McDonald Speijers of Perth, Western Australia have been retained to review past work, the current database, and to generate a resource block model of the JBS deposit. The site visit was completed at the end of September 2003. Upgrading the drill-hole database with the new stratigraphy, preparing the database for use in Datamine modeling package, and upgrading all cross-sections and log-sections for wire framing was completed in November 2003. All data was transferred to Perth for analysis, which is currently in progress.

### **Metallurgical Testing**

Two bulk underground samples have been sent to Mintek of South Africa for metallurgical tests designed to improve on the current PGE recoveries of ~ 77%. Mintek is the premier, metallurgical testing laboratory servicing the South Africa platinum industry. They have a track record for maximizing PGE recoveries in the Bushveld operations in South Africa. Initial results have been received and are under review.

To December 31, 2003, the Company had contributed \$1,500,000 to YYPP as registered capital and had incurred exploration and other expenditures aggregating \$443,746, of which \$971,873 is refundable by Ivanhoe under the proposed funding agreement.

### **JBS Regional Project**

In Q2'03 the Company started a reconnaissance exploration program within the same geologic belt as the JBS Platinum and Palladium project. During 2001 the JBS Joint Venture acquired approximately 363 km<sup>2</sup> in Exploration Permits scattered throughout the belt. In Q3 2003, the Joint Venture was granted an additional 918.10 km<sup>2</sup> of exploration permits giving it a position in this PGE - Nickel belt consisting of an aggregate of 1,332 km<sup>2</sup> under Joint Venture control.

Analysis of 4,761 regional stream sediment samples has highlighted numerous PGE anomalies within the Permits that require investigation. Preliminary field work has already identified previously unknown Ni mineralization and JBS type ultramafics. The geophysical contractor Fugro was chosen to fly a 4,000 line kilometre helicopter airborne magnetic survey. The original timing of the survey has been delayed while other clients were found by the contractor to share in the mobilization and demobilization of the aircraft. The contractor is in the process of obtaining various government operational permits and expects to fly in Q2 2004. The estimated \$400,000 survey will be invaluable in identifying poor outcropping and potentially mineralized mafic-ultramafic intrusions. Drilling will no doubt be delayed until Q3 or Q4 2004. In the light of these delays, surface exploration has been advanced at the NJ permit area.

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### Native Copper Projects

**Property description** – In the summer of 2002, Chinese geoscientists publicly announced their findings that native copper occurrences in Yunnan, Sichuan and Guizhou provinces in China strongly resembled the style of copper mineralization which has been mined in the state of Michigan, USA for over one hundred years. Based on that announcement, the Company undertook to stake exploration permit areas in the northeast part of the Yunnan province. The staked areas are included in three separate joint venture agreements, namely the Zhaotong (North) project, the Huize-Xuanwei (South) project, both in Yunnan Province, and the Guizhou project, in neighboring Guizhou Province. Joint Venture permit areas in Yunnan cover some 2,900 km<sup>2</sup>. The three copper projects are located approximately 460 km from Kunming.

#### Option agreements –

##### a) Zhaotong (North) Project

On December 2002, the Company entered into a joint venture agreement with a Chinese partner to develop the Zhaotong project. The Company must contribute \$4 million to the joint venture over three years in order to earn a 70% interest in the joint venture company, Yunnan Xinzhao Copper Mining Co. Ltd. (“YXCM”).

##### b) Huize-Xuanwei (South) Project

On December 2002, the Company entered into a joint venture agreement with a Chinese partner to develop the Huize-Xuanwei project. The Company must contribute \$4 million to the Chinese joint venture over three years in order to earn a 75% interest in the joint venture company, Yunnan Xindian Mining Co. Ltd. (“YXM”).

##### c) Guizhou Project

In July 2003, the Company negotiated a joint venture agreement with a Chinese partner to explore in Guizhou Province. The Company originally agreed to contribute \$4 million to the Chinese joint venture over three years in order to earn a 75% interest in the joint venture. Revised negotiations in Q3 2003 allow vesting of the 75% equity after the initial capital investment of \$600,000. The first US\$ 4.0 million of capital requirements of the Joint Venture would be provided by the Company, after which the partners will contribute on a pro rata basis. During this period each partner can dilute, but the maximum equity the Company can earn is 87.5%. The Company will control the board; however, if the Company's contribution to registered capital does not reach \$1.34 million, control will shift to the Chinese partner. The Agreement was signed in November 2003 and exploration will begin after receipt of the Joint Venture Company's business licence which is expected in Q1 2004. Although the original exploration concept was to focus on copper, gold opportunities will also be reviewed as southwest Guizhou is part of the famous “Golden Triangle” known for its sediment-hosted (resembles Carlin-style) mineralization and good gold grades.

**Funding agreement** – On December 19, 2002, Ivanhoe exercised its right according to the private placement agreement with the Company dated May 31, 2002 to participate in the Zhaotong (North) project, the Huize-Xuanwei project and the Guizhou project. For each project, the Company and Ivanhoe agreed to contribute equally on the first \$1 million of expenditure, with the property interest from the Chinese partner divided equally between them. Upon completion of the initial \$1 million of expenditures, Ivanhoe will have the option to acquire 50% of the Company's interest in the project by completing a feasibility study. On completion of the feasibility study, Ivanhoe will have the option to acquire a further 20% of the Company's interest in the project by arranging the funding necessary to take the project to production.

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### **Exploration results**

Past history – The presence of ancient slag found in many places in the area, confirms that mining activities in the region dates back at least several hundred years. Even today, local small-scale mining activities are numerous, and every now and then big pieces of native copper nuggets are reported up to over 100 pounds in size. Despite the ongoing mining, previous exploration in the area ignored the native copper occurrences completely.

Exploration by the Company has focused in Yunnan. Only limited work has been completed in the adjacent province of Guizhou. Major exploration will begin there after the Joint Venture contract is signed. In Q4'02, the Company started an extensive exploration program over the region. In a first phase, the Company intended to prospect and map at a 1 to 25,000 scale all of the staked areas. This first phase was completed in January 2003, and resulted in outlining three primary targets and six prospective areas for further work.

The second phase, started in Q2'03, includes large scale geological mapping (1 to 5000 scale), ground geophysical surveys and diamond drilling. In Q3'03, induced polarization ("IP") and limited transient electromagnetic ("TEM") ground geophysical surveys were completed on two of the three primary targets and a 1,600 m follow-up drilling program was completed in Q4 03. Studies to refine the sample preparation and assay technique were completed at Michigan Technological University's Institute of Materials Processing in Houghton, Michigan. This test work will be audited by Lynda Bloom of Analytical Solutions Limited, Toronto. Drill assay results are pending.

Reconnaissance exploration continued in the Huize-Xuanwei (South) Project area.

To December 31, 2003, the Company has made contributions and had incurred exploration and other expenditures of \$993,901 in respect of the Zhoatong (North) Project, \$791,833 in respect of the Huize-Xuanwei (South) Project and \$162,190 in respect of the Guizhou Project, of which 50% of each of the amounts paid are recoverable from Ivanhoe. Ivanhoe has funded to December 31, 2003, \$496,950, \$395,917 and \$81,095 of each project, respectively.

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### Results of Operations

The operating results for the three months ended September 30, and December 31, 2003, and the twelve months ended December 31, 2003 and December 31, 2002 are shown in the following table for ease of reference:

	Three months ended September 30, 2003	Three months ended December 31, 2003	12 months ended December 31, 2003	12 months ended December 31, 2002
	(Unaudited)	(Unaudited)		
<b>Expenses</b>				
Administration and office	\$ 96,915	\$ 196,762	\$ 396,872	\$ 90,108
Amortization	9,384	1,018	30,919	12,353
Business development	115,070	164,176	448,588	300,798
Consulting fees	5,682	29,319	174,773	213,903
Exploration expenses	1,811,692	1,718,041	4,242,756	1,893,275
Professional fees	49,496	153,970	392,595	138,788
Rent	26,510	(3,758)	42,441	39,280
Salaries and benefits	79,607	145,642	318,146	43,907
Stock-based compensation	147,323	117,761	257,833	568,953
Shareholder information, transfer agent and filing fees	7,735	40,386	79,590	80,559
Mineral property written off	-	-	-	931,599
	<u>2,349,414</u>	<u>2,563,317</u>	<u>6,384,513</u>	<u>4,313,523</u>
<b>Other Income and Expenses</b>				
Interest income	11,611	10,382	58,209	37,628
Foreign exchange gain	3,659	160,769	100,111	-
Other income	-	(21,549)	(17,274)	2,587
	<u>15,270</u>	<u>149,602</u>	<u>141,046</u>	<u>40,215</u>
<b>Net loss for the period</b>	<u>\$ 2,334,144</u>	<u>\$ 2,413,715</u>	<u>\$ 6,243,467</u>	<u>\$ 4,273,308</u>

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### **Three months ended December 31, 2003 and September 30, 2003**

The Company incurred a net loss of \$2.4 million for the three month period ended December 31, 2003 as compared to a net loss of \$2.3 million for the three month period ended September 30, 2003. These amounts represent a general increase in losses over those incurred in the 1<sup>st</sup> half of the 2003 year and are reflective of the increase in exploration and administrative activity in the Company resulting from the commencement of active exploration programs starting in the 2<sup>nd</sup> quarter of 2003.

Exploration expenditures totaled \$1.7 million for the three-month period ended December 31, 2003 as compared to \$1.8 million for the three months ended September 30, 2003. A significant portion of these amounts were scheduled capital contributions paid to the joint venture companies in China; contributions, net of amounts recovered from Ivanhoe of \$910,000 and \$1,442,000 were paid in the December and September quarters, respectively. The balance of exploration expenditures resulted from activities by the Company through its direct expenditures on its joint venture projects.

The Company incurred \$164,000 on business development for the three month period ended December 31, 2003, of which \$102,000 was paid for travel costs to and from projects by employees and consultants. This compares to a business development charge for the September quarter of \$115,000 which included travel expenditures of \$53,000. The increase in travel expenditures for the December quarter relates to an increase in trips resulting from a general increase in corporate activity and staffing levels, and new project development. Investor relations costs of \$62,000 form the balance of business development expenditures for both periods.

The Company incurred \$154,000 on professional fees for the three month period ended December 31, 2003, of which \$61,000 was for legal fees in respect of various statutory filings and the preparation of documents and agreements for the joint ventures and financings. Due to protracted negotiations and a review of the formation of the legal entities in China in support of the joint venture agreements, legal costs incurred in the fourth quarter of 2003 were significantly higher than those incurred in the three months ended September 30, 2003. In addition, professional fees for the December quarter also include accounting and accrued audit fees of \$81,000. These fees were incurred in respect of the preparation, review and audit of the Company's financial statements as well as for advisory services in respect of accounting changes, adopted for the 2003 year.

Salaries and benefits were \$146,000 for the December quarter as compared to \$80,000 for the September quarter and administration and office costs were \$197,000 and \$97,000 for the same three month periods, respectively. These increases are reflective of an increase in corporate activity and the resultant increase in accounting, corporate and investor relations personnel and related infrastructure associated with maintaining both increased administrative activities and supporting exploration activities on the Company's joint venture initiatives.

Rent expenses for the three months ended September 30, 2003 reflect payments for rent of the Company's former premises, which payments ceased during that quarter, and an advance payment for rental of the Company's office in Kunming, China. No rental costs were incurred in the three months ended December 31, 2003.

Shareholder information, transfer agent and filing fees increased in the December quarter primarily as a result of the payment of listing fees to the TSX Venture Exchange in the amount of \$26,500. These fees were paid in respect of the listing of 5.5 million new common shares which were issued in December, 2003.

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### **Years ended December 31, 2003 and 2002**

The Company incurred a net loss of \$6.2 million for the year ended December 31, 2003 as compared to a net loss of \$4.3 million in 2002. This change is reflective almost entirely of an increase in exploration expenditures of \$2.3 million from 2002 to 2003. A mineral property write off in the amount of \$1 million recorded in 2002 was not duplicated in the 2003 year and a general increase in corporate activity and costs in 2003 was responsible for the balance of the difference in the year over year net loss.

Exploration expenditures totaled \$4.2 million for the year ended December 31, 2003 as compared to \$1.9 million for 2002. This increase is partly due to an escalation in the scheduled capital contributions due to the joint venture companies in China; the contributions, net of amounts recovered from Ivanhoe, paid in the 2003 year were \$2.6 million as opposed to an amount of \$1.7 million paid in 2002. Stock-based compensation charged to exploration activities increased in the 2003 year by \$1.0 million over the amount recorded in 2002. Recognition of stock-based compensation, particularly with regard to compensation associated with the issuance of stock options to consultants, can change dramatically from period to period depending upon such factors as vesting schedules, changing market values and assumptions made regarding volatility. The balance of the increase is due to increased exploration expenditures, which are reflective of the general ramping-up of exploration activity during the current year.

The Company incurred \$449,000 in business development expenses in 2003, of which \$394,000 was paid for traveling to and from the exploration projects by employees and consultants. This compares to the 2002 amount of \$201,000 which included travel costs of \$84,000. This change in travel expenditures reflects an increase in trips abroad due to increased activities on exploration properties, development work to acquire potential new properties and increased staffing levels. The balance of business development expenses for both years included expenditures on investor relations activities. Investor relations costs in 2002 included an amount of \$100,000 paid for corporate communications services under contract to a third party service provider. This contract was not renewed in 2003 and these activities were provided by employees of the Company during the current year.

The Company incurred \$393,000 on professional fees, of which \$263,000 was for legal fees which were incurred in respect of various statutory filings, the preparation of documents and agreements for the Company's joint ventures and preparation of agreements in respect of corporate financings. Legal fees increased in the current year as most of the work performed preparing the foregoing agreements in 2003 were not duplicated in 2002. Professional fees also include \$129,000 for accounting and audit services. These costs also increased in 2003 as the Company changed certain of its accounting policies and its reporting currency which, together with key accounting changes introduced by accounting regulatory bodies and the adoption, in 2003, of a process of review of the Company's quarterly financial statements, resulted in a significant increase in the need for audit advisory services.

Salaries and benefits increased by \$318,000 in the current year over those amounts incurred in 2002. This is primarily the result of increased staffing levels, particularly with respect to senior management, and the fact that during 2002 the majority of personnel costs were paid and recorded as consulting fees. Salaries and benefits also increased in 2003 as certain corporate, accounting and investor relations functions were maintained by Company employees during 2003 as opposed to outside services which were utilized during 2002. Similarly, administration and office costs were \$397,000 for 2003, as compared to \$90,000 in 2002. This change is reflective of both an increase in corporate activity and the administrative support costs necessary for the new managerial, corporate, accounting and investor relations staff. A total of \$220,000 was paid or payable to Global Mining Management Corp. ("GMM"), a related company, for personnel and office facilities provided in this regard. GMM is related to the Company as certain officers and directors are common to each company. GMM provides these services to a group of companies, some of which are related to the Company, such as Ivanhoe, and others which are not. The services provided by GMM are incurred on an as-used basis.

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Stock-based compensation charged to other than exploration expenses decreased in the 2003 year by \$312,000 over the amount recorded in 2002. Option pricing models require the input of highly subjective assumptions regarding expected volatility and recognition of stock-based compensation can change dramatically from period to period depending upon the schedule by which the options vest.

### Cash resources and Liquidity

The balance sheets as at December 31, 2003, and December 31, 2002 are shown in the following table for ease of reference:

	2003	2002
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 7,903,819	\$ 132,321
Short-term investments	-	3,165,358
Accounts receivable	101,756	73,718
Interest receivable	-	28,733
Receivable from related party	3,763	259,724
Prepaid expenses	108,004	31,302
	<u>8,117,342</u>	<u>3,691,156</u>
<b>Capital assets</b>	<u>101,420</u>	<u>90,796</u>
	<u>\$ 8,218,762</u>	<u>\$ 3,781,952</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 331,644	\$ 141,354
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	16,326,789	7,291,695
Contributed surplus	1,865,009	961,950
Cumulative translation adjustments	460,850	(90,984)
Deficit	(10,765,530)	(4,522,063)
	<u>7,887,118</u>	<u>3,640,598</u>
	<u>\$ 8,218,762</u>	<u>\$ 3,781,952</u>

The Company incurred cash outflows of \$6.1 million (\$4.4 million net of Ivanhoe's contributions of \$1.7 million) on operations in 2003. This represents an increase of \$3.3 million (\$2.8 million net of Ivanhoe's contributions of \$0.5 million) compared to expenditures made during 2002 and results from increased exploration activities and fulfillment of the Company's obligations on its mineral exploration projects. Aggregate cash expenditures incurred during 2003 and 2002 include cash contributions to Joint Venture Companies and Partners of \$3.5 million and \$1.9 million, respectively.

Cash inflows received from Ivanhoe as part of their joint venture obligations and raised by way of private placements were \$1.7 million and \$3.3 million respectively. Additional funds of \$5.2 million in aggregate were raised from private placements to other parties and the exercise of warrants and options, bringing total cash resources, net of cash expended at December 31, 2003, to \$7.9 million. These resources are sufficient to fund immediate cash requirements.



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The Company expects to spend approximately \$4.5 million (net of anticipated proceeds from gold sales and expense recoveries from Ivanhoe) during the 2004 year on its joint venture projects, inclusive of capital contributions, exploration and general and administrative costs.

The Company's long term optional payments under various joint venture projects currently exceed the working capital available on hand. The Company expects to finance obligations and ongoing commitments through the exercise of options and warrants, and additional equity financings subject to market conditions. There can be no assurance that such financing will be available when required or at terms that are favorable to the Company.

### **Securities issued**

A summary of all securities authorized and issued by the Company up to March 26, 2004 is included in Notes 7(a) and 17(a) to the annual Consolidated Financial Statements for the year ended December 31, 2003.

## **Outlook**

The Company will concentrate its efforts on drilling and regional exploration work planned for its existing projects in 2004 and is actively pursuing additional projects. The Company is well positioned to conduct its activities and capitalize on opportunities in China. Market conditions have improved substantially with copper and spot gold prices increasing to multi-year highs, and significant attention has been drawn to exploration companies in China due to the country's record growth rates and strong demand for basic raw materials and precious metals.

## **Risks factors**

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored are ultimately developed into production. At present, none of the Company's properties has a known body of commercial ore. Other risks facing the Company include competition, reliance on third parties and joint venture partners, environmental and insurance risks, political and environmental instability, statutory and regulatory requirements, fluctuations in mineral prices and foreign currency, share price volatility, title risks, and uncertainty of additional financing.

March 26, 2004