



JINSHAN GOLD MINES INC.

Consolidated Financial Statements
For the quarter ended June 30, 2004
(Unaudited)
(Stated in U.S. dollars)

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

	June 30, 2004	December 31, 2003
	<u>(Unaudited)</u>	
ASSETS		
CURRENT		
Cash	\$ 7,280,540	\$ 7,903,819
Accounts receivable	197,519	101,756
Receivable from related party (Note 4(b))	670,077	3,763
Prepaid expenses	174,707	108,004
	8,322,843	8,117,342
PROPERTY, PLANT AND EQUIPMENT	155,899	101,420
	\$ 8,478,742	\$ 8,218,762
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 299,069	\$ 331,644
SHAREHOLDERS' EQUITY		
Share capital (Note 3)	19,979,116	16,326,789
Contributed surplus	1,712,913	1,865,009
Cumulative translation adjustments	460,850	460,850
Deficit	(13,973,206)	(10,765,530)
	8,179,673	7,887,118
	\$ 8,478,742	\$ 8,218,762

APPROVED BY THE BOARD

"Daniel Kunz"

Director

"Pierre Lebel"

Director

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

	Three months ended June 30,		Six months ended June 30,	
	2004	2003 (Note 2)	2004	2003 (Note 2)
EXPENSES				
Administration and office	\$ 148,549	\$ 78,086	\$ 284,976	\$ 122,884
Amortization	10,791	13,064	19,475	20,517
Investor relations	11,855	7,970	45,023	26,068
Travel	16,667	27,275	73,801	71,998
Exploration expenses (Note 2 and Schedule)	1,341,901	615,249	1,880,201	871,107
Professional fees	18,059	126,142	96,047	162,518
Salaries and benefits	86,937	72,825	178,582	92,897
Stock-based compensation (recovery) (Note 2)	246,855	(392,287)	336,892	(7,251)
Shareholder information, transfer agent and filing fees	42,372	17,608	69,543	31,469
	1,923,986	565,932	2,984,540	1,392,207
OTHER INCOME/(EXPENSES)				
Interest income	6,558	18,724	20,005	36,216
Foreign exchange loss	(129,209)	(9,994)	(243,141)	(64,317)
Other income	-	2,175	-	4,275
	(122,651)	10,905	(223,136)	(23,826)
NET LOSS	\$ (2,046,637)	\$ (555,027)	\$ (3,207,676)	\$ (1,416,033)
DEFICIT, BEGINNING OF PERIOD				
As previously reported	(11,926,569)	(2,947,127)	(10,765,530)	(2,580,128)
Adjustment to reflect accounting changes (Note 2)	-	(2,435,942)	-	(1,941,935)
As restated	(11,926,569)	(5,383,069)	(10,765,530)	(4,522,063)
DEFICIT, END OF PERIOD	\$ (13,973,206)	\$ (5,938,096)	\$ (13,973,206)	\$ (5,938,096)
BASIC AND DILUTED LOSS PER SHARE	\$ (0.04)	\$ (0.01)	\$ (0.07)	\$ (0.04)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	47,489,413	37,563,788	46,613,281	37,077,169

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

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
		(Note 2)		(Note 2)
OPERATING ACTIVITIES				
Net loss	\$ (2,046,637)	\$ (555,027)	\$ (3,207,676)	\$ (1,416,033)
Items not requiring use of cash:				
Amortization	10,791	13,064	19,475	20,517
Stock-based compensation (recovery)	246,855	(392,287)	336,892	(7,251)
Exploration expenses (stock-based compensation (recovery))	(307,545)	194,873	(337,231)	194,873
Exploration expense (other)	3,247,476	-	3,247,476	-
Unrealized foreign exchange losses	11,999	710,415	125,003	885,704
	1,162,939	(28,962)	183,939	(322,190)
Change in non-cash operating working capital items (Note 6)	(848,287)	162,020	(860,562)	90,231
	314,652	133,058	(676,623)	(231,959)
INVESTING ACTIVITIES				
Redemption of short-term investments	-	(641,355)	-	
Capital asset additions	(65,735)	(27,690)	(73,954)	(55,996)
	(65,735)	(669,045)	(73,954)	(55,996)
FINANCING ACTIVITY				
Issuance of common shares	189,784	214,257	253,094	453,935
NET CHANGE IN CASH FOR THE PERIOD	438,701	(321,730)	(497,483)	165,980
EFFECT OF FOREIGN EXCHANGE RATE CHANGES				
ON CASH	(12,795)	57,941	(125,796)	64,317
CASH, BEGINNING OF PERIOD	6,854,634	626,407	7,903,819	132,321
CASH, END OF PERIOD	\$ 7,280,540	\$ 362,618	\$ 7,280,540	\$ 362,618

JINSHAN GOLD MINES INC.

Notes to the Consolidated Financial Statements

June 30, 2004

(Unaudited)

(Stated in U.S. dollars)

1. Basis of Presentation

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). However, they do not include all the information and disclosures required by Canadian GAAP for annual financial statements. They have been prepared using the same accounting policies and methods of application as the latest annual consolidated financial statements. In the opinion of management, all adjustments of a normal recurring nature necessary for a fair presentation have been made. The results for interim periods are not necessarily indicative of results for the entire year. The information contained in the interim financial statements should be read in conjunction with the Company’s latest annual consolidated financial statements for the year ended December 31, 2003 and the notes thereto.

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

The prior year figures have been reclassified to conform with the current period presentation.

2. Comparative Figures

The comparative figures in these interim consolidated financial statements have been restated to give retroactive effect to the accounting changes with respect to mineral properties, reporting currency, functional currency and stock-based compensation as described in Note 4 to the annual consolidated financial statements of the Company for the year ended December 31, 2003. The effect of the restatement has resulted in an increase of \$309,352 (\$0.01 per share) in the net loss for the six months ended June 30, 2003.

JINSHAN GOLD MINES INC.

Notes to the Consolidated Financial Statements

June 30, 2004

(Unaudited)

(Stated in U.S. dollars)

3. Share Capital

Authorized

100,000,000 common shares without par value

100,000,000 preferred shares without par value

	Number of Shares	Amount
Issued and outstanding common shares were as follows:		
Balance, December 31, 2003	45,594,264	\$ 16,326,789
Shares issued for cash on:		
Exercise of warrants	140,000	43,994
Exercise of options	37,017	21,649
Transfer from contributed surplus on exercise of options	-	18,193
Share issue costs	-	(2,333)
Balance, March 31, 2004	45,771,281	16,408,292
Shares issued to effect Definitive Agreement with Ivanhoe Mines Ltd. (Note 4(b))	2,500,000	3,247,476
Shares issued for cash on:		
Exercise of options	225,000	189,784
Transfer from contributed surplus on exercise of options	-	133,564
Balance, June 30, 2004	48,496,281	\$ 19,979,116

Stock-based Compensation

On January 26, 2004, the Company granted 25,000 stock options to certain directors, officers and employees at an exercise price of CDN \$2.36 with an expiry date of January 26, 2009. A compensation cost of \$41,679 will be amortized over the vesting period.

During the second quarter of 2004, the Company granted 545,000 and 10,000 stock options to certain directors, officers, employees and consultants at exercise prices of CDN \$2.00 and CDN \$1.31, with expiry dates of April 13, 2009 and May 20, 2009, respectively. Compensation costs of \$604,754 will be amortized over their vesting periods.

JINSHAN GOLD MINES INC.

Notes to the Consolidated Financial Statements

June 30, 2004

(Unaudited)

(Stated in U.S. dollars)

3. Share Capital (continued)

Outstanding stock options and warrants

As at June 30, 2004, there were 3,062,884 stock options outstanding with exercise prices and expiry dates ranging from CDN \$0.73 to CDN \$3.60 and August 31, 2004 to May 20, 2009, respectively. During the six months ended June 30, 2004, 172,042 options were cancelled, with exercise prices and expiry dates ranging from CDN \$0.73 to CDN \$1.05 and October 20, 2004 to August 6, 2008.

As at June 30, 2004, there were 11,100,000 warrants outstanding with exercise prices and expiry dates ranging from CDN \$1.00 to CDN \$1.70 and July 2, 2005 to December 12, 2005, respectively.

4. Related Party Transactions

(a) During the three months ended June 30, 2004, the Company restructured its existing participation arrangements in respect of certain joint ventures it has with Ivanhoe Mines Ltd. ("Ivanhoe Mines"), a significant shareholder of the Company. Ivanhoe Mines also transferred to the Company 50% of its interest in the Shuteen exploration license in southern Mongolia.

In consideration for this transaction, the Company issued to Ivanhoe Mines 2.5 million common shares with a fair value of \$3,247,476, as reimbursement for prior exploration costs, including property payments. Ivanhoe Mines also reimbursed the Company for \$2,369,691 for prior exploration costs incurred on the projects. This has resulted in a net charge of \$877,785 to exploration expense.

From the date of the foregoing transaction to June 30, 2004, further exploration expenses of \$1,323,883 were recoverable from Ivanhoe Mines on a cost recovery basis. At June 30, 2004, an amount of \$670,077 (December 31, 2003 - \$580) was receivable from Ivanhoe Mines.

JINSHAN GOLD MINES INC.

Notes to the Consolidated Financial Statements

June 30, 2004

(Unaudited)

(Stated in U.S. dollars)

4. Related Party Transactions (continued)

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

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
Exploration	\$ -	\$ 13,382	\$ -	\$ 39,452
Office and administration	95,041	58,625	195,329	60,148
Salaries and benefits	74,713	57,576	183,857	68,496
	\$ 169,754	\$ 129,583	\$ 379,186	\$ 168,096

- (c) Accounts payable at June 30, 2004 included \$4,470 (December 31, 2003 - \$72,952) which was due to a company under common control or companies related by way of directors in common.

5. Segmented Information

- (a) *Industry Information*

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

- (b) *Geographic Information*

	China	Canada	Total
As at June 30, 2004			
Property, plant and equipment	\$ 127,398	\$ 28,501	\$ 155,899
As at December 31, 2003			
Property, plant and equipment	\$ 74,618	\$ 26,802	\$ 101,420

JINSHAN GOLD MINES INC.

Notes to the Consolidated Financial Statements

June 30, 2004

(Unaudited)

(Stated in U.S. dollars)

6. Supplemental Cash Flow Information

	Three months ended		Six months ended	
	June 30,		June 30,	
	2004	2003	2004	2003
Net (increase) decrease in:				
Accounts receivable	\$ (71,259)	\$ (82,743)	\$ (95,073)	\$ (131,476)
Interest receivable	-	(24,053)	-	(32,165)
Royalty receivable	-	(2,136)	-	46,197
Receivable from related party	(560,556)	6,361	(666,314)	(15,182)
Prepaid expenses	(79,696)	10,286	(66,703)	144
Net (decrease) increase in:				
Accounts payable and accrued liabilities	(136,776)	254,305	(32,472)	222,713
	<u>\$ (848,287)</u>	<u>\$ 162,020</u>	<u>\$ (860,562)</u>	<u>\$ 90,231</u>

JINSHAN GOLD MINES INC.
Consolidated Schedule of Exploration Expenses
Three months ended June 30, 2004 and 2003
(Unaudited)
(Stated in U.S. dollars)

	Gold Projects				Copper Projects			June 30, 2004
	General Exploration	217 Gold	Dandong (QCZ) Gold	JBS Platinum & Palladium	Zhaotong	Huize-Xuanwei	Guizhou	
Payments to joint venture companies & partners	\$ 50,000	\$ 1,100,000	\$ -	\$ -	\$ -	\$ -	\$ 60,000	\$ 1,210,000
Drilling consultants	-	97,832	-	-	-	-	-	97,832
Geological consultants	97,299	10,969	487	23,900	5,412	-	41,234	179,301
Engineering & other consultants	21,147	25,856	-	3,816	-	13,283	-	64,101
Project management	19,728	12,525	-	8,976	-	2,789	2,637	46,656
Maps & reproductions	6,619	14,048	-	4,885	-	-	-	25,553
Sampling and assaying	1,608	27,487	806	7,320	-	683	816	38,719
General & administrative	13,332	89,783	2,237	187	4,969	31	4	110,544
Salaries & benefits	8,449	32,727	24	5,113	3,370	24	116	49,822
Travel	38,976	33,972	17,144	6,364	6,103	5,221	6,909	114,689
Amount recovered / recoverable	-	(2,519,426)	113,489	(1,041,677)	(19,859)	(11,106)	(56,668)	(3,535,247)
	<u>\$ 257,157</u>	<u>\$ (1,074,226)</u>	<u>\$ 134,187</u>	<u>\$ (981,116)</u>	<u>\$ (5)</u>	<u>\$ 10,925</u>	<u>\$ 55,048</u>	<u>\$ (1,598,030)</u>
Stock-based compensation (recovery)								(307,545)
Costs incurred pursuant to restructuring agreement (Note 4(b))								3,247,476
								<u>\$ 1,341,901</u>

	Gold Projects				Copper Projects			June 30, 2003
	General Exploration	217 Gold	Dandong (QCZ) Gold	JBS Platinum & Palladium	Zhaotong	Huize-Xuanwei	Guizhou	
Payments to joint venture companies & partners	\$ -	\$ 200,000	\$ -	\$ -	\$ 75,000	\$ -	\$ -	\$ 275,000
Drilling and other consultants	-	4,003	13,825	27,226	8,870	17,294	4,463	75,681
Geological consultants	-	34,955	10,550	29,166	8,508	22,145	1,055	106,379
General exploration	-	78,016	8,400	56,863	5,389	10,506	2,712	161,886
General & administrative	-	1,714	643	2,587	22,975	262	-	28,181
Travel	-	3,050	10,279	8,254	40,565	6,289	1,269	69,706
Amount recovered / recoverable	-	(110,000)	(18,369)	-	(86,773)	(9,710)	(2,821)	(227,673)
	<u>\$ -</u>	<u>\$ 211,738</u>	<u>\$ 25,328</u>	<u>\$ 124,096</u>	<u>\$ 74,534</u>	<u>\$ 46,786</u>	<u>\$ 6,678</u>	<u>\$ 489,160</u>
Stock-based compensation								126,089
								<u>\$ 615,249</u>



JINSHAN GOLD MINES INC.

**Management's Discussion and Analysis of Financial Condition
and Results of Operations
For the quarter ended June 30, 2004
(Unaudited)
(Stated in U.S. dollars)**

JINSHAN GOLD MINES INC.

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

June 30, 2004

(Expressed in U.S. Dollars)

Overview

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

- Change of Name

On March 8, 2004, Pacific Minerals Inc. changed its name to Jinshan Gold Mines Inc. in order to more accurately reflect the company's focus on mineral exploration, development and production in China

- New mineral property agreements

The Company has signed a memorandum of understanding with the Yunnan Geology & Mineral Resources Co. Ltd. (YGMRC) that gives the Company the right to form a joint venture with YGMRC to explore for gold and copper-gold porphyry systems at and around YGMRC's Beiya Gold Mine in western Yunnan Province, China. The optioned land covers an area of 13 square kilometres. The Company also will have an option to earn into the existing Beiya underground mine. Under the terms of the memorandum of understanding, the Company has the right to earn up to an 80% equity interest in discoveries on the land which has been optioned surrounding the Beiya Gold Mine as well as an option to acquire the controlling interest in the Beiya Mine after a three-year period. The Beiya project is subject to Ivanhoe's earn-in agreement as detailed below.

The Company has signed an option agreement with the Yinchuan Gaoxin District Shijin Mining Ltd. (YGDSM) that gives the Company the right to purchase up to 95% of the Xijishui gold project in Central Gansu Province, north central China through payments to YGDSM of US\$640,000 to be made over a three year period. The Xijishui gold project consists of exploration permits covering 19.22 square kilometres. The project is approximately 200 kilometres northeast of the city of Lanzhou located in Gansu Province. The Company plans to begin exploration in mid August, 2004 followed by a drilling program in the fall. The Xijishui project is subject to Ivanhoe's earn-in agreement as detailed below.

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

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

On April 20, 2004, Ivanhoe and the Company entered into a definitive agreement to restructure their May 2002 mineral exploration and development joint venture. This agreement reduced from 80% to 50% Ivanhoe's maximum earn-ins on the Company's interests in the Company's most significant projects in China, including the 217 Gold Project in Inner Mongolia Region, the Dandong (QCZ) Gold Project in Liaoning Province, and the JBS Platinum and Palladium development and exploration projects in Yunnan Province. In April, 2004 Ivanhoe reimbursed the Company a total of \$2.3 million representing 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 Inner Mongolia Region and Ivanhoe undertakes not to compete for any new mineral properties in Liaoning Province.

JINSHAN GOLD MINES INC.

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

June 30, 2004

(Expressed in U.S. Dollars)

In addition, Ivanhoe has transferred to the Company 50% of its interest in the Shuteen exploration licence in southern Mongolia. 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 consideration for this transaction, the Company issued to Ivanhoe Mines 2.5 million common shares with a fair value of \$3,247,476, as reimbursement for prior exploration costs, including property payments. Ivanhoe 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.

- Changes to Management

On May 21, 2004, Mr. Peter Meredith was elected to the Jinshan's Board of Directors.

Critical Accounting Estimates

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

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

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

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

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

JINSHAN GOLD MINES INC.

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

June 30, 2004

(Expressed in U.S. Dollars)

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 square kilometers ("km²") in the western part of Inner Mongolia, northern China. The 217 Gold project is centrally positioned within the east-west-trending Tien Shan Gold Belt. This prolific gold belt hosts several 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.

Up to June 30, 2004, the Company contributed \$2,950,000 to NPM as registered capital, of which \$450,000 was paid to the Chinese partner, and had incurred exploration and other expenditures aggregating \$879,000

Funding arrangement – Under the terms of the definitive agreement dated April 20, 2004, Ivanhoe and the Company will each fund 50% of the exploration expenditures on the 217 Gold project. Ivanhoe has funded \$1.9 million of project expenses representing 50% of its expenditures since inception of the project. If either party elects not to fund its proportionate share of future expenditures, then that party's participating interest in the joint venture will be diluted pursuant to a mutually acceptable dilution formula.

JINSHAN GOLD MINES INC.

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June 30, 2004

(Expressed in U.S. Dollars)

Exploration results – A 33 hole (6,054 metre) drilling program was completed at the end of September 2003. The objective of the diamond drilling program was to test the Southwest Zone with widely spaced holes, to test the immediate strike extension of the Northeast zone, and to in fill some of the Northeast Zone resources. A National Instrument (“NI”) 43-101 resource estimate prepared by Westervelt Engineering Ltd. was completed in February, 2004. This estimate indicates that the Southwest Zone, which lies 1,800 metres (“m”) south of the project’s main deposit, the Northeast 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 Gold 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 new NI 43-101 resource estimate is currently being completed and will be available on SEDAR in September 2004. This new resource estimate incorporates data from all drill holes completed in 2003 and utilizes geostatistical modeling methods. This model was used by Independent Engineering of Australia as the basis for a scoping study.

Construction has commenced at the 217 Gold project on a 2000 ton per day pilot project which is expected to advance the project towards gold production once weather conditions permits leaching in 2005. Open pit mining of the oxide ore commenced in July, 2004 and is expected to continue through September. Large-scale heap leach tests will be carried out on run-of-mine ore and single stage crushed ore in the fourth quarter of 2004. In addition, a planned decline will be advanced 250 metres into the sulphide ore zone for bulk sample testing later this year. Exploration and pilot mining expenditures are expected to aggregate \$3.2 million during 2004.

b) Langdu (Zhongdian) Copper-Gold Project

Property description – The Company has signed a memorandum of understanding with the Yunnan Geology & Mineral Resources Company (“YGMRC”) that gives the Company the exclusive right until September 1, 2004, to form a joint venture on YGMRC’s Langdu (Zhongdian) copper-gold porphyry project in northwestern Yunnan Province, China. Regional exploration by YGMRC on the 730 km² project has outlined more than a dozen prospects containing porphyry copper-gold, skarn copper-gold and epithermal gold mineralization.

Exploration results - The Company is currently assessing the results of a reconnaissance field program that was commenced in the second quarter of 2004.

c) PingYi Gold Project

Property description – The PingYi Gold project consists of an area of approximately 96 km² in the GuiLaiZhuang gold district, PingYi County, Shandong Province, Peoples Republic of China.

Option agreement - The Company has signed an option agreement with the Bureau of Geology and Mineral Resources (“BGMR”) of Shandong Province, People’s Republic of China, that gives Jinshan an exclusive right to form a joint venture on BGMR’s exploration permit areas in Shandong’s PingYi County. Under the terms of the option agreement, Jinshan has the right to carry out a six-month exploration program commencing May 2004 on the areas covered by BGMR’s exploration permits. The exploration program will focus on identifying prospective targets that warrant more extensive exploration. If Jinshan is successful in identifying areas in which it believes further exploration is warranted, Jinshan will have the right to form a joint venture with BGMR in which Jinshan would earn a 70% interest by contributing 70% of the registered capital to the joint-venture company.

Up to June 30, 2004 the Company had made a \$50,000 option payment to BGMR and had incurred exploration and other expenditures aggregating \$14,000.

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Funding arrangement – Under the terms of the definitive agreement dated April 20, 2004, Ivanhoe can elect to earn-in to the project.

Exploration results – An exploration program has commenced consisting of ground geophysics, geochemistry and sampling, that will be followed by drilling expected to commence in the third quarter of 2004.

d) 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 km² of exploration permit located within an overall 790 km² 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.

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.

Up to June 30, 2004, the Company had contributed \$880,000 to LGPM as registered capital and had incurred exploration and other expenditures aggregating \$377,000.

Funding agreement – Under the terms of the definitive agreement dated April 20, 2004, Ivanhoe and the Company will each fund 50% of the exploration expenditures on the Dandong (QCZ) Gold project. Ivanhoe has funded \$628,000 of project expenses representing 50% of expenditures since inception of the project. If either party elects not to fund its proportionate share of future expenditures, then that party's participating interest in the joint venture will be diluted pursuant to a mutually acceptable dilution formula.

Exploration results – The 2003 exploration program was based on geophysics (ground magnetics and IP profiling over selected targets), and sampling of recently completed trenches in order to select drill targets within the area of interest.

During the first quarter of 2004, some 2,500 m of drilling was completed on targets on the GCD and WDG exploration blocks located within the 480-square-kilometre project area. Targets on the GCD block were defined on the basis of geological mapping, grid geochemistry and geophysical surveying (magnetics and IP), whereas the drilling on the WGD block targeted along-strike and down-dip extensions of known mineralization occurring on adjacent mining leases. While drilling intersected only weakly mineralized zones of pyrite-pyrrhotite ±arsenopyrite mineralization on the GCD grid, significant mineralization was intersected in both drill holes completed in the WDG block; the results have been posted on the Company's website, www.jinshanmines.com.

The Company is currently in discussions with its joint venture partner to develop a work program for the balance of the 2004 field season.

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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, is comprised of three Exploration Permits totaling 5.61 km². 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”). Amounts of \$1.5 million and \$12.5 million must be contributed to the joint venture company 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.

Up to June 30, 2004, the Company had contributed \$1,500,000 to YYPP as registered capital and had incurred exploration and other expenditures aggregating \$583,000.

Funding agreement – Under the terms of the definitive agreement dated April 20, 2004, Ivanhoe and the Company will each fund 50% of the exploration expenditures on the JBS Platinum and Palladium project. Ivanhoe has reimbursed the Company \$1.0 million representing 50% of its expenditures since inception of the project. If either party elects not to fund its proportionate share of future expenditures, then that party's participating interest in the joint venture will be diluted pursuant to a mutually acceptable dilution formula.

Resource modeling – Resource consultants McDonald Speijers of Perth, Western Australia were retained to review past work, the current database, and to generate a resource block model of the JBS deposit. A 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 were completed in November 2003. All data were transferred to Perth for analysis, and an updated resource estimate was issued on May 13, 2004. The new estimate was prepared in conformance with the requirements set out in NI 43-101 and is available on SEDAR at www.sedar.com

This resource estimate considers higher cut-off grades than earlier Chinese bulk tonnage resource estimates, to better reflect the economic tonnages based on estimated underground mining costs in China. The revised block model (10 x 12.5 X 2 metre blocks) for the North JBS deposit focused on a higher grade mineralization. At these cut-offs, the resource model has sufficient lateral continuity for conventional underground mining. The Company is currently assessing economic alternatives to advance the project based on the results of the resource modeling.

Metallurgical testing – Two bulk underground samples were sent to Mintek of South Africa; metallurgical test work conducted on these samples confirmed earlier Chinese testing which resulted in PGE recoveries of 70% to 80%.

JBS Regional Project

In Q2'03 the Company commenced 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 km² in Exploration Permits scattered throughout the belt. In Q3'03, the Joint Venture was granted an additional 918.10 km² of exploration permits giving it a position in this PGE - Nickel belt consisting of an aggregate of 1,332 km² under the JBS Joint Venture control.

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Analysis of 4,761 regional stream sediment samples has highlighted numerous PGE anomalies within the permits areas that require investigation. Preliminary field work has already identified previously unknown nickel mineralization and ultramafics similar to those found in the JBS Platinum and Palladium project. The geophysical contractor Fugro was chosen to fly a 4,000 line kilometre helicopter airborne magnetic survey. However, due to delays in the granting operational permits by regulatory agencies and the onset of the rainy season which has caused unsafe flying conditions, the survey has been cancelled. As an alternative, due to its easy access, the Company has decided to advance the project by conducting surface geochemical sampling, ground geophysics, and follow-up drilling.

Copper Projects

Property description – In the summer of 2002, Chinese geoscientists announced their findings that 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 km². The three copper projects are located approximately 460 km from Kunming.

Option agreements –

a) Zhaotong (North) Project

In 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

In 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 November 2003, the Company entered into a revised joint venture agreement with a Chinese partner to explore in Guizhou Province. The Company has agreed to contribute \$4 million to the Chinese joint venture over a three year period in order to earn a 75% interest after which the partners will contribute on a pro rata basis. The 75% equity interest will vest to the Company after the initial capital investment of \$600,000. 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. Exploration began with the regional evaluation of geology, geochemistry, and tectonics for both copper and gold deposits.

Although the original exploration concept was to focus on copper for all three joint ventures, gold opportunities will also be reviewed as southwest Guizhou and Yunnan are part of the famous “Golden Triangle” known for its sediment-hosted (resembles Carlin-style) mineralization. The earn-in requirements will also be assessed based on the revised scope of work.

Up to June 30, 2004, the Company had made contributions and had incurred exploration and other expenditures of \$1.0 million in respect of the Zhaotong (North) Project, \$851,000 in respect of the Huize-Xuanwei (South) Project and \$345,000 in respect of the Guizhou Project, of which 50% of each of the amounts expended have been recovered from Ivanhoe.

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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-Xuanswei 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 acquired 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.

Exploration results – Priority has been given to the Company's other projects at this time with minimal exploration planned for the remainder of 2004. The Company may redefine the scope of these projects to pursue more conventional copper-gold deposits. Fieldwork has commenced on the Guizhou property focused on chalcocite copper mineralization. Gold and gold-copper opportunities are also being assessed for this and other Yunnan projects.

Results of Operations

The operating results for the three months ended March 31, 2004, June 30, 2004 and June 30, 2003 are shown in the following table for ease of reference:

	Three months ended March 31, 2004	Three months ended June 30, 2004	Three months ended June 30, 2003*
	(Unaudited)	(Unaudited)	(Unaudited)
Expenses			
Administration and office	\$ 136,427	\$ 148,549	\$ 78,086
Amortization	8,684	10,791	13,064
Investor relations	33,168	11,855	7,970
Exploration expenses	538,300	1,341,901	615,249
Professional fees	77,988	18,059	126,142
Salaries and benefits	91,645	86,937	72,825
Stock-based compensation	90,037	246,855	(392,287)
Shareholder information, transfer agent and filing fees	27,171	42,372	17,608
Travel	57,134	16,667	27,275
	<u>1,060,554</u>	<u>1,923,986</u>	<u>565,932</u>
Other Income and Expenses			
Interest income	13,447	6,558	18,724
Foreign exchange (loss)	(113,932)	(129,209)	(9,994)
Other income	-	-	2,175
	<u>(100,485)</u>	<u>(122,651)</u>	<u>10,905</u>
Net loss for the period	<u>\$ (1,161,039)</u>	<u>\$ (2,046,637)</u>	<u>\$ (555,027)</u>

* June 30, 2003 figures have been reclassified to be consistent with current disclosure

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Three months ended June 30, 2004 and March 31, 2004

As the Company is in the exploration stage, financial results are generally not fully comparable to those of the corresponding period in the prior year due to potential significant changes to the nature of the Company's operations. Accordingly, the current quarter's operating results will be compared to those of the immediately preceding quarter.

The Company incurred a net loss of \$2.0 million for the three month period ended June 30, 2004 as compared to a net loss of \$1.2 million for the three month period ended March 31, 2004. This change is primarily due to an increase in exploration expenditures of \$804,000 in the second quarter of 2004 over those incurred in the first quarter of 2004.

Exploration expenditures totaled \$1.3 million for the three-month period ended June 30, 2004 as compared to \$538,000 for the three months ended March 31, 2004. A significant portion of the June 2004 amounts were scheduled capital contributions paid to the joint venture companies in China; contributions, net of amounts recovered from Ivanhoe, of \$645,000 were paid in the June quarter versus \$70,000 for the March 2004 period. During the second quarter 2004, Ivanhoe and the Company revised their May 2002 mineral exploration and development joint venture. This resulted in Ivanhoe reimbursing the Company \$2.3 million for expenses incurred in prior years for the 217 Gold Project; the JBS Platinum and Palladium project; amendment to the Dandong (QCZ) project; and for expenses for all projects to April 20, 2004. In addition, the Company issued to Ivanhoe 2.5 million shares valued at \$3.2 million which amount was charged to exploration expenses. The combined result of this transaction was a net charge of \$878,000 to exploration expenses during the second quarter of 2004.

Exploration expenses in the June 2004 quarter also reflect a credit of \$337,000 for stock-based compensation associated with stock options issued to consultants whereas the March 2004 quarter included a credit in the amount of \$30,000. Stock-based compensation is recognized over the vesting period of the stock options to which it relates and will fluctuate in accordance with the vesting patterns of the underlying options. In addition, stock options granted to consultants, such as certain of those for which compensation expenses are included in exploration expense, must be revalued on each of the vesting dates which can, in the event of fluctuating market prices, create dramatic changes in the recognition of period over period stock-based compensation expenses. The balance of exploration expenditures for both June 2004 and March 2004 resulted from activities by the Company through its direct expenditures on its joint venture projects.

Investor relations costs of \$12,000 were recorded in the June, 2004 quarter, representing a decrease of \$21,000 over the March 2004 amount. This difference is due to attendance at various professional conferences that officials of the Company attended during the first quarter of 2004.

Expenditures on travel in the second quarter decreased by \$40,000 over those incurred in the first quarter. Travel in the March quarter included costs related to the attendance at the Prospectors and Developers Association of Canada conference by certain management and technical staff of the Company; these costs were not duplicated in the June quarter. In addition, air travel and accommodation costs by employees traveling between Canada and China for general corporate purposes has also decreased as the majority of travel is now directly related to the ongoing exploration projects.

The Company incurred \$18,000 of professional fees for the three month period ended June 30, 2004 as compared to \$78,000 for the three month period ended March 31, 2004. The March quarter included legal fees of \$50,000 paid in respect of the Company's Special Meeting in March 2004, the Annual General Meeting in May 2004 and for the preparation and revisions to agreements associated with joint venture interests in China. In addition, accounting fees of \$27,000 were paid in the March quarter. The June quarter included \$18,000 for legal fees in respect of various statutory filings and the preparation of documents and agreements for the joint ventures and financings.

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Office and administration fees and salary costs remained relatively constant over both the June and March quarters. Certain of the Company's administrative staff and office facilities are employed/provided by Global Mining Management ("GMM") (see 'Other related party transactions' below) whose costs are allocated on an as-used basis. Accordingly, quarterly fluctuations in the costs of administrative and personnel costs can be expected commensurate with increases or decreases in quarterly administrative activity.

Shareholder information, transfer agent and filing fees increased in the June quarter due to printing and delivery costs related to the 2003 financial statements and annual general meeting materials.

Stock based compensation in the amount of \$247,000 was recorded in the June quarter and \$90,000 in the March quarter. Stock-based compensation is recognized over the vesting period of the stock options to which it relates and will fluctuate in accordance with the vesting patterns of the underlying options. In addition, 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.

Three months ended June 30, 2004 and June 30, 2003

The Company incurred a net loss of \$2.0 million in the three months ended June 30, 2004, as compared to a net loss of \$555,000 for the corresponding period in 2003. In the 2003 period, the Company's officers and directors were different from those that now manage the Company. In addition, the focus of the Company's operations was different and the magnitude of activities less than that experienced in the second quarter of 2004 due to limited availability of funds. Generally, exploration activities were not as extensive during the June 2003 quarter, particularly with respect to generative exploration activities, resulting in an increase of exploration expenditures of \$727,000 on a period over period basis. Administrative costs for June, 2003 quarter, net of stock-based compensation costs, were \$343,000 as compared to \$335,000 for the 2004 period.

Selected Quarterly Data

(\$ in thousands, except per share information)

QUARTER ENDED	2004		2003				2002	
	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep
Revenue								
Royalties, net	-	-	-	-	-	-	-	2
Net loss	(2,047)	(1,161)	(2,554)	(2,274)	(555)	(861)	(2,558)	(391)
Net loss per share	(0.04)	(0.03)	(0.06)	(0.06)	(0.02)	(0.02)	(0.08)	(0.01)

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Liquidity and Capital Resources

The balance sheets as at June 30, 2004, March 31, 2004 and December 31, 2003 are shown in the following table for ease of reference:

	June 30, 2004	March 31, 2004	December 31, 2003
	(Unaudited)	(Unaudited)	
ASSETS			
Current			
Cash	\$ 7,280,540	\$ 6,854,634	\$ 7,903,819
Accounts receivable	197,519	125,570	101,756
Receivable from related party	670,077	109,521	3,763
Prepaid expenses	174,707	95,010	108,004
	<u>8,322,843</u>	<u>7,184,735</u>	<u>8,117,342</u>
Property, plant and equipment	<u>155,899</u>	<u>100,955</u>	<u>101,420</u>
	<u>\$ 8,478,742</u>	<u>\$ 7,285,690</u>	<u>\$ 8,218,762</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	<u>\$ 299,069</u>	<u>\$ 435,948</u>	<u>\$ 331,644</u>
SHAREHOLDERS' EQUITY			
Share capital	19,979,116	16,408,292	16,326,789
Contributed surplus	1,712,913	1,907,169	1,865,009
Cumulative translation adjustments	460,850	460,850	460,850
Deficit	<u>(13,973,206)</u>	<u>(11,926,569)</u>	<u>(10,765,530)</u>
	<u>8,179,673</u>	<u>6,849,742</u>	<u>7,887,118</u>
	<u>\$ 8,478,742</u>	<u>\$ 7,285,690</u>	<u>\$ 8,218,762</u>

As at June 30, 2004, the Company had a working capital balance of \$8.0 million and cash resources of \$7.3 million. During the June 2004 quarter, the Company received \$2.3 million from Ivanhoe representing reimbursement of the cumulative costs of the joint venture projects created under the April 20, 2004 definitive agreement. This resulted in the Company realizing net cash inflows of \$315,000 from operating activities for the three months ended June 30, 2004. This represents an increase of \$992,000 compared to the net cash outflows made during the quarter ended March 31, 2004.

Cash inflows from financing activities for the three months ended December 31, 2003 were \$8.5 million, which was raised through the issuance of common shares by way of private placement and by the exercise of warrants and options. In the March and June, 2004 quarters, cash inflows were \$63,000 and \$190,000, respectively, which resulted from the exercise of warrants and options.

At June 30, 2004, the Company had approximately \$7.9 million held in Canadian funds which amount exposes the company to risks associated with foreign exchange fluctuations. These Canadian denominated funds incurred an unrealized foreign exchange loss of \$126,000 during the first half of 2004 as the Canadian dollar lost value in comparison to its U.S. counterpart during this period. Since June 30, 2004, the Canadian dollar has strengthened and the majority of these unrealized losses have been recovered. It is the Company's intention to convert most of its Canadian dollar holdings into U.S. dollars while current exchange rates remain favorable.

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The Company expects to spend approximately \$4.1 million (net of proceeds from expected gold sales and anticipated expense recoveries from Ivanhoe) during the 2004 year on its joint venture projects, inclusive of capital contributions, exploration and general and administrative costs, and expects to fund these operations from its working capital balance on hand. To June 30, 2004, \$2.6 million of this budgeted amount had been spent.

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 future obligations and commitments through the exercise of options and warrants, and additional equity financings subject to market conditions. There can be no assurance that such financings will be available when required or at terms that are favorable to the Company.

Other related party transactions

Certain administrative costs are paid to GMM for corporate secretarial, accounting, investor relations and administrative services performed on behalf of the Company. GMM is related to Jinshan as certain officers are common to each company. GMM provides these services to a group of companies some of which are related to Jinshan and others which are not. The services provided by GMM are incurred on an as-used basis. The Company has utilized the services of the GMM staff and office since April 1, 2003 and has incurred costs of \$134,000 and \$139,000 for the three-month periods ended March 31, 2004 and June 30, 2004, respectively.

Risk 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.

Outlook

The Company will concentrate its efforts on drilling and regional exploration work planned for its existing and newly acquired projects, and on completion of the pilot plant at the 217 Gold project during the latter half of 2004. In addition, the Company continues to actively pursue additional projects in China. The Company is well positioned to conduct its activities and capitalize on its opportunities as 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.

August 23, 2004