Auditors' Report and Consolidated Financial Statements of

JINSHAN GOLD MINES INC.

December 31, 2006 and 2005
(stated in U.S. dollars)

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Auditors' report

To the Shareholders of
Jinshan Gold Mines Inc.

We have audited the consolidated balance sheets of Jinshan Gold Mines Inc. as at December 31, 2006 and 2005 and the consolidated statements of operations, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte + Touche LLP

Chartered Accountants
March 12, 2007

JINSHAN GOLD MINES INC.
Consolidated Balance Sheets
December 31, 2006 and 2005
(Stated in U.S. dollars)

		2006		2005
ASSETS				
CURRENT				
Cash and cash equivalents	**$**	**27,876,503**	$	15,414,581
Accounts receivable		**295,884**		569,409
Prepaid expenses and deposits (Note 4)		**2,017,083**		215,125
		30,189,470		16,199,115
PROPERTY, PLANT AND EQUIPMENT (Note 5)		**20,683,848**		918,700
	$	**50,873,318**	$	17,117,815
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities (Note 8 (c))	**$**	**2,594,360**	$	1,206,076
LONG TERM				
Notes payable (Note 6)		**21,604,895**		-
		24,199,255		1,206,076
COMMITMENTS (Note 13)				
SHAREHOLDERS' EQUITY				
Share capital (Note 7)				
Authorized				
Unlimited common shares without par value				
Issued				
145,358,949 common shares (2005 - 127,105,896)		**49,069,482**		35,433,993
Contributed surplus		**8,133,004**		2,449,090
Cumulative translation adjustment		**460,850**		460,850
Deficit		**(30,989,273)**		(22,432,194)
		26,674,063		15,911,739
	$	**50,873,318**	$	17,117,815

CONTINUING OPERATIONS (Note 1)

APPROVED BY THE BOARD

"Daniel Kunz"

Director

"Pierre Lebel"

Director

See accompanying notes to the consolidated financial statements

JINSHAN GOLD MINES INC.
Consolidated Statements of Operations
Years ended December 31, 2006 and 2005
(Stated in U.S. dollars)

		2006		2005
EXPENSES				
Administration and office	**$**	**1,050,448**	$	554,175
Amortization		**61,462**		88,234
Investor relations		**298,612**		146,288
Travel		**302,999**		201,887
Exploration expenses (Notes 3, 8 (b) and Schedule)		**4,257,861**		4,289,873
Professional fees		**443,636**		213,504
Salaries and benefits		**632,170**		339,857
Stock-based compensation		**1,165,222**		416,732
Shareholder information, transfer agent and filing fees		**222,921**		98,812
		8,435,331		6,349,362
OTHER INCOME/(EXPENSES)				
Interest income		**247,976**		98,267
Interest and financing expense		**(284,850)**		-
Foreign exchange (loss) gain		**(84,874)**		11,830
		(121,748)		110,097
LOSS BEFORE NON-CONTROLLING INTEREST		**(8,557,079)**		(6,239,265)
Non-controlling interest		-		(24,865)
NET LOSS	**$**	**(8,557,079)**	$	(6,214,400)
BASIC AND DILUTED LOSS PER SHARE	$	(0.06)	$	(0.12)
WEIGHTED AVERAGE NUMBER OF BASIC AND DILUTED SHARES OUTSTANDING		**132,206,264**		53,396,881

See accompanying notes to the consolidated financial statements

JINSHAN GOLD MINES INC.
Consolidated Statements of Shareholders' Equity
Years ended December 31, 2006 and 2005
(Stated in U.S. dollars)

	Share Capital										
	Number of Shares		Amount		Contributed Surplus		Cumulative Translation Adjustments		Deficit		Total
Balances, December 31, 2004	48,552,948	$	20,077,100	$	1,939,729	$	460,850	$	(16,217,794)	$	6,259,885
Shares issued for:											
Definitive Agreement	48,552,948		3,392,293		-		-		-		3,392,293
Private placements, net of $928,644 share issue costs	30,000,000		11,964,600		-		-		-		11,964,600
Share issue costs	-		-		-		-		-		-
Stock compensation charged to operations	-		-		509,361		-		-		509,361
Net loss	-		-		-		-		(6,214,400)		(6,214,400)
Balances, December 31, 2005	127,105,896	$	35,433,993	$	2,449,090	$	460,850	$	(22,432,194)	$	15,911,739
Shares issued for:											
Private placement, net of $167,306 share issue costs	8,000,000		7,237,641		1,236,431		-		-		8,474,072
Exercise of warrants	9,587,460		5,785,843		-		-		-		5,785,843
Exercise of stock options	665,593		612,005		(265,155)		-		-		346,850
Stock compensation charged to operations	-		-		1,522,649		-		-		1,522,649
Fair Value of share purchase warrants issued in connection with the 12% senior unsecured promissory notes, net of $153,368 issue costs (Note 6)	-		-		3,189,989		-		-		3,189,989
Net loss	-		-		-		-		(8,557,079)		(8,557,079)
Balances, December 31, 2006	**145,358,949**	**$**	**49,069,482**	**$**	**8,133,004**	**$**	**460,850**	**$**	**(30,989,273)**	**$**	**26,674,063**

See accompanying notes to the consolidated financial statements

JINSHAN GOLD MINES INC.
Consolidated Statements of Cash Flows
Years ended December 31, 2006 and 2005
(Stated in U.S. dollars)

	2006	2005
OPERATING ACTIVITIES		
Net loss	**$ (8,557,079)**	$ (6,214,400)
Items not requiring use of cash:		
Amortization	**61,462**	88,234
Stock-based compensation (Note 7 (b))	**1,522,649**	509,361
Unrealized foreign exchange loss (gain)	**81,304**	(8,540)
Non-controlling interest	**-**	(24,865)
	(6,891,664)	(5,650,210)
Change in non-cash operating working capital items (Note 10 (a))	**(1,304,949)**	2,344,677
	(8,196,613)	(3,305,533)
INVESTING ACTIVITIES		
Property, plant and equipment additions	**(18,586,968)**	(784,844)
Cash acquired on acquisition of 41.5% of Ningxia Pacific Mining	**-**	120,983
	(18,586,968)	(663,861)
FINANCING ACTIVITIES		
Proceeds from the issuance of common shares and warrants and exercise of stock options and warrants net of $167,306 in issue costs	**14,606,765**	15,356,893
Proceeds from the private placement offering comprising the 12% senior unsecured promissory notes and share purchase warrants, net of $1,192,006 in issue costs (Note 6)	**24,743,540**	-
	39,350,305	15,356,893
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	**(104,802)**	(3,292)
NET INCREASE IN CASH FOR THE YEAR	**12,461,922**	11,384,207
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**15,414,581**	4,030,374
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 27,876,503**	$ 15,414,581

Supplemental Cash Flow Information (Note 10 (b))

See accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS

Jinshan Gold Mines Inc. together with its subsidiaries and joint ventures (individually and collectively referred to as the "Company") is a pre-production stage company engaged in the acquisition, exploration, and development of mineral properties in the People's Republic of China ("China") and, accordingly, does not have any revenues. The Company's ability to continue as a going concern is dependant upon the ability of the Company to obtain the necessary financing to develop properties and to establish future profitable production. The Company may not have sufficient cash to fund the exploration and development of its mineral properties to commercial production and, therefore, may require additional funding, which if not raised may result in the curtailment of operations. Management is of the opinion that additional financing will be available to continue its planned activities in the normal course. There can, however, be no assurance the Company will be able to raise sufficient funds in the future.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Principles of consolidation

These consolidated financial statements include the accounts of Jinshan and all its subsidiaries. All significant inter-company transactions and balances have been eliminated for the purpose of these financial statements. Substantially all of the Company's exploration activities are carried out through jointly owned properties.

Variable Interest Entities ("VIEs"), which include, but are not limited to, special purpose entities, trusts, partnerships, and other legal structures, as defined by the Accounting Standards Board in Accounting Guideline ("AcG") 15, "Consolidation of Variable Interest Entities" ("AcG 15"), are entities in which equity investors do not have the characteristics of a "controlling financial interest" or there is not sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. VIEs are subject to consolidation by the primary beneficiary who will absorb the majority of the entities' expected losses and/or expected residual returns. The Company has not identified any VIEs at December 31, 2006 or 2005.

(b) Measurement uncertainties

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(c) Foreign currencies

The Company's functional currency is the U.S. dollar since it is the currency in which expenditures are incurred. 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) Cash and cash equivalents

Cash includes short-term money market instruments with terms to maturity, at the date of acquisition, not exceeding ninety days.

(e) Property, plant and equipment

Property, plant and equipment are recorded at cost, net of accumulated amortization. Amortization is computed using the straight-line method over the following estimated useful lives.

Motor vehicles	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
Buildings	10 years

The Company reviews the carrying values of its property, plant and equipment whenever events or changes in circumstances indicate that the carrying values may exceed the estimated net recoverable amounts determined by reference to estimated future operating results and undiscounted net cash flows. An impairment loss is recognized when the carrying value is not recoverable and exceeds fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Asset retirement obligations

The Company recognizes liabilities for statutory, contractual or legal obligations, including those associated with the reclamation of mining property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation. As of December 31, 2006, the Company has not incurred any asset retirement obligation and accordingly, has not recorded an asset retirement obligation in the consolidated financial statements.

(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. Financing costs including interest are capitalized to mineral properties and deferred development for which projects are actively being prepared for production. Capitalization is discontinued after commencement of commercial production. During the year ended December 31, 2006, $158,360 (2005 - $nil) of interest (including $51,345 of accretion on the 12% senior unsecured promissory notes) was capitalized to mineral properties and deferred development

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Stock-based compensation

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

(i) Income taxes

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

(j) Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. For this purpose, the “treasury stock method” is used for the assumed proceeds upon the exercise of stock options and warrants that are used to purchase common shares at the average market price during the year. During the years ended December 31, 2006 and 2005, all of the outstanding stock options and warrants were antidilutive.

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

3. MINERAL PROPERTY INTERESTS

(a) CSH (217) Gold project

In April 2005, the Company completed its earn-in agreement on the CSH (217) Gold project in Inner Mongolia, China, by completing aggregate payments of $750,000 to its Chinese partner. The Company acquired an additional 41.5% interest and now holds 96.5% interest in Ningxia Pacific Mining Co. Ltd. (‘NPM”). The acquisition of the additional 41.5% resulted in the Company acquiring net assets of $294,823 and the resulting purchase price discrepancy of $219,234 has been treated as a recovery of previously expensed exploration costs. The Company used the purchase method of accounting to account for the acquisition.

The Chinese partner is also entitled to receive from the Company two $1 million payments, the first of which became payable when the Company received the mining permit from the Ministry of Land and Resources (“MOLAR”) in Beijing on September 12, 2006, and is accrued in the Company’s balance sheet as of December 31, 2006, and the second, 30 days following commencement of commercial mining operations.

The following table shows the cumulative expenditures made as of December 31, 2006.

		Cumulative Balance December 31, 2005	Additions During the Year		**Cumulative Balance December 31, 2006**
Exploration	$	3,715,966	2,124,537	$	**5,840,503**
Mineral properties and deferred development	$	-	5,327,531	$	**5,327,531**
Capital works in progress	$	572,145	14,177,165	$	**14,749,310**

(b) Dadiangou Gold Project

In September 2005, the Company entered into a joint venture agreement with a Chinese partner to acquire a majority interest in the Dadiangou project. Under the terms of the agreement, the Company can earn a 71% interest by incurring exploration expenditures of approximately $3.3 million and making payments to the Chinese partner of approximately $1.3 million (of which $125,000 was paid as of December 31, 2006) over the first three years of exploration commencing on September 19, 2006. The Company can increase its interest to 80% by incurring additional exploration expenditures of approximately $2.8 million and by making additional payments to the Chinese partner of approximately $300,000. The Chinese partner can then choose to participate at a 20% level for all future expenditures, or have their ownership interest diluted. On September 19, 2006, the Company announced the receipt of the business license for the joint venture company, Gansu Pacific Mining Co. Ltd., and paid the Chinese partner $150,000 pursuant to an additional agreement entered into on July 11, 2006. The amounts in the joint venture agreement

3. MINERAL PROPERTY INTERESTS (Continued)

(b) Dadiangou Gold Project (continued)

are denominated in Chinese Renminbi ("RMB") and a rate of 8.2 RMB per U.S. dollar was used to convert the RMB amounts to U.S. dollars.

The following table shows the cumulative expenditures made as of December 31, 2006.

	Cumulative Balance December 31, 2005	Additions During the Year	**Cumulative Balance December 31, 2006**
Exploration	$ 192,309	507,179	$ **699,488**

4. PREPAID EXPENSES AND DEPOSITS

	December 31, 2006	December 31, 2005
Deposits for spare parts	**$ 104,376**	$ -
Rent deposits	**340,698**	134,690
Insurance	**108,287**	59,650
CSH (217) Gold project construction deposits	**1,358,855**	-
Other	**104,867**	20,785
	$ 2,017,083	$ 215,125

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

5. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2006		
	Cost	Accumulated Amortization	Net Book Value
Motor vehicles	**$ 274,330**	**$ 83,981**	**$ 190,349**
Machinery and equipment	**165,502**	**46,213**	**119,289**
Computer equipment	**146,007**	**89,773**	**56,234**
Furniture and fixtures	**75,867**	**26,730**	**49,137**
Office equipment	**27,399**	**17,050**	**10,349**
Computer software	**192,635**	**66,590**	**126,045**
Buildings	**56,308**	**704**	**55,604**
Capital works in progress	**14,749,310**	**-**	**14,749,310**
Mineral properties and deferred development	**5,327,531**	**-**	**5,327,531**
	$ 21,014,889	**$ 331,041**	**$ 20,683,848**

	December 31, 2005		
	Cost	Accumulated Amortization	Net Book Value
Motor vehicles	$ 125,734	$ 44,860	$ 80,874
Machinery and equipment	125,910	14,452	111,458
Computer equipment	99,962	64,179	35,783
Furniture and fixtures	79,265	18,416	60,849
Office equipment	22,508	11,724	10,784
Computer software	77,662	30,855	46,807
Capital works in progress	572,145	-	572,145
	$ 1,103,186	$ 184,486	$ 918,700

Capital works in progress consists primarily of the modular process plant, pregnant solution and overflow ponds, heap leach pad, buildings, and associated infrastructure for the Company's CSH (217) Gold project.

Mineral properties and deferred development consist of development costs capitalized for the CSH (217) Gold project commencing on May 1, 2006, as the Company determined in the final feasibility study that the CSH (217) Gold project has economically recoverable reserves. Development costs capitalized primarily consist of fees paid to consulting engineers, salaries and wages, travel and other administrative costs. Commercial production is a convention for determining the point at which the mine is producing at a sustainable commercial level, after which costs are no longer capitalized and are reported as operating costs.

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

6. NOTES PAYABLE

On December 14, 2006, the Company completed a $25,935,546 (CDN $ 30,000,000) private placement offering consisting of senior unsecured promissory notes ("Notes") and 6,000,000 warrants for financing the development of the CSH (217) Gold project. The Notes mature on December 14, 2009, and carry an annual interest rate of 12%. Interest on the Notes is payable on a calendar quarterly basis commencing on March 31, 2007. Accrued interest payable of $144,557 is included in the Company's consolidated balance sheet as of December 31, 2006. The Company can elect to prepay the Notes after 18 months from the issue date with no prepayment penalty. The Company has allocated the $25,935,546 face value of the private placement offering to the Notes and warrants proportionately, based on their respective fair values. The fair value of the Notes was determined by discounting the stream of future payments of interest and principal at the estimated prevailing market rate of 17% for a debt instrument of comparable maturity and credit quality. The fair value of the warrants was measured using the Black-Scholes option pricing model and was based on a risk free annual interest rate of 3.9%, an expected life of 2 years, an expected volatility of 79%, and a dividend yield rate of nil. The fair value of the warrants, net of $153,368 issue costs, is included in contributed surplus in the shareholders' equity section of the Company's consolidated balance sheet. The warrants entitle each holder to acquire one common share at CDN $1.60 and expire 24 months from the issue date. The Company has the right to accelerate the expiry date of the warrants after 18 months from the issue date, if the Company's common shares trade at or above a volume weighted average share price of CDN $2.75 for 20 consecutive trading days.

The allocation of the proceeds from the issuance of the Notes and warrants is shown in the table below.

Total proceeds	$	25,935,546
Less: fair value of warrants		(3,343,357)
Fair value of the Notes		22,592,189
Less: transaction costs for the Notes		(1,038,638)
Accretion to December 31, 2006		51,344
Balance of the Notes, December 31, 2006	**$**	**21,604,895**

The Notes will be accreted using the effective interest method over the life of the Notes to bring the balance from $21,604,895 to its face value of $25,935,546 at the maturity date.

7. SHARE CAPITAL

(a) Common shares

On August 31, 2006, the Company completed a non-brokered private placement of 8,000,000 units at a price of CDN $1.20 per unit for total proceeds of $8,641,378 (CDN $9,600,000) net of $167,306 share issue costs. Each unit consisted of one common share and one-half of a share purchase warrant. Each full warrant entitles the holder to purchase one common share at the exercise price of CDN $1.45 for a period of eighteen months. The Company has allocated $7,380,536 of the private placement offering to the common shares and $1,260,842 warrants on a proportionate basis, based on their respective fair values. The fair value of the common shares was determined by the market price of the Company's common shares on the date of issue. The fair value of the warrants was measured using the Black-Scholes option pricing model and was based on a risk free annual interest rate of 4%, an expected life of 18 months, an expected volatility of 82%, and a dividend yield rate of nil. The fair value of the warrants, net of $24,411 issue costs, is included in contributed surplus in the shareholders' equity section of the Company's consolidated balance sheet.

(b) Warrants

The following is a summary of warrants outstanding:

Number of warrants as at December 31, 2005		Issued	Exercised	Expired	Number of warrants as at December 31, 2006	Exercise price (Expressed in CDN $)	Expiry date
5,100,000	(1) (2)			(5,100,000)	-	1.15	July 2, 2006
2,000,000	(1) (3)			(2,000,000)	-	1.20	October 10, 2006
15,000,000			(8,306,500)		6,693,500	0.70	June 20, 2007
1,800,000			(1,280,960)		519,040	0.60	June 20, 2007
-		4,000,000	-	-	4,000,000	1.45	February 28, 2008
-		6,000,000		-	6,000,000	1.60	December 14, 2008
23,900,000		10,000,000	(9,587,460)	(7,100,000)	17,212,540		

(1) Held by Ivanhoe Mines
(2) The warrants' original expiration date of July 2, 2004, was extended to July 2, 2006
(3) The warrants' original expiration date of October 10, 2004, was extended to October 10, 2006, and the exercise price amended from CDN $1.10 to CDN $1.20

(c) Stock options

The Company has a stock option plan which permits the Board of Directors of the Company to grant options, which vest over a period of years, to directors, employees and non-employees to acquire common shares of the Company at the closing trading price of the common shares on the day preceding the date of the grant. The Compensation and Benefits

7. SHARE CAPITAL (Continued)

(c) Stock options (continued)

Committee determines and makes recommendations to the Board of Directors as to the recipients of, and nature and size of, share compensation awards in compliance with applicable securities law, stock exchange and other regulatory requirements. The Company is authorized to issue options to a maximum of 10% of the issued and outstanding common shares pursuant to the stock option plan. At December 31, 2006, there were 7,123,755 options available for future grants.

The following is a summary of option transactions under the Company's stock option plan for the year ended December 31, 2006:

	2006		2005	
	Number of Options	Weighted-average Exercise Price (Expressed in CDN $)	Number of Options	Weighted-average Exercise Price (Expressed in CDN $)
Balance, beginning of year	**4,941,067**	**$ 1.18**	3,178,634	$ 1.09
Options granted	**3,390,000**	**1.09**	2,200,000	0.51
Options exercised	**(665,593)**	**0.62**	-	-
Options forfeited	**(253,334)**	**0.51**	(437,567)	0.84
Balance, end of year	**7,412,140**	**$ 1.21**	4,941,067	$ 1.18

7. SHARE CAPITAL (Continued)

(c) Stock options (continued)

The following table summarizes information about stock options outstanding and exercisable at December 31, 2006:

Options Outstanding			Options Exercisable	
Number Outstanding at December 31, 2006	Expiry Date	Exercise Price (Expressed in CDN $)	Number Exercisable at December 31, 2006	Exercise Price (Expressed in CDN $)
100,000	13-Feb-07	$ 0.78	75,000	$ 0.78
250,000	1-Jun-07	$ 0.90	250,000	$ 0.90
110,000	31-Aug-07	$ 0.90	110,000	$ 0.90
60,000	17-Feb-08	$ 1.16	60,000	$ 1.16
285,050	8-May-08	$ 0.80	285,050	$ 0.80
1,007,017	6-Aug-08	$ 0.73	1,007,017	$ 0.73
75,000	18-Nov-08	$ 3.60	60,000	$ 3.60
200,000	22-Nov-08	$ 0.50	133,340	$ 0.50
1,145,405	24-Nov-08	$ 0.50	687,118	$ 0.50
200,000	1-Jan-09	$ 0.53	66,660	$ 0.53
26,668	13-Jan-09	$ 0.63	-	$ 0.63
25,000	26-Jan-09	$ 2.36	15,000	$ 2.36
50,000	11-Apr-09	$ 1.18	16,665	$ 1.18
515,000	13-Apr-09	$ 2.00	309,000	$ 2.00
10,000	20-May-09	$ 1.31	6,000	$ 1.31
200,000	17-Jul-09	$ 1.28	66,660	$ 1.28
150,000	14-Sep-09	$ 1.33	49,995	$ 1.33
283,000	1-Dec-09	$ 0.87	168,200	$ 0.87
20,000	4-Mar-10	$ 0.57	5,000	$ 0.57
50,000	7-Jul-10	$ 0.50	5,000	$ 0.50
325,000	17-Feb-11	$ 0.95	110,000	$ 0.95
1,825,000	29-Jun-11	$ 1.05	-	$ 1.05
500,000	11-Nov-11	$ 1.29	100,000	$ 1.29
7,412,140		$ 1.21	3,585,705	$ 1.24

The weighted average fair value of the stock options granted during 2006 and 2005 was CDN$0.76 and CDN$0.43, respectively. The weighted average remaining contractual life of the stock options outstanding as of December 31, 2006, is 2.80 years.

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

7. SHARE CAPITAL (Continued)

(c) Stock options (continued)

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

	2006	2005
Risk free interest rate	4.09%	3.70%
Expected life	3.4 years	4.6 years
Expected volatility	96.0%	97.6%
Expected dividend per share	$Nil	$Nil

The fair value of stock options granted to non-employees is re-measured at the earlier of each financial reporting or vesting date. Changes in the underlying assumptions as well as the foreign exchange rates will result in fluctuations in the fair value of the outstanding options and any adjustment is charged or credited to operations upon re-measurement.

Option pricing models require the input of highly subjective assumptions regarding the expected volatility. Changes in assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a realistic measure of the fair value of the Company's stock options at the date of the grant or thereafter.

8. 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. The salaries and benefits costs are included in exploration expense and mineral properties and deferred development cost as appropriate.

	2006	2005
Administration and office	**$ 596,581**	$ 359,356
Salaries and benefits	**894,253**	370,281
	$ 1,490,834	$ 729,637

(b) During 2006, exploration expenses of $ Nil (2005 - $212,907) were recoverable, on a cost recovery basis, from Ivanhoe Mines Ltd., a significant shareholder of the Company. Under the terms of the definitive agreement with Ivanhoe Mines Ltd. dated April 20, 2004, as restructured on November 30, 2005, the Company has funded 100% of exploration expenses subsequent to September 1, 2005.

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

8. RELATED PARTY TRANSACTIONS (Continued)

(c) Accounts payable as of December 31, 2006, included $242,382 (2005 - $93,775), which was due to a company under common control or companies related by way of directors in common.

9. INCOME TAXES

A reconciliation of the provision for (recovery of) income taxes is as follows:

		2006		2005
Net loss for the year	**$**	**8,557,079**	$	6,214,400
Statutory tax rate		**34.1%**		34.9%
Recovery of income taxes based on combined Canadian federal and provincial statutory rates	**$**	**2,919,676**	$	2,166,961
Deduct:				
Lower effective tax rate on losses in foreign jurisdictions	**$**	**1,986,684**		386,449
Tax effect of losses not recognized	**$**	**(3,316,621)**		(2,117,118)
Non-deductible expenses	**$**	**(1,589,739)**		(436,292)
Provision for (recovery of) income taxes	**$**	**-**	$	-

Significant components of the Company's future income tax assets and liabilities at December 31, 2006 and 2005 are as follows:

		2006		2005
Future income tax assets:				
Tax loss carry-forwards	**$**	**6,291,380**	$	5,157,469
Other tax deductions carried forward		**3,583,020**		883,469
Book and tax base differences on assets		**1,835,461**		498,410
Total future income tax assets		**11,709,861**		6,539,348
Valuation allowance		**(11,709,861)**		(6,539,348)
Net future income tax assets	**$**	**-**	$	-

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

9. INCOME TAXES (Continued)

At December 31, 2006, the Company and its subsidiaries have unrecognized capital and non-capital losses for income tax purposes of approximately $22.5 million that may be used to offset future taxable income as follows:

			Local Currency		U.S. Dollar Equivalent	Expiry Dates
Non-capital losses						
Canadian	$	$	10,623,142	$	9,116,229	2007 - 2026
Chinese Renminbi	RMB		81,961,805		10,501,058	(a)
				$	19,617,287	
Capital losses						
Canadian	$	$	2,323,815	$	1,994,177	(b)

(a) These losses are carried forward indefinitely until such time as the mine commences production; thereafter, they can be amortized on a straight-line basis over a period of five years.

(b) These losses are carried forward indefinitely for utilization against any future net realized capital gains.

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

10. SUPPLEMENTAL CASH FLOW INFORMATION

(a)

		2006		2005
Net decrease (increase) in:				
Accounts receivable	$	**297,022**	$	(69,807)
Receivable from related party		**-**		1,807,801
Prepaid expenses and deposits		**(1,801,958)**		149,716
Net increase in:				
Accounts payable and accrued liabilities		**199,987**		456,967
	$	**(1,304,949)**	$	2,344,677

(b)

		2006		2005
Transfer of contributed surplus to share capital upon exercise of stock options	$	**265,156**	$	2,030
Amounts accrued for property, plant and equipment		**1,188,297**		-
Accretion of notes payable		**51,344**		-
Fair Value of share purchase warrants issued in connection with the 12% senior unsecured promissory notes, net of $153,368 issue costs (Note 6)		**3,189,989**		-
Fair Value of share purchase warrants issued on August 31, 2006, net of net of $24,411 issue costs (Note 7 (a))		**1,236,431**		-

11. SEGMENTED INFORMATION

(a) Industry Information

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

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

11. SEGMENTED INFORMATION (Continued)

(b) Geographic Information

	China	Canada	Total
As of December 31, 2006			
Property, plant and equipment	**$ 20,642,151**	**$ 41,697**	**$ 20,683,848**
As of December 31, 2005			
Property, plant and equipment	$ 852,625	$ 66,075	$ 918,700

12. FINANCIAL INSTRUMENTS

The fair values of the Company's cash, accounts receivable, and accounts payable approximate their carrying values.

The fair value of the Notes having a face value of $25,935,546, including the warrants (Note 6), is estimated to be $21,604,895 as of December 31, 2006.

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

13. COMMITMENTS

Contractual commitments as of December 31, 2006, consist of the following:

		Payments Due By Year					
	Total	**2007**	**2008**	**2009**	**2010**	**2011**	**Thereafter**
Principal repayment on the Notes	**$ 25,935,546**	$ -	$ -	$ 25,935,546	$ -	$ -	$ -
Operating leases (a)	**234,934**	140,725	62,265	31,944	-	-	-
Payments to joint venture partners (b)	**2,175,000**	1,500,000	675,000	-	-	-	-
Purchase commitments (c)	**3,872,173**	3,872,173	-	-	-	-	-
Total	**$ 32,217,653**	**$ 5,512,898**	**$ 737,265**	**$ 25,967,490**	**$ -**	**$ -**	**$ -**

(a) Operating leases are primarily for premises.
(b) Payments to the CSH (217) Gold project and Dadiangou Gold project joint venture partners.
(c) Purchase commitments relate to construction and engineering contracts for the development of the CSH (217) Gold project.

In October 2006, the Company signed a ten year service contract with a third party to provide mining services for the CSH (217) Gold project commencing in December 2006. The value of the mining service each year will vary and is dependent upon the amount of mining work performed.

14. SUBSEQUENT EVENTS

Subsequent to December 31, 2006:

(a) 2,261,250 warrants were exercised at prices ranging from CDN $0.60 to CDN $1.45. As a result, the Company issued 2,261,250 common shares and received net proceeds of $1,478,212 (CDN $1,726,700) upon the exercise of warrants.

(b) The Company granted 185,000 stock options at an exercise price of CDN$1.62 per common share with an expiry date of January 12, 2012. In addition, 10,000 stock options were cancelled.

(c) 435,765 stock options were exercised at prices ranging from CDN $0.50 to CDN $0.87. As a result, the Company issued 435,765 common shares and received net proceeds of $263,332 (CDN $307,598) upon the exercise of the stock options.

(d) The Company signed a contract with a drilling company to provide drilling services in 2007 for its drilling program at the Dadiangou Gold project. The value of the drilling service will vary and is dependent upon the amount of drilling services performed.

JINSHAN GOLD MINES INC.
Consolidated Schedule of Exploration Expenses
December 31, 2006 and 2005
(Stated in U.S. dollars, except as otherwise noted)

	(1) Gold Project	Generative			Year ended
	CSH (217)	General	Dadiangou	Xinjiang	**December 31, 2006**
Payments to joint venture companies & partners	$ -	$ -	$ 150,000	$ -	$ 150,000
Geological consultants	164,284	115,171	330,355	772,532	1,382,342
Engineering & other consultants	1,309,915	10,558	3,188	2,217	1,325,878
Project management	181,103	14,647	-	2,700	198,450
Maps & reproductions	-	2,500	-	20,873	23,373
Sampling and assaying	106,763	2,673	-	14,725	124,161
General & administrative	19,342	24,908	3,991	10,289	58,530
Salaries & benefits	180,101	119,877	9,194	63,487	372,659
Travel	163,029	39,872	10,451	51,689	265,041
	$ 2,124,537	$ 330,206	$ 507,179	$ 938,512	$ 3,900,434
Stock-based compensation					357,427
					$ 4,257,861

(1) Commencing May 1, 2006, costs incurred at the CSH (217) Gold project have been capitalized.

	Gold Projects			Generative			Year ended
	CSH (217)	(2) Dandong (QCZ) Gold	(3) JBS Platinum & Palladium	General	Dadiangou	Xinjiang	**December, 2005**
Payments to joint venture companies & partners	$ 298,500	$ (361,282)	$ (1,400,000)	$ 53,000	$ 125,000	$ 440,000	$ (844,782)
Geological consultants	227,817	568	5,383	348,073	57,219	(38,302)	600,758
Engineering & other consultants	3,541,002	1,063	-	10,479	2,125	123,734	3,678,403
Project management	78,873	-	-	48,244	2,250	3,771	133,138
Maps & reproductions	6,075	-	-	4,840	-	-	10,915
Sampling and assaying	422,734	-	1,221	5,480	192	5,799	435,426
General & administrative	275,318	5,689	11,061	66,196	1,030	89,608	448,902
Salaries & benefits	342,096	-	422	48,512	4,015	46,840	441,885
Travel	407,688	1,329	1,203	76,063	478	24,510	511,271
Amount recovered / recoverable	(1,664,903)	176,144	489,321	-	-	-	(999,438)
Recovery of previously expensed exploration costs upon acquiring 41.5% of Ningxia Pacific Mining	(219,234)	-	-	-	-	-	(219,234)
	$ 3,715,966	$ (176,489)	$ (891,389)	$ 660,887	$ 192,309	$ 695,960	$ 4,197,244
Stock-based compensation							92,629
							$ 4,289,873

(2) The operations were discontinued in 2005.
(3) The Company sold its interest in the JBS Platinum & Palladium project in April 2005 (see Note 3 (c)).

JINSHAN GOLD MINES INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations
December 31, 2006
(Stated in U.S. dollars, except as otherwise noted)

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Overview

Jinshan Gold Mines Inc. ("Jinshan") is a pre-production stage company engaged in the acquisition, exploration, and development of mineral properties in the People's Republic of China ("China"). Jinshan and its subsidiaries are individually and collectively referred to as the "Company." Jinshan is a reporting issuer in British Columbia, Alberta and Ontario, and the company's shares began trading under the symbol JIN on the Toronto stock Exchange ("TSX") on October 6, 2006, and ceased trading on the TSX Venture Exchange on October 5, 2006.

Jinshan's main property is the Chang Shan Hao (217) Gold project ("CSH (217) Gold project"), which is located in Inner Mongolia, China. Jinshan holds a 96.5% interest in the CSH (217) Gold project, while its Chinese joint venture partner holds the remaining 3.5% interest.

Jinshan's other properties include the Dadiangou project in Gansu Province, where the company has commenced a 5,000 metre ("m") drill program in 2007. The company has announced ten new exploration permits in the Eastern Uygar Autonomous Region ("Xinjiang") of Northwest China, where the company is conducting early stage reconnaissance exploration including geophysical surveys, geological mapping, and geochemical sampling.

Highlights for 2006

- In April 2006, the Company released the results of the final feasibility study for the CSH (217) Gold project.
- On September 12, 2006, the Company was granted a mining permit by the Ministry of Land and Resources ("MOLAR") in Beijing for the CSH (217) Gold project.
- As of December 31, 2006, the Company has spent $14.7 million on mine infrastructure costs for the CSH (217) Gold project. Key mine construction activities are either near completion or completed. The Company expects that it will be capable of commencing commercial gold production near the end of the second quarter of 2007.
- On August 31, 2006, the Company completed a non-brokered private placement of 8,000,000 units at a price of CDN $1.20 per unit for total proceeds of $ 8.5 million (CDN $9.6 million) net of $167,000 (CDN $184,000) share issue costs.
- On December 14, 2006, the Company completed a $25.9 million (CDN $ 30 million) private placement offering consisting of 12% senior unsecured promissory notes and 6,000,000 warrants to finance the development of the CSH (217) Gold project.
- The net loss for 2006 was $8.6 million compared to $6.2 million for 2005.
- The Company's cash balance as of December 31, 2006, was $27.9 million.

Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com and the Company's website at www.jinshanmines.com.

Critical Accounting Estimates

A detailed summary of all of the Company's significant accounting policies is included in Note 2 to the annual Consolidated Financial Statements for the year ended December 31, 2006.

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

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

The Company is required to undertake reclamation activities based on the Company's interpretation of current applicable environmental laws and regulatory requirements. The estimated costs of these reclamation activities depend on labour costs, the environmental impacts of the Company's operations, the effectiveness of the chosen reclamation techniques, and on applicable government environmental standards. The Company also estimates expected mine closure dates, interest rates, and foreign currency exchange rates when determining its asset retirement obligation. Changes in any of these factors could cause a significant change in the reclamation expense charged in a period. As of December 31, 2006, the Company has not incurred any asset retirement obligation and accordingly, has not recorded an asset retirement obligation in the consolidated financial statements.

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

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

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

Future Accounting Pronouncements

In 2005, the Canadian Institute of Chartered Accountants issued three new accounting standards: Comprehensive Income, Financial Instruments – Recognition and Measurement and Hedges. These standards were intended to harmonize Canadian GAAP with US GAAP and with International Reporting Standards. These accounting standards will be effective for the Company on January 1, 2007.

Comprehensive Income

The new comprehensive income standard provides guidance for the reporting and presentation of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources. Examples of some items that would be included in other comprehensive income are changes in the fair value of available for sale assets and the effective portion of the changes in fair value of cash flow hedging instruments. As the Company currently has no hedging instruments and will not be designating any financial assets as available for sale, the Company does not expect to recognize any adjustments through other comprehensive income in 2007.

Financial Instruments

The new financial instruments standards require that all financial assets and liabilities be classified into categories based on their attributes. The categories determined for each of the financial assets and liabilities will determine their measurement, either at fair value or amortized cost, and how gains or losses are recognized. The standards also require all derivatives, and derivatives that are embedded in non-derivative contracts, to be recognized in the financial statements and measured at fair value. Under the new standards, deferred financing costs are no longer recognized as a deferred asset. These costs are required to be amortized using the effective interest method versus the straight line method used prior to 2007. The Company does not expect this standard to have a material effect on the Company in 2007.

Hedges

The Company currently has no hedges and therefore this standard is not expected to have an impact on the Company in 2007.

Forward Looking Statements

Certain statements made herein, other than statements of historical fact relating to the Company, are forward-looking statements. These include, but are not limited to, statements respecting anticipated business activities, planned expenditures, corporate strategies, participation in projects and financing, the expected timing and success for receipt of required government approvals in respect of the CSH (217) Gold project, the estimated cost and timing to bring the CSH (217) Gold project into commercial production, anticipated future production and date of installation of production facilities on the CSH (217) Gold project, anticipated production costs, the timing and scope of exploration activities on the Dadiangou project and other statements that are not historical facts. When used in this management's discussion and analysis of financial condition and results of operations ("MD&A"), the words such as, "could," "plan," "estimate," "expect," "intend," "may," "potential," "should," and similar expressions, are forward-looking statements. Although the Company believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. Important factors that could cause actual results to differ from these forward-looking statements include those described under the heading "Risk Factors" included elsewhere in this MD&A. The reader is cautioned not to place undue reliance on forward-looking statements.

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

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

Development and Exploration Properties

a) CSH (217) Gold Project

Property description - The CSH (217) Gold project consists of a licensed area of 36 square kilometers ("km^2") in the western part of Inner Mongolia, northern China. The CSH (217) Gold project is centrally positioned within the east-west-trending Tian Shan Gold Belt. The site is approximately 650 kilometres ("km") northwest of Beijing.

Joint venture agreement- In April 2002, the Company entered into a joint venture agreement with a Chinese partner to acquire up to a 96.5% interest in the CSH (217) Gold project. Under the terms of the agreement, the Company has completed its earn-in obligations and acquired the 96.5% interest by contributing, in aggregate, payments of $750,000 to the Chinese partner and capital contributions in the amount of $250,000 to the joint venture company, Ningxia Pacific Mining Co. Ltd. ("NPM"). The Company made the final payment and the transfer of interest occurred in April 2005. The Chinese partner is also entitled to receive from the Company two $1 million payments, the first of which became payable when the Company received the mining permit from the MOLAR in Beijing on September 12, 2006, and is accrued in the Company's balance sheet as of December 31, 2006, and the second payment is due 30 days following commencement of commercial mining operations.

The following table shows the cumulative expenditures made as of December 31, 2006.

		Cumulative Balance December 31, 2005	Additions During the Year		**Cumulative Balance December 31, 2006**
Exploration	$	3,715,966	2,124,537	$	**5,840,503**
Mineral properties and deferred development	$	-	5,327,531	$	**5,327,531**
Capital works in progress	$	572,145	14,177,165	$	**14,749,310**

Feasibility Study and Resource estimate – In April 2006, the Company released the results of the final feasibility study that included results from Jinshan's 2005 infill drilling campaign. The final feasibility study increased the CSH (217) Gold project's measured and indicated resources by approximately 700,000 ounces of gold, using a 0.5 grams per tonne ("g/t") gold cut-off. The new independent resource estimate, based on a 0.5 g/t gold cut-off, is 42 million tonnes of measured and 68 million tonnes of indicated resources grading 0.85 g/t gold and 0.81 g/t gold, and containing 1.1 million and 1.8 million ounces of gold, respectively. The CSH (217) Gold project also contains inferred resources of 18 million tonnes grading 0.78 g/t, for an additional 460,000 ounces of gold. The estimate was calculated by Mario E. Rossi, MSc., Min Eng., of GeoSystems International Inc., Florida, USA, a qualified person as defined by National Instrument 43-101. The independent final feasibility study was designed to not exceed the current mine permit application area and indicates that the mine would be capable of producing approximately 117,000 ounces of gold per year for an initial mine life of approximately nine years.

Using a base case gold price of $425 per ounce, the final feasibility study indicates that the project is forecast to generate a pre-tax internal rate of return of 32% and a net present value ("NPV"), discounted at 5%, of $71 million. As a sensitivity to the gold price, the final feasibility study indicates that at the April 2006 gold price of $600 per ounce, the project internal rate of return is 87%, and the project has an NPV discounted at 5%, of $212 million.

During the life of the mine, the final feasibility study indicates that approximately 66.7 million tonnes of ore will be placed upon the heap for processing. Approximately 71.3 million tonnes of waste rock will be placed upon waste dumps. The overall strip ratio is 1 (ore) to 1.07 (waste rock).

The mine is designed for an ore mining rate of 20,000 tonnes per day. Near-surface ore has been weathered along gold-bearing fractures and is classified as oxide. At depth, the gold is associated with sulphide mineralization. During the initial two years of the mine life, run-of-mine ("ROM") ore will be delivered to the heap-leach pad. A three-stage crushing plant is planned to be built in Year 2 to process primarily sulphide ore beginning in approximately Year 3 through to the end of the mine life. The three-stage crushing plant, associated mining equipment, additional heap leach pad capacity, and other future sustaining capital costs are estimated by the final feasibility study to cost approximately $28.8 million. Based on the metallurgical test work conducted the study assumes the following gold recoveries:

- Oxide (ROM) 80%
- Oxide (Crushed) 85%
- Sulphide (ROM) 40%
- Sulphide (Crushed) 70%

The process for gold recovery has been designed as a heap-leach operation utilizing a multiple-lift, single-use leach pad. Both ROM and crushed ore will be hauled by truck and placed on the pad. Leach solution will be distributed by a buried drip-irrigation system. The solution will be collected in a double-lined pond designed to operate in harsh winter conditions and be pumped to a process plant inside a heated building. Precious metals will be recovered from the pregnant solution in a carbon adsorption plant and the gold and silver recovered will be refined into dore bars.

Development activities – The MOLAR in Beijing has approved the Company's Chinese reserve and resource study and, on September 12, 2006, granted the mining permit. In July 2006, the Company's application for project registration was approved by the provincial government of Inner Mongolia Autonomous Region**.**

The Chinese Regulatory Environmental Impact Assessment ("EIA") has been completed by Earth Resource Management, of Shanghai, China, in partnership with the Inner Mongolia Environmental Science Academy. The EIA has been reviewed and approved by an expert panel of the Environmental Protection Bureau of Inner Mongolia.

The Company expects that additional operating permits will be required and will make applications for these permits at the appropriate time. Assuming all the required permits are received as scheduled, the Company expects that it will be capable of commencing commercial gold production near the end of the second quarter of 2007.

As of April 2006, the final feasibility study indicates that the initial going forward capital cost for the ROM development (net of sunk cost) is $32.3 million. As of December 31, 2006, the Company has spent $14.7 million on mine infrastructure costs. Key mine construction activities that are either near completion or completed include:

1. Crushing and placing over-liner material for the heap leach pads completed;
2. Construction of living quarters, ancillary buildings, and associated infrastructure approximately 60% complete;
3. Construction of the pregnant solution pond and the overflow pond for the heap leach processing system approximately 90% complete;
4. Construction of the process plant building is complete and installation of the modular process plant is underway;
5. Construction of the leach pad and installation of the liner is complete;
6. The 10KV power line for construction power is in place and the 35KV permanent power line is complete and expected to be energized in March 2007; and

7. Water wells and pipeline construction is underway.

In October 2006, the Company signed a ten year mining contract with China National Railway Corporation, a major Chinese mining contractor. In January 2007, the mining contractor commenced haul road construction, open pit preparations, and in March began ore placement on the heap leach pad. A 500 person camp is undergoing final completion of civil works and has already housed the contract miners and most of the Company start-up work force. Infrastructure work for power and water is underway to meet the schedule for the process plant start-up, which is planned to commence once the weather in Inner Mongolia, China warms in the spring of 2007.

While the estimates contained in the feasibility study regarding the inputs used to determine capital construction and cost of production remain substantively consistent with current expectations, there have been changes in several variables from those reported in the feasibility study. As examples, there has been an approximate 50% increase in the cost of cyanide, increase in local labour and related costs, a reduction in the exchange rate from Chinese Renminbi to US dollars, and a greater number of expatriate staff hired for operations than previously estimated. These changes have occurred in the context of a much higher gold price than that used as the base case for the feasibility study, and accordingly, the Company views the overall effect of the change in circumstances since the date of the feasibility study as positive. Nevertheless, the Company expects to report higher overall capital costs and cash operating costs than those reported in the feasibility study. The exact extent of the cost increase cannot be precisely quantified by management, as it is subject to continual adjustments based on prevailing market factors, but management's current view is that the increase would amount to between 5% and 10% of the amounts estimated in the feasibility study.

b) Dadiangou Project

Property description – The Dadiangou project consists of a licensed area of 15 km^2 in Gansu Province, China. The Dadiangou project is located in the Qinling Fold Belt, a gold producing region that trends west to east through the provinces of Gansu and Shaanxi in central China.

Joint venture agreement – In September 2005, the Company entered into a joint venture agreement with a Chinese partner to acquire a majority interest in the Dadiangou project. Under the terms of the agreement, the Company can earn a 71% interest by incurring exploration expenditures of approximately $3.3 million and making payments to the Chinese partner of approximately $1.3 million (of which $125,000 was paid as of December 31, 2006) over the first three years of exploration commencing on September 19, 2006. The Company can increase its interest to 80% by incurring additional exploration expenditures of approximately $2.8 million and by making additional payments to the Chinese partner of approximately $300,000. The Chinese partner can then choose to participate at a 20% level for all future expenditures, or have their ownership interest diluted. The amounts in the joint venture agreement are denominated in Chinese Renminbi ("RMB") and a rate of 8.2 RMB per U.S. dollar was used to convert the RMB amounts to U.S. dollars.

The following table shows the cumulative expenditures made as of December 31, 2006.

	Cumulative Balance December 31, 2005	Additions During the Year	**Cumulative Balance December 31, 2006**
Exploration	$ 192,309	507,179	**$ 699,488**

On September 19, 2006, the Company announced the receipt of the business license for the joint venture company, Gansu Pacific Mining Co. Ltd., and paid the Chinese partner $150,000 pursuant to an additional agreement entered into on July 11, 2006. Since the receipt of the business license, the Company has commenced a planned 5,000m drill program. A camp has been established on site and approximately 15 km of road into the site has been rehabilitated.

Exploration results – The Dadiangou project hosts multiple gold-bearing shear zones up to 40 metres wide over a strike length estimated to be 3,000 metres. Gold mineralization occurs in vertical lenses within the shear zones associated with quartz and sulphides (predominantly pyrite, with rare arsenopyrite). Free gold is reported to represent 85% of the total gold. Preliminary metallurgical test work by the Chinese partner indicates that the gold mineralization is non-refractive.

The Chinese partner has tested the gold mineralization with three exploration adits, including crosscuts across the zone approximately every 40 metres. Two of the underground drifts and crosscuts were designed to test the vertical continuity of the system. The results of continuous underground channel sampling indicate an average gold grade of approximately 1.5 g/t over significant widths (greater than 40 metres in some locations). Jinshan has re-assayed approximately 1,048 pulp samples from the Chinese partner's underground sampling program, which included 22 standards randomly injected as check samples. The re-assaying was conducted at the SGS Laboratory in Tianjin, China, using standard fire assay techniques.

The mineralized zone is open along strike in both directions and has been tested only to a depth of about 100 metres below surface. Jinshan believes that the deposit has the potential to be developed as an open-pit mine. However, the deposit's grade and potential tonnage are still conceptual in nature and it is uncertain if further exploration will result in the discovery of an economic mineral resource. The Company has undertaken an extensive exploration program consisting of surface geological and geochemical surveys, surface diamond drilling, underground rehabilitation and resampling, and additional metallurgical testing. The first phase of the program will cost approximately $1.8 million and will consist of surface drilling, resampling of surface trenches, underground development, and geochemical sampling on surface during the first year of exploration. The goal of this drill program will be to confirm the width, grade, and continuity of mineralization over the known portions of the zone and to extend the zone along strike. Surface mapping and geochemical sampling will target further strike length extensions and possible additional mineralized zones along parallel shear zones known to occur on the property.

c) Xinjiang Projects

The Company has acquired 10 exploration permits covering 372 km^2 in the Eastern Xinjiang Uygur Autonomous Region (Xinjiang) of Northwest China. The permits are held under a Chinese-Foreign Joint Venture in which the Company holds a 99% share and the partner, Yunnan Geological and Mining Co. Ltd., holds a 1% share. The permits were granted between February and December, 2006, by the state Ministry of Lands and Resources in Beijing.

Field programs commenced in early March 2006 and by the end of 2006, the Company has completed an initial phase of geological mapping, sampling and prospecting on each of the initial six permits. More than 4,000 rock chip, stream sediment, and soil samples were collected during the course of exploration and submitted to SGS Laboratories in Tianjin, China for gold fire assay and multi-element geochemical analyses. Sample results have been received and are currently being evaluated. In addition, approximately 150 square kilometres have been covered with ground magnetic geophysical surveys. Based on the results of work to date, the company is currently planning detailed follow-up on a number of the permits for the spring of 2007.

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

The following table shows the cumulative expenditures made as of December 31, 2006.

		Cumulative Balance December 31, 2005	Additions During the Year		**Cumulative Balance December 31, 2006**
Exploration	$	695,960	938,512	$	**1,634,472**

Generative Activities

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

Results of Operations

Overview

The Company is in the pre-production stage and accordingly, financial results are not fully comparable to those of the corresponding periods in the prior year due to potential significant changes to the nature of the Company's activities.

($ in thousands, except per share information)	Years ended December 31,		
	2006	2005	2004
Exploration expenses	$ 4,258	$ 4,290	$ 3,587
Net loss	8,557	6,214	5,452
Net loss per share	0.06	0.12	0.11
Cash and cash equivalents	27,877	15,415	4,030
Total assets	50,873	17,118	7,001
Total long-term liabilities	21,605	-	-

For each of the years ended December 31, 2006, 2005, and 2004, the Company had no net sales or other operating revenues, and no dividends were declared.

For each of the three years 2006, 2005 and 2004, exploration expenditures were the major component of the annual net loss. Exploration expenditures increased significantly during 2005, as pre-feasibility costs were incurred in respect to the CSH (217) Gold project particularly in the later part of the year when the Company was responsible for funding 100% of these costs. Exploration expenditures in 2004 included the recovery, from Ivanhoe Mines Ltd., ("Ivanhoe Mines"), a significant shareholder of the Company, of its share of exploration expenditures on projects subject to joint venture agreements. Of this recovery, $2.1 million received and credited to operations in 2004 were in respect of expenditures originally incurred during 2003. Stock-based compensation charged to exploration activities in 2006 and 2005 was $357,000 and $93,000, respectively. There was a stock based compensation recovery of $266,000 for 2004. The recognition of stock based-compensation, particularly that which is related to stock options issued to non-employee contractors, can be volatile on a year over year basis as the fair value of each option granted must be recalculated on periodic vesting and financial reporting dates. Administrative expenditures have increased significantly in 2006 due to the addition of full time employees as the Company moves towards having the CSH (217) Gold project start commercial production near the end of the second quarter of 2007.

As of December, 31 2006, long term assets primarily consisted of mine construction and development costs on the CSH (217) Gold project, and accounted for $20.7 million of the total asset amount. During 2006, common shares issued for cash totaled $14.6 million and, together with $24.7 million of net proceeds received from the 12% senior unsecured promissory notes and warrants issued, accounted for the increase in the cash balance at the end of this year.

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

The statements of operations for the years ended December 31, 2006, and 2005 are provided in the following table:

	2006	2005	Increase (Decrease)
Expenses			
Administration and office	$ 1,050,448	$ 554,175	$ 496,273
Amortization	61,462	88,234	(26,772)
Investor relations	298,612	146,288	152,324
Travel	302,999	201,887	101,112
Exploration expenses	4,257,861	4,289,873	(32,012)
Professional fees	443,636	213,504	230,132
Salaries and benefits	632,170	339,857	292,313
Stock-based compensation	1,165,222	416,732	748,490
Shareholder information, transfer agent and filing fees	222,921	98,812	124,109
	8,435,331	6,349,362	2,085,969
Other Income (Expenses)			
Interest income	247,976	98,267	149,709
Interest and financing expense	(284,850)	-	284,850
Foreign exchange gain (loss)	(84,874)	11,830	(96,704)
	(121,748)	110,097	(231,845)
Loss Before Non-Controlling Interest	(8,557,079)	(6,239,265)	2,317,814
Non-controlling interest	-	(24,865)	(24,865)
Net Loss	$ (8,557,079)	$ (6,214,400)	$ 2,342,679

Years ended December 31, 2006 and 2005

The Company incurred a net loss of $8.6 million for the year ended December 31, 2006, compared to a net loss of $6.2 million in 2005. The increase of $2.3 million from 2005 to 2006 is primarily due to the increases in stock-based compensation, administration and office expenses, and interest and financing expenses.

Stock based compensation increased by $748,000 from 2005 to 2006, primarily due to the increase in the number of stock options granted. The number of stock options granted during 2006 increased by 1.2 million over 2005 and the weighted average stock option exercise price for 2006 was CDN $1.09, compared to CDN $0.51 for 2005.

Exploration costs are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized. On May 1, 2006, the Company commenced capitalization of development costs for its CSH (217) Gold project, as it was determined in the final feasibility study that the CSH (217) Gold project has economically recoverable reserves. Development costs capitalized primarily consisted of fees paid to consulting engineers, salaries and wages, travel and other administrative costs. The results of the final feasibility study are discussed above under the "Development and Exploration Properties" section of this MD&A. Although exploration expenditures remained at $4.3 million for the years ended December 31, 2006 and 2005, the 2005 year included proceeds from the sale of JBS Platinum & Palladium and other cost recoveries totaling $3.7 million that were offset against exploration expenditures. For the year ended December 31, 2006, $5.3 million in development costs incurred at the CSH (217) Gold project were capitalized, which included $1.0 million that became payable to the Company's Chinese partner when the Company received the mining permit in September 2006.

Administration and office, and salaries and benefits increased by $789,000 from 2005 to 2006, primarily due to the addition of full time employees as the Company moves towards having the CSH (217) Gold project start commercial production near the end of the second quarter of 2007. In addition, the Company incurred approximately $110,000 in capital taxes and penalties for its 2003, 2004, and 2005 taxation years.

Professional fees and shareholder information, transfer agent and filing fees increased by $230,000 and $124,000, respectively from 2005 to 2006, primarily due to the Company's application for listing on the TSX and increased activity in various regulatory matters. The company's shares began trading on the TSX on October 6, 2006, and ceased trading on the TSX Venture Exchange on October 5, 2006.

Investor relations costs increased by $152,000 for the year ended December 31, 2006, compared to 2005, primarily as a result of contracts with two marketing and investor relation services companies that were entered into during the latter half of 2005. These firms will assist the Company in gaining increased exposure to investors, analysts and the media as well as assisting the Company in developing its communication strategies. In addition, there was an increase in the Company's participation in trade shows and investor conferences, as the Company participated in investor conferences in New York, Beijing, Shanghai, Hong Kong, Wenzhou, and Shenzhen. Other investor relations activities include expenditures for news releases and printing.

Travel expenses for administrative personnel increased by $101,000 from 2005 to 2006, primarily due to the increased presence by senior management at the Company's project locations during 2006. Planning and administration for mine development on the CSH (217) Gold project and implementation of infrastructure necessitated this increased travel to China during 2006.

Amortization expense decreased by $27,000 for the year ended December 31, 2006, compared to 2005, primarily due to certain fixed assets being fully depreciated.

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

Interest and financing expenses of $285,000 for the year ended December 31, 2006, was due to pre-financing costs incurred during negotiations with a merchant bank for a $35 million project loan facility. However, the project loan facility was not completed and instead, the Company issued $25.9 million 12% senior unsecured promissory notes and warrants in December 2006 to finance the development of the CSH (217) Gold project.

Foreign exchange loss for year ended December 31, 2006, was $85,000 compared to a gain of $12,000 for 2005. The loss is primarily due to the strengthening of the U.S. dollar exchange rate against the Canadian dollar and the higher amount of Canadian dollar deposits held during the second half of 2006. The higher amounts of cash deposits contributed to the increase in interest income to $248,000 from $98,000 for the years ended December 31, 2006 and 2005, respectively.

Selected Quarterly Data (Unaudited)

($ in thousands, except per share information)

	2006				2005			
QUARTER ENDED	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
Exploration expenses	$798	$551	$953	$1,956	$2,484	$966	$133	$707
Net loss	2,482	2,018	1,499	2,558	3,282	1,339	435	1,158
Net loss per share	0.01	0.02	0.01	0.02	0.06	0.03	0.01	0.02

Fluctuations in the quarterly net loss amounts over the two year period ended December 31, 2006, is primarily due to fluctuations in the level of exploration expenditures on a period over period basis. Exploration expenditures fluctuate on a quarterly basis due to such factors as: variations in the scheduled contributions to joint venture companies and partners; timing of recovery and recognition of exploration costs from Ivanhoe Mines; and fluctuations in the recognition of stock-based compensation charged to operations. The decrease in exploration expenditures and the net loss for the quarter ended June 30, 2005, is primarily attributable to the sale of the JBS Platinum and Palladium property, which was recorded as a recovery of previously expensed exploration costs.

The statements of operations for the three months ended December 31, 2006, and 2005 are provided in the following table:

	2006	2005	Increase (Decrease)
Expenses			
Administration and office	$ 261,482	$ 198,462	$ 63,020
Amortization	15,945	28,863	(12,918)
Investor relations	87,499	89,557	(2,058)
Travel	89,093	110,651	(21,558)
Exploration expenses	797,634	2,483,785	(1,686,151)
Professional fees	131,111	119,051	12,060
Salaries and benefits	219,836	83,618	136,218
Stock-based compensation	386,627	171,908	214,719
Shareholder information, transfer agent and filing fees	26,396	58,220	(31,824)
	2,015,623	3,344,115	(1,328,492)
Other Income (Expenses)			
Interest income	65,773	31,631	34,142
Interest and financing expense	(284,850)	-	284,850
Foreign exchange (loss) gain	(247,500)	30,325	(277,825)
	(466,577)	61,956	(528,533)
Net Loss For The Period	**$** (2,482,200)	$ (3,282,159)	$ (799,959)

Three months ended December 31, 2006 and 2005

The Company incurred a net loss of $2.5 million for the three months ended December 31, 2006, compared to a net loss of $3.3 million in the 2005 quarter. The decrease of $800,000 from the 2005 quarter to the 2006 quarter is primarily due to the decrease in exploration expenses, which was offset by increases in stock based compensation, salaries and benefits, and administration and office.

As described above, 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. For the three months ended December 31, 2006, $2 million in development costs incurred at the CSH (217) Gold project were capitalized and there was no expense, compared to an expense of $2.2 million for the 2005 quarter.

Stock based compensation increased by $215,000 from the 2005 quarter to the 2006 quarter, primarily due to the increase in the number of stock options granted. The number of stock options granted during 2006 year increased by 1.2 million over the 2005 year and the weighted average stock option exercise price for 2006 was CDN $1.09, compared to CDN $0.51 for 2005.

Salaries and benefits and administration and office increased by $136,000 and $63,000, respectively, from the 2005 quarter to the 2006 quarter, primarily due to the addition of full time employees as the Company moves towards having the CSH (217) Gold project start commercial production near the end of the second quarter of 2007.

Professional fees increased by $12,000 from the 2005 quarter to the 2006 quarter, primarily due to increases in legal and accounting fees.

Shareholder information, transfer agent and filing fees, travel, and investor relations costs decreased by at total of $55,000 for the three months ended December 31, 2006, compared to the 2005 quarter, primarily as a result of a decrease in activities in these areas. During the last quarter of 2005, there was an increase in shareholder communication costs and travel by senior management to project locations for joint venture meetings and various administrative matters.

Amortization expense decreased by $13,000 for the three months ended December 31, 2006, compared to the 2005 quarter, primarily due to certain fixed assets being fully depreciated.

Interest and financing expenses of $285,000 for the three months ended December 31, 2006, was due to pre-financing costs incurred during negotiations with a merchant bank for a $35 million project loan facility. However, the project loan facility was not completed and instead, the Company issued $25.9million 12% senior unsecured promissory notes in December 2006 to finance the development of the CSH (217) Gold project.

Foreign exchange loss for three months ended December 31, 2006, was $248,000 compared to a gain of $30,000 for the 2005 quarter. The loss is primarily due to the strengthening of the U.S. dollar exchange rate against the Canadian dollar and the higher amount of Canadian dollar deposits held during the last quarter of 2006. The higher amounts of cash deposits contributed to the increase in interest income to $66,000 from $32,000 for the three months ended December 31, 2006 and the 2005 quarter, respectively.

Liquidity and Capital Resources

The balance sheets as of December 31, 2006, and 2005 are shown in the following table:

	2006	2005
ASSETS		
CURRENT		
Cash	$ 27,876,503	$ 15,414,581
Accounts receivable	295,884	569,409
Prepaid expenses	2,017,083	215,125
	30,189,470	16,199,115
PROPERTY, PLANT AND EQUIPMENT	20,683,848	918,700
	$ 50,873,318	$ 17,117,815
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 2,594,360	$ 1,206,076
LONG TERM		
Notes payable	$ 21,604,895	-
	24,199,255	1,206,076
SHAREHOLDERS' EQUITY		
Share capital	49,069,482	35,433,993
Contributed surplus	8,133,004	2,449,090
Cumulative translation adjustment	460,850	460,850
Deficit	(30,989,273)	(22,432,194)
	26,674,063	15,911,739
	$ 50,873,318	$ 17,117,815

As of December 31, 2006, the Company had a working capital balance of $27.6 million and cash resources of $27.9 million. During the year ended December 31, 2006, net cash outflows from operations were $8.2 million, and $18.6 million was expended on property, plant and equipment that included $5.3 million as capitalized mineral property development costs, primarily for the CSH (217) Gold project. Cash inflows of $39.4 million during 2006 included net proceeds of $24.7 million received from the private placement offering consisting of the 12% senior unsecured promissory notes ("Notes") and share purchase warrants, and $14.6 million of shares issued in a private placement, exercise of warrants, and stock options. The net cash increase for the year ended December 31, 2006, was $12.5 million.

As of December 31, 2006, other than U.S. funds, the Company had approximately CDN $30.9 million ($26.5 million) held in Canadian funds and 7.1 million ($906,000) in Chinese Renminbi, which exposes the Company to risks associated with foreign exchange fluctuations. For the year ended December 31, 2006, Canadian and Chinese denominated funds incurred an unrealized foreign exchange loss of $105,000, due to the strengthening of the U.S. dollar versus its Canadian and Chinese counterpart.

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

The following table details the Company's contractual obligations as of December 31, 2006.

		Payments Due By Year					
	Total	**2007**	**2008**	**2009**	**2010**	**2011**	**Thereafter**
Principal repayment on the Notes	**$ 25,935,546**	$ -	$ -	$ 25,935,546	$ -	$ -	$ -
Operating leases (a)	**234,934**	140,725	62,265	31,944	-	-	-
Payments to joint venture partners (b)	**2,175,000**	1,500,000	675,000	-	-	-	-
Purchase commitments (c)	**3,872,173**	3,872,173	-	-	-	-	-
Total	**$ 32,217,653**	**$ 5,512,898**	**$ 737,265**	**$ 25,967,490**	**$ -**	**$ -**	**$ -**

(a) Operating leases are primarily for premises.

(b) Payments to the CSH (217) Gold project and Dadiangou Gold project joint venture partners.

(c) Purchase commitments relate to construction and engineering contracts for the development of the CSH (217) Gold project.

As of December 31, 2006, the Company expects to spend approximately $14.3 million in further capital costs on the CSH (217) Gold project and $3.8 million on its exploration projects during 2007. The Company expects to fund these operations from its working capital balance on hand.

In October 2006, the Company signed a ten year service contract with a third party to provide mining services for the CSH (217) Gold project. The value of the mining service each year will vary and is dependent upon the amount of mining work performed, commenced in the first quarter of 2007.

In February 2007, the Company signed a contract with a drilling company to provide drilling services in 2007 for its drilling program at the Dadiangou Gold project. The value of the drilling service will vary and is dependent upon the amount of drilling services performed.

In March 2006, the Company announced that it had engaged a merchant bank for a $35 million project loan facility. However, the project loan facility was not completed and instead, on December 14 2006, the Company completed a $25.9 million (CDN $ 30 million) private placement offering consisting of the Notes and 6,000,000 warrants for financing the development of the CSH (217) Gold project. The Notes mature on December 14, 2009, and carry an annual interest rate of 12%. Interest on the Notes is payable on a calendar quarterly basis commencing on March 31, 2007. Accrued interest payable of $145,000 is included in the Company's consolidated balance sheet as of December 31, 2006. The Company can elect to prepay the Notes after 18 months from the issue date with no prepayment penalty. The Company has allocated the $25.9 million face value of the private placement offering to the Notes and warrants proportionately, based on their respective fair values. The fair value of the Notes was determined by discounting the stream of future payments of interest and principal at the estimated prevailing market rate of 17% for a debt instrument of comparable maturity and credit quality. The fair value of the warrants was measured using the Black-Scholes option pricing model and was based on a risk free annual interest rate of 3.9%, an expected life of 2 years, an expected volatility of 79%, and a dividend yield rate of nil. The fair value of the warrants, net of $153,368 issue costs, is included in contributed surplus in the shareholders' equity section of the Company's consolidated balance sheet. The warrants entitle each holder to acquire one common share at CDN $1.60 and expire 24 months from the issue date. The Company has the right to accelerate the expiry date of the warrants after 18 months from the issue date, if the Company's common shares trade at or above a volume weighted average share price of CDN $2.75 for 20 consecutive trading days.

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

The allocation of the proceeds from the issuance of the Notes and warrants is shown in the table below.

Total proceeds	$	25,935,546
Less: fair value of warrants		(3,343,357)
Fair value of the Notes		22,592,189
Less: transaction costs for the Notes		(1,038,638)
Accretion to December 31, 2006		51,344
Balance of the Notes, December 31, 2006	**$**	**21,604,895**

The Notes will be accreted using the effective interest method over the life of the Notes to bring the balance from $21,604,895 to its face value of $25,935,546 at the maturity date.

On August 31, 2006, the Company completed a non-brokered private placement of 8,000,000 units at a price of CDN $1.20 per unit for total proceeds of $ 8.5 million (CDN $9.6 million) net of $167,000 (CDN $184,000) share issue costs. Each unit consisted of one common share and one-half of a share purchase warrant. Each full warrant entitles the holder to purchase one common share at the exercise price of CDN $1.45 for a period of eighteen months.

The Company is a pre-production stage company engaged in the acquisition, exploration, and development of mineral properties and, accordingly, does not have any revenues. The Company's ability to continue as a going concern is dependant upon the ability of the Company to obtain the necessary financing to develop properties and to establish future profitable production. The Company may not have sufficient cash to fund the exploration and development of its mineral properties to commercial production and, therefore, may require additional funding, which if not raised may result in the curtailment of operations. Management is of the opinion that additional financing is available to continue its planned activities in the normal course.

The Company expects to finance future obligations and commitments through the exercise of options and warrants, additional equity or debt financings, or a combination of each, all of which are subject to favorable market conditions. However, there can be no assurance that debt facilities or additional equity financings will be available when required or at terms that are favorable to the Company**.** Subsequent to December 31, 2006, 2,261,250 warrants were exercised at a prices ranging from of CDN $0.60 to CDN $1.45, 435,765 stock options were exercised at a prices ranging from of CDN $0.50 to CDN $0.87, 185,000 stock options were granted at an exercise price of CDN $1.62, and 10,000 stock options were cancelled. As a result, the Company issued 2,697,015 common shares and received net proceeds of $1,742,000 (CDN $2,034,000) upon the exercise of warrants and stock options.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Related Party Transactions

Certain administrative costs are paid to Global Mining Management ("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. Accordingly, fluctuations in the costs of administrative and personnel costs can be expected commensurate with increases or decreases in yearly corporate activity and the level of personnel employed. The Company has utilized the services of the GMM staff and office since April 1, 2003, and has incurred costs of $1.5 million (2005 - $730,000) for the year ended December 31, 2006.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares without par value. As of March 9, 2007, 148,055,964 common shares were issued and outstanding, 7,151,375 share purchase options had been granted and were outstanding, and 14,951,290 common share purchase warrants had been issued and were outstanding. On a fully diluted basis, 170,158,629 common shares were outstanding.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to permit timely decisions regarding public disclosure.

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on this evaluation as of December 31, 2006, the Chief Executive Officer and Chief Financial Officer has concluded that the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings ("52-109"), are effective to ensure that the information required to be disclosed in reports that are filed or submitted under Canadian Securities legislation are recorded, processed, summarized and reported within the time period specified in those rules.

Internal Controls over Financial Reporting

Management is also responsible for the design of the Company's internal control over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the design of the Company's internal control over financial reporting. Based on this evaluation as of December 31, 2006, the Chief Executive Officer and Chief Financial Officer has concluded that the Company's internal control over financial reporting, as defined in 52-109, is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements for the year ended December 31, 2006, in accordance with Canadian generally accepted accounting principles.

There has been no change in the Company's internal control over financial reporting that occurred during the most recently completed quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Risk Factors

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

- *Servicing the Company's Debt* – The Company's ability to make payments on and to refinance its debt depends on its ability to generate cash in the future, which will be affected by general economic, financial, competitive, legislative, regulatory and other factors beyond the Company's control. The Company cannot assure that its business will generate sufficient cash flows from operations or that future borrowings will be available to it in amounts sufficient to enable it to service its debt at maturity or otherwise, or to fund its other liquidity needs. If the Company is unable to meet its debt obligations or to fund its other liquidity needs, the Company may need to restructure or refinance its debt. The Company's ability to refinance its debt or obtain additional financing will depend on: its financial condition at the time; restrictions in agreements governing its debt; and other factors, including financial market or industry conditions. As a result, it may be difficult for the Company to obtain financing on terms that are acceptable to it, or at all. Without this financing, the Company could be forced to sell assets under unfavorable circumstances to make up for any shortfall in its payment obligations. In addition, the Company may not be able to sell assets quickly enough or for sufficient amounts to enable it to meet its obligations.
- *The repatriation of any earnings could have adverse consequences* - Chinese regulations provide that, subject to payment of applicable taxes, foreign investors may remit out of China, in foreign exchange, profits or dividends derived from a source within China. Remittance by foreign investors of any other amounts (including, for instance, proceeds of sale arising from a disposal by a foreign investor of any of its investments in China) out of China is subject to the approval of the State Administration of Exchange Control or its local branch office. No assurance can be given that such approval would be granted if Jinshan disposes of all or part of its interest in a project located in China. Further, there can be no assurance that additional restrictions on the repatriation of earnings in China will not be imposed in the future.
- *Additional Funding Requirements* – The further development and exploration of the various mineral properties in which it holds interests, particularly the CSH (217) Gold project, depends upon the Company's ability to obtain financing through joint ventures, debt financing, equity financing or other means. There can be no assurance that the Company will be successful in obtaining any required financing as and when needed. Depressed markets for precious and base metals may make it difficult, or impossible, for the Company to obtain debt financing or equity financing on favorable terms, or at all. The Company operates in a region of the world that is prone to economic and political upheaval and mineral properties held by the Company are located in politically and economically unstable countries, which may make it more difficult for the Company to obtain debt financing from project lenders. Failure to obtain additional financing on a timely basis may cause the Company to postpone its development plans, forfeit rights in some or all of its properties or reduce or terminate some or all of its operations.
- *Risks pertaining to foreign countries* – China is, and for the foreseeable future is expected to remain, the country in which the Company concentrates most of its business activities and financial resources. In addition to interests in projects in China, the Company may enter into contractual arrangements in other foreign jurisdictions. The foreign legal framework for these agreements, particularly in developing countries, is often based on recent political reforms and newly enacted legislation, which may not be consistent with long-standing local conventions and customs. As a result, there may be ambiguities, inconsistencies and anomalies in the agreements or the legislation upon which they are based, which are atypical of more developed legal systems and which may affect the interpretation and enforcement of the Company's rights and obligations and those of our foreign partners. Local institutions and bureaucracies responsible for administering foreign laws may lack a proper understanding of the laws or the experience

necessary to apply them in a modern business context. Foreign laws may be applied in an inconsistent, arbitrary and unfair manner and legal remedies may be uncertain, delayed or unavailable.

- *There are title risks with respect to the Company's mineral properties* – The acquisition of title to resource properties or interests therein is a very detailed and time-consuming process. Title to and the area of resource concessions may be disputed. The Company has conducted an internal investigation of title to the CSH (217) Gold project. Based on a review of records maintained by the relevant government agencies in China, the CSH (217) Gold project interests are registered in the name of the applicable joint venture company. There is no guarantee of title to any of the Company's properties. The properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. Title may be based upon interpretation of a country's laws, which laws may be ambiguous, inconsistently applied and subject to reinterpretation or change. The Company has not surveyed the boundaries of any of its mineral properties and consequently the boundaries of the properties may be disputed.

- *There are specific risks associated with title to and future development of the CSH (217) Gold project* – While the joint venture company is authorized to explore for gold on the CSH (217) Gold project and has obtained a mining permit, it is required to obtain further approvals from regulatory authorities in China in order to explore for minerals other than gold and prior to commencing mining operations. The joint venture company will also need to clarify certain government related inputs on the project such as taxation rates. The laws of China governing the establishment of joint venture companies, taxation matters and other relevant laws are ambiguous, inconsistently applied and subject to reinterpretation or change. There can be no guarantee that the steps taken to establish the joint venture and obtain an interest in the CSH (217) Gold project will be sufficient to preserve the Company's interests in the joint venture or project or that Jinshan's assumptions regarding taxation rates and other inputs will be realized.

- *Mining permits and licenses are required* – The further development and exploration of the various mineral properties in which it holds interests, particularly the CSH (217) Gold project, depends upon the Company's ability to obtain permits and licenses from various governmental authorities. As an example, the national branch of the National Development and Reform Commission has, in the past, asserted authority over gold production in China, and while this assertion of authority has been rejected by other branches of the Chinese government as being invalid, an ultimate conclusion of this matter has not been reached. There can be no assurance that the Company will be successful in obtaining any required permits and licenses when needed. The Company operates in a region of the world that is prone to economic and political upheaval and mineral properties held by the Company are located in politically and economically unstable countries, which may make it more difficult for the Company to obtain mining permits and licenses from various governmental authorities. Failure to obtain permits and licenses on a timely basis may cause the Company to postpone its development plans, forfeit rights in some or all of its properties or reduce or terminate some or all of its operations.

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

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

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

- *Uncertainties related to mineral resource estimates* – There is a degree of uncertainty attributable to the calculation of mineral resources and corresponding grades being mined or dedicated to future production. Until resources are actually mined and processed, the quantity of resources and grades must be considered as estimates only. In addition, the quantity and value of reserves or resources may vary, depending on metals prices. Any material change in the quantity of resources, grades or stripping ratio may affect the economic viability of the Company's properties. In addition, there can be no assurance that metal recoveries in small-scale laboratory tests will be duplicated in larger-scale tests under on-site conditions, or during production.
- *Metal price volatility* – Metal prices are subject to volatile price changes from a variety of factors, including international economic and political trends, expectations of inflation, global and regional demand, currency-exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods.
- *Lack of infrastructure could adversely affect mining feasibility* – The Company's mining properties are located in remote areas, which currently lack basic infrastructure, including sources of electric power, water, housing, food, and transport necessary to develop and operate a major mining project. While Jinshan has established the limited infrastructure necessary to conduct its current exploration and development activities, substantially greater sources of power, water, physical plant, and transport infrastructure in the area will need to be established before Jinshan can conduct mining operations. Lack of availability of the means and inputs necessary to establish such infrastructure may adversely affect mining feasibility. Establishing such infrastructure will, in any event, require significant financing, identification of adequate sources of raw materials and supplies and necessary approvals from national and regional governments, none of which can be assured.
- *Currency risks* – The bulk of the Company's activities are denominated in U.S. currency with other minor activities denominated in Chinese Renminbi and Canadian dollars. In addition, the Company's Notes and interest thereon are payable in Canadian dollars. During 2006, the Company maintained some of its surplus funds in Canadian dollars and Chinese Renminbi, which amounts expose the Company to risks associated with foreign exchange fluctuations.
- *Limited production history* – The Company has paid no dividends on its common shares since incorporation and does not anticipate doing so in the foreseeable future. To date, the Company has not received any cash flow generated from planned commercial operations. All exploration projects of the Company will need funding from the Company. The Company has a limited operating history and there can be no assurance of its ability to operate its projects profitably. While the Company may in the future generate additional working capital through the operation, development, sale or possible syndication of its properties, there is no assurance that the Company will be capable of producing positive cash flow on a consistent basis or that any such funds will be available for exploration and development programs.
- *Mining operations are subject to numerous hazards that could have a materially adverse effect on the financial position of Jinshan* - Mining operations are subject to hazards normally encountered in exploration, development and production. These include unexpected geological formations, rock falls, flooding, dam wall failure and other incidents or conditions which could result in damage to plant or equipment or the environment and which could impact production throughput. Although it is intended to take adequate precautions to minimize risk, there is a possibility of a material adverse impact on the Company's operations and its financial results.

- *Uninsurable risks or self-insured risks* – Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts or slides, fires, floods, earthquakes or other environmental occurrences, and political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any further profitability and result in increasing costs and a decline in the value of the securities of the Company. The Company does not maintain insurance against political or environmental risks.
- *Jinshan's prospects depend on its ability to attract and retain key personnel* - Recruiting and retaining qualified personnel is critical to Jinshan's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As Jinshan's business activity grows, it will require additional key financial, administrative, mining, marketing and public relations personnel as well as additional staff on the operations side. Jinshan commenced hiring additional personnel in China when it assumed responsibility for its exploration program in China. Although Jinshan believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

Qualified Persons

Calvin McKee, P.Geo., the Company's COO, and Keith Patterson, P.Geo., the Company's Vice President of Exploration, both of whom are qualified persons as defined by National Instrument 43-101 supervised the preparation of the technical and scientific information in this MD&A.

Outlook

Jinshan's principal near term focus is completing all outstanding matters for the development of the CSH 217 Gold Project in order to commence commercial mining operations on the property. Construction, financing and permitting are all well-advanced, and the Company now anticipates that it will begin commercial gold production near the end of the second quarter of 2007. Jinshan is also planning to undertake drilling and further engineering studies on the property during 2007 to determine the expansion potential of the mine.

The process of establishing the necessary internal management and operational capacity and of establishing the physical and operational infrastructure to conduct commercial mining operations on the CSH 217 Gold Project is changing the nature of the Company as a whole, as it effectively represents a transition for Jinshan from a junior exploration company to a mining company. Jinshan believes that operating the CSH 217 gold mine and the generation of positive cash flow will result in a maturing of its business profile and will support its long term growth strategy to become a significant gold producer in Asia. In this regard, Jinshan also continues to identify and evaluate strategic acquisition alternatives on a selective basis, focussing in particular on businesses that have potential synergies with Jinshan's existing Chinese operations.

Jinshan continues to operate a separate office and team of employees and consultants to conduct exploration on Jinshan's other exploration projects in China. While these efforts are ancillary to Jinshan's main focus on the CSH 217 Gold Project, Jinshan intends to continue active exploration efforts to support medium term and long-term growth of the Company.

March 13, 2007