JINSHAN GOLD MINES INC.

Consolidated Financial Statements
September 30, 2006
(Unaudited)
(Stated in U.S. dollars)

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

	September 30, 2006	December 31, 2005
ASSETS		
CURRENT		
Cash	**$ 6,879,396**	$ 15,414,581
Accounts receivable	**371,908**	569,409
Prepaid expenses (Note 2)	**711,558**	215,125
	7,962,862	16,199,115
PROPERTY, PLANT AND EQUIPMENT (Note 3)	**15,073,978**	918,700
	$ 23,036,840	$ 17,117,815
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 5(c))	**$ 1,822,054**	$ 1,206,076
COMMITMENTS (Note 8)		
SHAREHOLDERS' EQUITY		
Share capital (Authorized - unlimited common shares without par value)	**45,963,979**	35,433,993
Contributed surplus	**3,297,030**	2,449,090
Cumulative translation adjustment	**460,850**	460,850
Deficit	**(28,507,073)**	(22,432,194)
	21,214,786	15,911,739
	$ 23,036,840	$ 17,117,815

CONTINUING OPERATIONS (Note 1)

APPROVED BY THE BOARD

"Daniel Kunz"

Director

"Pierre Lebel"

Director

See accompanying notes to the interim consolidated financial statements

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

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	**2006**	2005
EXPENSES				
Administration and office	**$ 401,893**	$ 134,474	**$ 788,966**	$ 355,713
Amortization	**12,898**	24,597	**45,517**	59,371
Investor relations	**47,907**	30,357	**211,113**	56,731
Travel	**82,725**	37,410	**213,906**	91,236
Exploration expenses (Notes 5(b) and Schedule)	**550,996**	966,334	**3,460,227**	1,806,088
Professional fees	**181,405**	34,528	**312,525**	94,453
Salaries and benefits	**164,147**	98,300	**412,334**	256,239
Stock-based compensation	**402,638**	82,268	**778,595**	244,824
Shareholder information, transfer agent and filing fees	**154,628**	7,298	**196,525**	40,592
	1,999,237	1,415,566	**6,419,708**	3,005,247
OTHER INCOME/(EXPENSES)				
Interest income	**35,569**	25,470	**182,203**	66,636
Foreign exchange (loss) gain	**(54,303)**	34,362	**162,626**	(18,495)
	(18,734)	59,832	**344,829**	48,141
LOSS BEFORE NON-CONTROLLING INTEREST	**(2,017,971)**	(1,355,734)	**(6,074,879)**	(2,957,106)
Non-controlling interest	**-**	(16,296)	**-**	(24,865)
NET LOSS	**$ (2,017,971)**	$ (1,339,438)	**$ (6,074,879)**	$ (2,932,241)
DEFICIT, BEGINNING OF PERIOD	**$ (26,489,102)**	$ (17,810,597)	**$ (22,432,194)**	$ (16,217,794)
DEFICIT, END OF PERIOD	**$ (28,507,073)**	$ (19,150,035)	**$ (28,507,073)**	$ (19,150,035)
BASIC AND DILUTED LOSS PER SHARE	**$ (0.02)**	$ (0.03)	**$ (0.05)**	$ (0.06)
WEIGHTED AVERAGE NUMBER OF BASIC AND DILUTED SHARES OUTSTANDING	**132,216,075**	48,552,948	**129,286,168**	48,552,948

See accompanying notes to the interim consolidated financial statements

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

	Share Capital										
	Number of Shares		Amount		Contributed Surplus		Cumulative Translation Adjustments		Deficit		Total
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 $154,158 share issue costs	8,000,000		8,487,221								8,487,221
Exercise of warrants	2,663,710		1,577,611		-		-		-		1,577,611
Exercise of stock options	506,462		465,154		(197,061)		-		-		268,093
Stock compensation charged to operations	-		-		1,045,001		-		-		1,045,001
Net loss	-		-		-		-		(6,074,879)		(6,074,879)
Balances, September 30, 2006	**138,276,068**	**$**	**45,963,979**	**$**	**3,297,030**	**$**	**460,850**	**$**	**(28,507,073)**	**$**	**21,214,786**
Balances, December 31, 2004	48,552,948	$	20,077,100	$	1,939,729	$	460,850	$	(16,217,794)	$	6,259,885
Shares issued for:											
Stock compensation charged to operations	-		-		299,664		-		-		299,664
Net loss	-		-		-		-		(2,932,241)		(2,932,241)
Balances, September 30, 2005	48,552,948	$	20,077,100	$	2,239,393	$	460,850	$	(19,150,035)	$	3,627,308

See accompanying notes to the interim consolidated financial statements

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

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	**2006**	2005
OPERATING ACTIVITIES				
Net loss	**$ (2,017,971)**	$ (1,339,438)	**$ (6,074,879)**	$ (2,932,241)
Items not requiring use of cash:				
Amortization	**12,898**	24,597	**45,517**	59,371
Stock-based compensation (Note 4)	**483,060**	149,823	**1,045,001**	299,664
Unrealized foreign exchange loss (gain)	**11,085**	(44,014)	**(212,984)**	23,191
Non-controlling interest	**-**	(16,296)	**-**	(24,865)
	(1,510,928)	(1,225,328)	**(5,197,345)**	(2,574,880)
Change in non-cash operating working capital items (Note 7(a))	**(331,856)**	239,612	**(658,422)**	2,403,767
	(1,842,784)	(985,716)	**(5,855,767)**	(171,113)
INVESTING ACTIVITIES				
Property, plant and equipment additions	**(6,683,085)**	(55,842)	**(13,200,795)**	(118,187)
Cash acquired on acquisition of 41.5% of Ningxia Pacific Mining	**-**	-	**-**	120,983
	(6,683,085)	(55,842)	**(13,200,795)**	2,796
FINANCING ACTIVITY				
Issuance of common shares (net of issue costs)	**9,052,697**	-	**10,332,925**	-
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	**(10,714)**	44,080	**188,452**	6,574
NET INCREASE (DECREASE) IN CASH FOR THE PERIOD	**516,114**	(997,478)	**(8,535,185)**	(161,743)
CASH, BEGINNING OF PERIOD	**6,363,282**	4,866,109	**15,414,581**	4,030,374
CASH, END OF PERIOD	**$ 6,879,396**	$ 3,868,631	**$ 6,879,396**	$ 3,868,631

Supplemental Cash Flow Information (Note 7 (b))

See accompanying notes to the interim consolidated financial statements

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

1. BASIS OF PRESENTATION

The accompanying interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). However, they do not include all the information and disclosures required by Canadian GAAP for annual consolidated financial statements. They have been prepared using the same accounting policies and methods of applications as the latest annual consolidated financial statements. In the opinion of management, all adjustments of a normal recurring nature necessary for a fair presentation have been made. The results for interim periods are not necessarily indicative of results for the entire year. The information contained in the interim consolidated financial statements should be read in conjunction with Jinshan Gold Mines Inc.'s ("Jinshan") latest annual consolidated financial statements for the year ended December 31, 2005, and the notes thereto.

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

The preparation of these interim consolidated financial statements in conformity with 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 interim consolidated financial statements and the reported amounts of expenses during the period. As a result, actual amounts may differ from those estimates.

The Company is a pre-production stage company engaged in the acquisition, exploration, and development of mineral properties 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 does not have sufficient cash to fund the exploration and development of its mineral properties to commercial production and, therefore, will 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. PREPAID EXPENSES

	September 30, 2006	December 31, 2005
Pre-finance costs for the CSH (217) Gold Project loan facility	**$ 342,917**	$ -
Rent deposits	**198,028**	134,690
Insurance	**72,539**	59,650
CSH (217) Gold project construction deposits	**32,238**	-
Other	**65,836**	20,785
	$ 711,558	$ 215,125

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

3. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2006			December 31, 2005
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Motor vehicles	**$ 274,330**	**$ 66,187**	**$ 208,143**	$ 80,874
Machinery and equipment	**158,925**	**39,223**	**119,702**	111,458
Computer equipment	**130,304**	**81,964**	**48,340**	35,783
Furniture and fixtures	**68,437**	**20,759**	**47,678**	60,849
Office equipment	**27,399**	**15,469**	**11,930**	10,784
Computer software	**173,743**	**49,110**	**124,633**	46,807
Buildings	**56,308**	**282**	**56,026**	-
Capital works in progress	**11,154,385**	**-**	**11,154,385**	572,145
Mineral properties and deferred development	**3,303,141**	**-**	**3,303,141**	-
	$ 15,346,972	**$ 272,994**	**$ 15,073,978**	$ 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 Chang Shan Hao (217) Gold project ("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 it was 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. The mineral property and development costs will be depleted using the unit-of-production method when the CSH (217) Gold project commences commercial production.

4. SHARE CAPITAL

Stock-based Compensation – Directors, Officers, Employees and Consultants

During the nine months ended September 30, 2006, the Company granted 2,890,000 stock options to certain directors, officers, employees and consultants at exercise prices ranging from CDN $0.53 to CDN $1.33 with expiry dates ranging from February 13, 2007 to June 29, 2011. The weighted average grant date fair value per option issued was estimated at CDN $0.73 using the Black-Scholes option pricing model. The weighted average assumptions used for the calculation were an expected life of 3.25 years, volatility of 96%, a risk-free interest rate of 4% and expected dividends of $Nil. Compensation costs of $1,861,679 will be recognized/expensed over the vesting periods of the options, of which $588,919 was included in the net amount of $1,045,001 recognized in the nine-month period ended September 30, 2006.

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

4. SHARE CAPITAL (Continued)

Outstanding stock options and warrants

As of September 30, 2006, there were 7,071,271 stock options outstanding with exercise prices and expiry dates ranging from CDN $0.50 to CDN $3.60 and February 13, 2007 to June 29, 2011, respectively.

As of September 30, 2006, there were 20,136,290 warrants outstanding with exercise prices and expiry dates ranging from CDN $0.60 to CDN $1.45 and October 10, 2006 to February 28, 2008, respectively.

5. 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:

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	**2006**	2005
Administration and office	**$ 153,375**	$ 116,878	**$ 437,769**	273,708
Salaries and benefits	**177,991**	53,942	**707,626**	227,705
	$ 331,366	$ 170,820	**$ 1,145,395**	$ 501,413

(b) During the three and nine months ended September 30, 2006, exploration expenses of $ Nil (2005 - $212,907 and $1,101,549, respectively) 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.

(c) Accounts payable as of September 30, 2006, included $181,230 (December 31, 2005 - $93,775), which was due to a company under common control or companies related by way of directors in common.

6. SEGMENTED INFORMATION

(a) Industry Information

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

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

6. SEGMENTED INFORMATION (Continued)

(b) Geographic Information

	China	Canada	Total
As of September 30, 2006			
Property, plant and equipment	**$ 15,022,544**	**$ 51,434**	**$ 15,073,978**
As of December 31, 2005			
Property, plant and equipment	$ 852,625	$ 66,075	$ 918,700

7. SUPPLEMENTAL CASH FLOW INFORMATION

(a)	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	**2006**	2005
Net (increase) decrease in:				
Accounts receivable	**$ (229,466)**	$ 675,094	**$ 222,033**	$ (239,547)
Receivable from related party	-	-	-	1,807,801
Prepaid expenses	**(147,801)**	42,795	**(496,433)**	175,086
Net increase (decrease) in:				
Accounts payable and accrued liabilities	**45,411**	135,125	**(384,022)**	(122,868)
Payable to related party	-	(662,904)	-	112,843
Deferred exploration expense recovery	-	49,502	-	670,452
	$ (331,856)	$ 239,612	**$ (658,422)**	$ 2,403,767

(b)	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	**2006**	2005
Transfer of contributed surplus to share capital upon exercise of stock options	**$ 57,254**	$ -	**$ 197,061**	$ 2,030

8. COMMITMENTS

The Company has commitments related to the construction at the CSH (217) Gold project of approximately $6.6 million, which consists of contracts that will be performed within the next 12 months.

9. SUBSEQUENT EVENTS

(a) Subsequent to September 30, 2006, 3,125,000 warrants were exercised at a prices ranging from of CDN $0.60 to CDN $0.70. As a result, the Company issued 3,125,000 common shares and received net proceeds of $1,921,378 (CDN $2,175,000) upon the exercise of warrants.

(b) On October 10, 2006, 2,000,000 warrants expired unexercised.

(c) Subsequent to September 30, 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, which is expected to commence in the fourth quarter of 2006.

(d) Subsequent to September 30, 2006, the Company granted 500,000 stock options to an employee at an exercise price of CDN $1.29. The stock options expire on November 11, 2011, and vest at 20% on November 2, 2006, and 20% each year thereafter.

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

	(1) Gold Project	Generative			**Three months ended**
	CSH (217)	General	Dadiangou	Xinjiang	**September 30, 2006**
Payments to joint venture companies & partners	$ -	$ -	$ 150,000	$ -	$ 150,000
Geological consultants	-	20,068	6,411	193,313	219,792
Engineering & other consultants	-	-	1,750	-	1,750
Project management	-	-	-	-	-
Maps & reproductions	-	-	-	15,481	15,481
Sampling and assaying	-	(1,180)	-	880	(300)
General & administrative	-	8,064	1,496	6,375	15,935
Salaries & benefits	-	29,512	4,000	5,899	39,411
Travel	-	10,336	113	18,056	28,505
	$ -	$ 66,800	$ 163,770	$ 240,004	$ 470,574
Stock-based compensation					80,422
					$ 550,996

	Gold Projects				**Three months ended**
	CSH (217)	Dandong (QCZ) Gold	JBS Platinum & Palladium	Generative General	**September 30, 2005**
Payments to joint venture companies & partners	$ -	$ (361,282)	$ -	$ 275,000	$ (86,282)
Drilling and other consultants	-	-	-	-	-
Geological consultants	153,693	-	-	122,760	276,453
Engineering & other consultants	925,958	1,063	-	9,514	936,535
Project management	24,918	-	-	18,863	43,781
Maps & reproductions	-	-	-	712	712
Sampling and assaying	65,049	-	-	705	65,754
General & administrative	64,899	-	10,189	9,425	84,513
Salaries & benefits	84,252	-	8	9,883	94,143
Travel	87,912	-	-	8,660	96,572
Amount recovered / recoverable	(787,737)	180,047	(5,712)	-	(613,402)
Recovery of previously expensed exploration costs upon acquiring 41.5% of Ningxia Pacific Mining	-	-	-	-	-
	$ 618,944	$ (180,172)	$ 4,485	$ 455,522	$ 898,779
Stock-based compensation					67,555
					$ 966,334

(1) As of May 1, 2006, costs incurred at the CSH (217) Gold project are capitalized.

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

	Gold Project	Generative			
	CSH (217)	General	Dadiangou	Xinjiang	**Nine months ended September 30, 2006**
Payments to joint venture companies & partners	$ -	$ -	$ 150,000	$ -	$ 150,000
Geological consultants	164,284	73,180	11,799	596,747	846,010
Engineering & other consultants	1,309,915	1,438	3,188	1,938	1,316,479
Project management	181,103	14,647	-	-	195,750
Maps & reproductions	-	2,500	-	17,943	20,443
Sampling and assaying	106,764	1,922	-	10,529	119,215
General & administrative	19,342	24,710	2,691	6,999	53,742
Salaries & benefits	180,101	46,237	5,693	36,622	268,653
Travel	163,029	13,592	10,451	36,457	223,529
	$ 2,124,538	$ 178,226	$ 183,822	$ 707,235	$ 3,193,821
Stock-based compensation					266,406
					$ 3,460,227

	Gold Projects				
	CSH (217)	Dandong (QCZ) Gold	JBS Platinum & Palladium	Generative General	**Nine months ended September 30, 2005**
Payments to joint venture companies & partners	$ 298,500	$ (361,282)	$ (1,400,000)	$ 428,000	$ (1,034,782)
Geological consultants	278,387	568	5,383	425,905	710,243
Engineering & other consultants	1,319,641	1,063	-	10,541	1,331,245
Project management	32,473	-	-	35,404	67,877
Maps & reproductions	7,613	-	-	4,778	12,391
Sampling and assaying	437,594	-	1,221	8,163	446,978
General & administrative	131,886	5,470	10,839	53,976	202,171
Salaries & benefits	187,887	-	422	43,984	232,293
Travel	239,058	1,329	1,203	86,043	327,633
Amount recovered / recoverable	(1,191,032)	176,144	689,321	-	(325,567)
Recovery of previously expensed exploration costs upon acquiring 41.5% of Ningxia Pacific Mining	(219,234)	-	-	-	(219,234)
	$ 1,522,773	$ (176,708)	$ (691,611)	$ 1,096,794	$ 1,751,248
Stock-based compensation					54,840
					$ 1,806,088

JINSHAN GOLD MINES INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations
September 30, 2006

(Unaudited)
(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 and Alberta, 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 recently received a business license and plans to undertake a 5,000 metre ("m") drill program in 2007, and six 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.

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, 2005.

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.

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

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, 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.

Exploration and Development Properties

Gold

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 amount 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 Ministry of Land and Resources ("MOLAR") in Beijing on September 12, 2006, and is accrued in the Company's balance sheet as of September 30, 2006, and the second, 30 days following commencement of commercial mining operations.

As of September 30, 2006, registered capital contributions to NPM aggregated $18.5 million. Since inception, the Company has incurred exploration, and capitalized mineral properties and deferred development expenditures in respect of this project aggregating $9.9 million, of which $2.3 million and $6.4 million were incurred during the three and nine months ended September 30, 2006, respectively. As of September 30, 2006, the company spent $11.2 million on mine infrastructure costs.

Funding arrangement – Under the terms of the definitive agreement dated April 20, 2004, as restructured on November 30, 2005, Ivanhoe Mines Ltd. ("Ivanhoe Mines"), a significant shareholder of the Company, and the Company have each funded 50% of the exploration expenditures on the CSH (217) Gold project to September 1, 2005; Ivanhoe Mines funded a total of $4.2 million of exploration expenditures to that date. Subsequent to September 1, 2005, the Company has funded 100% of the project expenses.

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 tones 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, and containing 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 and an average cash operating cost of approximately $253 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 a heap-leach processing rate of 20,000 tonnes per day. Near-surface material 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, ROM ore will be delivered to the heap-leach pad. A three-stage crushing plant is expected 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.

Exploration and development activities – Open pit pilot mining of oxide mineralized material commenced in July 2004 and was completed along with a 1,000 tonne per day ("tpd") crushing system in October 2004. The operation produced enough mineralized material to construct a 50,000 tonne heap-leach pad of run-of-mine material and a second 50,000 tonne heap-leach pad of single stage crushed material. Pilot heap leaching pads have produced approximately 1,500 ounces of gold to date. In addition, an underground tunnel extending approximately 300 metres in length into a sulphide mineralized zone was completed in March 2005. The pilot mining and underground tunnel were designed to provide bulk-tonnage samples to better establish anticipated grade and metallurgical recoveries. Large scale column leaching tests of both oxide and sulphide materials were performed in the city of Baotou, China under the supervision and design of KD Engineering Inc. of Tuscon, Arizona.

The MOLAR in Beijing has approved the company's Chinese reserve and resource study and, on September 12, 2006, granted the mining permit to commence commercial mining activities. 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. The Company 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 by the second quarter of 2007.

As of April 2006, the final feasibility study indicates that the initial going forward capital cost for the run-of-mine ("ROM") development (net of sunk cost) is $32.3 million. As of September 30, 2006, the company spent $11.2 million on mine infrastructure costs. Key mine construction and excavation contracts that are either substantially underway or near completion include:

1. Crushing over-liner material for the heap leach pads;
2. Construction of living quarters, ancillary buildings, and associated infrastructure;
3. Construction of the pregnant solution pond and the overflow pond for the heap leach processing system;
4. Construction of the process plant building and installation of the modular process plant, which was received on-site in July 2006;
5. Construction of the leach pad and installation of the liner; and
6. Installation of the 10KV power line for construction power.

The Company completed its final feasibility study, under the direction of KD Engineering of Tucson, Arizona, USA, in the second quarter of 2006. The final feasibility study incorporated the positive results from the 2005 infill drilling campaign. The Company expects that this final feasibility study will support project debt financing of the CSH (217) Gold project to a commercial mining stage.

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 in 2005) 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.

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 preparations for a planned 5,000m drill program. Prior to drilling, the Company will need to arrange for all necessary permits and rehabilitate approximately 15 km of road to provide access to the project.

Since inception in September 2005 and up to September 30, 2006, the Company has incurred exploration and other expenditures in respect of this project aggregating $376,000, of which $164,000 and $184,000 were incurred during the three and nine months ended September 30, 2006, respectively.

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 every 50 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 standardized pulps randomly injected as check samples. The re-assaying was conducted at the SGS Laboratory in Tianjin, China, using standard fire assay techniques and confirmed that the average gold grade of the underground channel samples is approximately 1.5 g/t.

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 is planning an extensive exploration program consisting of surface geological and geochemical surveys, surface diamond drilling, underground development and diamond drilling, and additional metallurgical testing. The first phase of the program will cost approximately $1.5 million and will consist of surface drilling during the first year of exploration. Preparations are being made to provide for road access to the property. Once this access is established, the Company plans to proceed with a 5,000m drill program. 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 six exploration permits covering 249 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. Four permits were granted on February 21, 2006, and two on August 23, 2006, by the state Ministry of Lands and Resources in Beijing.

Field programs commenced in early March 2006 and by the end of April 2006, the Company has completed an initial phase of geological mapping and prospecting on each of the initial four permits. More than 600 rock chip samples were collected during the course of geological mapping and prospecting, and submitted to SGS Laboratories in Tianjin, China for gold fire assay and multi-element geochemical analyses. Initial sample results have been received for gold and for some of the multi-element analyses and further sample testing is being conducted.

Prospective parts of some of the permits, based on initial gold fire assay and multi-element geochemical results, will be followed up with geophysical surveys to define potential favorable structures and sulfide concentrations, respectively, followed by trenching with the intent of defining targets for drill testing in the second half of 2006.

Ground magnetic surveys have been completed at the Kumutage Dong and Jingerquan Xi permits and an additional survey is ongoing at the Dananhu Nan permit. Additional prospecting, mapping and sampling are currently ongoing with the goal of defining structurally controlled gold occurences that could be followed up with trenching and drilling. In addition to the permit-specific work, the company continues to evaluate new opportunities in this region.

Since inception in 2005 and up to September 30, 2006, the Company has incurred exploration and other expenditures in respect of these projects aggregating $1.4 million, of which $240,000 and $707,000 were incurred during the three and nine months ended September 30, 2006, respectively.

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 rationalize and expand its project portfolio. The Company has a strong technical exploration team working in China which is exploring for gold and base metals in specifically targeted areas of the country. 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 measured with respect to modern open-pit heap leach gold mines.

Results of Operations

Overview

The Company is in the pre-production stage and 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.

For the three and nine months ended September 30, 2006 and 2005, the Company had no net sales or other operating revenues, no long-term liabilities and no dividends were declared.

Selected Quarterly Data (Unaudited)

($ in thousands, except per share information)

	2006			2005				2004
QUARTER ENDED	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec
Exploration expenses	$551	$953	$1,956	$2,484	$966	$133	$707	$822
Net loss	2,018	1,499	2,558	3,282	1,339	435	1,158	1,142
Net loss per share	(0.02)	(0.01)	(0.02)	(0.06)	(0.03)	(0.01)	(0.02)	(0.02)

Fluctuations in the quarterly net loss amounts over the two year period ended September 30, 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.

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

The statements of operations for the three months ended September 30, 2006, and 2005 are provided in the following table:

	Three Months Ended		
	September 30, 2006	September 30, 2005	Increase (Decrease)
Expenses			
Administration and office	$ 401,893	$ 134,474	$ 267,419
Amortization	12,898	24,597	(11,699)
Investor relations	47,907	30,357	17,550
Travel	82,725	37,410	45,315
Exploration expenses	550,996	966,334	(415,338)
Professional fees	181,405	34,528	146,877
Salaries and benefits	164,147	98,300	65,847
Stock-based compensation	402,638	82,268	320,370
Shareholder information, transfer agent and filing fees	154,628	7,298	147,330
	1,999,237	1,415,566	583,671
Other Income (Expenses)			
Interest income	35,569	25,470	10,099
Foreign exchange (loss) gain	(54,303)	34,362	(88,665)
	(18,734)	59,832	(78,566)
Loss Before Non-Controlling Interest	(2,017,971)	(1,355,734)	662,237
Non-controlling interest	-	16,296	(16,296)
Net Loss For The Period	**$** (2,017,971)	$ (1,339,438)	$ 678,533

Three months ended September 30, 2006 and 2005

The Company incurred a net loss of $2.0 million for the three months ended September 30, 2006, compared to a net loss of $1.4 million in the 2005 quarter. The increase of $662,000 from the 2005 quarter to the 2006 quarter is primarily due to the increase of $999,000 in general and administrative expenses (excluding exploration and other income/expenses), partially offset by a decrease of $415,000 in exploration expenses.

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 "Exploration Properties" section of this MD&A. Accordingly, exploration expenditures decreased by $415,000 to $551,000 for the three months ended September 30, 2006, compared to $966,000 for the 2005 quarter. For the three months ended September 30, 2006, $2.3 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.

General and administrative expenses increased to $1,448,000 for the three months ended September 30, 2006, from $449,000 in the 2005 quarter, primarily due to increased staffing related expenses as the Company moves towards having the CSH (217) Gold project start commercial production in the second quarter of 2007. Stock-based compensation charges were $320,000 higher for the three months ended September 30, 2006, compared to the 2005 quarter, primarily due to the increase in the number of stock options granted to existing and new employees. Net administration costs, excluding stock-based compensation and exploration expenses were $1 million for the three months ended September 30, 2006, and $367,000 in the 2005 quarter. Increases in administration and office, salaries and benefits, professional fees, shareholder information, transfer agent and filing fees, travel costs, and investor relations were primarily responsible for this quarter over quarter increase.

Administration and office, and salaries and benefits increased by $333,000 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 in 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 each increased by $147,000 from the 2005 quarter to the 2006 quarter, 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.

Travel expenses for administrative personnel increased by $45,000 from the 2005 quarter to the 2006 quarter 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.

Investor relations costs increased by $18,000 for the three months ended September 30, 2006, compared to the 2005 quarter primarily as a result of printing public relations material and increased attendance at trade shows.

Amortization expense decreased by $12,000 for the three months ended September 30, 2006, compared to the 2005 quarter primarily due to certain fixed assets being fully depreciated.

Foreign exchange loss for three months ended September 30, 2006, was $54,000 compared to a gain of $34,000 for the 2005 quarter. The loss is primarily due to the weakening of the U.S. dollar exchange rate against the Canadian dollar. The higher amounts of cash deposits contributed to the increase in interest income to $36,000 from $25,000 for the three months ended September 30, 2006 and 2005, respectively.

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

The statements of operations for the nine months ended September 30, 2006, and 2005 are provided in the following table:

	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005	Increase (Decrease)
Expenses			
Administration and office	$ 788,966	$ 355,713	$ 433,253
Amortization	45,517	59,371	(13,854)
Investor relations	211,113	56,731	154,382
Travel	213,906	91,236	122,670
Exploration expenses	3,460,227	1,806,088	1,654,139
Professional fees	312,525	94,453	218,072
Salaries and benefits	412,334	256,239	156,095
Stock-based compensation	778,595	244,824	533,771
Shareholder information, transfer agent and filing fees	196,525	40,592	155,933
	6,419,708	3,005,247	3,414,461
Other Income (Expenses)			
Interest income	182,203	66,636	115,567
Foreign exchange gain (loss)	162,626	(18,495)	181,121
	344,829	48,141	296,688
Loss Before Non-Controlling Interest	(6,074,879)	(2,957,106)	3,117,773
Non-controlling interest	-	(24,865)	24,865
Net Loss For The Period	$ (6,074,879)	$ (2,932,241)	$ 3,142,638

Nine months ended September 30, 2006 and 2005

The Company incurred a net loss of $6.1 million for the nine months ended September 30, 2006, compared to a net loss of $3.0 million in the 2005 quarter. The change from the 2005 period to the 2006 period is primarily due to an increase of $1.7 million in exploration expenditures and $1.8 million in general and administrative expenses.

Exploration expenditures totaled $3.5 million for the nine months ended September 30, 2006, compared to $1.8 million for the 2005 quarter. Exploration expenses for the 2005 period were reduced by a net amount of $692,000, as a result of the sale of JBS Platinum and Palladium property and $219,000 of recoveries that resulted from the Company's acquisition of an additional 41.5% interest in Ningxia Pacific Mining. Also in 2005, $1.2 million was recovered pursuant to the funding agreement between the Company and Ivanhoe Mines.

Stock-based compensation included in exploration expenses for the nine months ended September 30, 2006, increased by $212,000 from the 2005 period, due to an increase in the number of stock options granted to existing and new employees.

Total exploration expenditures incurred on the Company's projects in China, excluding the effects of the sale of JBS Platinum and Palladium property, cost recoveries, and stock-based compensation expenses, were $3.2 million and $4.9 million for the nine months ended September 30, 2006 and 2005, respectively. Exploration expenditures for the nine months ended September 30, 2006 includes $150,000 paid to the Chinese partner when the business license for the Dadiangou project was received in September 2006. 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 "Exploration Properties" section of this MD&A. During the nine months ended September 30, 2006, costs of $3.3 million incurred at the CSH (217) Gold project were capitalized as development costs.

General and administrative expenses, which exclude exploration expenses, increased to $3.0 million for the nine months ended September 30, 2006, from $1.2 million in the 2005 period, primarily due to increased staffing related expenses as the Company moves towards having the CSH (217) Gold project start commercial production in the second quarter of 2007. Stock-based compensation charges were $534,000 higher for the nine months ended September 30, 2006, compared to the 2005 period, primarily due to the increase in the number of stock options granted to existing and new employees. Net administration costs, excluding stock-based compensation and exploration expenses were $2.2 million for the nine months ended September 30, 2006, and $1 million in the 2005 period. Increases in administration and office, salaries and benefits, professional fees, shareholder information, transfer agent and filing fees, investor relations, and travel costs were primarily responsible for this period over period increase.

Administration and office, and salaries and benefits increased by $589,000 from the 2005 period to the 2006 period, primarily due to the addition of full time employees as the Company moves towards having the CSH (217) Gold project start commercial production in the second quarter of 2007.

Professional fees increased by $218,000 from the 2005 period to the 2006 period. Shareholder information, transfer agent and filing fees increased by $156,000 from the 2005 period to the 2006 period. These increases were 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 $154,000 for the nine months ended September 30, 2006, compared to the 2005 period, 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 $123,000 from the 2005 period to the 2006 period, 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 $14,000 for the nine months ended September 30, 2006, compared to the 2005 period primarily due to certain fixed assets being fully depreciated.

Foreign exchange gain for nine months ended September 30, 2006, was $163,000 compared to a loss of $18,000 for the 2005 period. The increase is primarily due to holding higher amounts of cash deposits in Canadian funds and the weakening of the U.S. dollar exchange rate against the Canadian dollar. The higher amounts of cash deposits also contributed to the increase in interest income to $182,000 from $67,000 for the nine months ended September 30, 2006 and 2005, respectively.

Liquidity and Capital Resources

The balance sheets as of September 30, 2006, and December 31, 2005, are shown in the following table:

	September 30, 2006	December 31, 2005
ASSETS		
CURRENT		
Cash	$ 6,879,396	$ 15,414,581
Accounts receivable	371,908	569,409
Prepaid expenses	711,558	215,125
	7,962,862	16,199,115
PROPERTY, PLANT AND EQUIPMENT	15,073,978	918,700
	$ 23,036,840	$ 17,117,815
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 1,822,054	$ 1,206,076
SHAREHOLDERS' EQUITY		
Share capital	45,963,979	35,433,993
Contributed surplus	3,297,030	2,449,090
Cumulative translation adjustment	460,850	460,850
Deficit	(28,507,073)	(22,432,194)
	21,214,786	15,911,739
	$ 23,036,840	$ 17,117,815

As of September 30, 2006, the Company had a working capital balance of $6.1 million and cash resources of $6.9 million. During the three months ended September 30, 2006, net cash outflows from operations were $1.8 million, and $6.7 million was expended on property, plant and equipment that included $2.3 million as capitalized mineral property development costs, primarily for the CSH (217) Gold project. Cash inflows of $9.1 million during this period included net proceeds received from shares issued in a private placement, exercise of warrants, and stock options. The net cash increase for the three months ended September 30, 2006, was $516,000.

During the nine months ended September 30, 2006, net cash outflows from operations were $5.9 million, and $13.2 million was expended on property, plant and equipment that included $3.3 million as capitalized mineral property development costs, primarily for the CSH (217) Gold project. Cash inflows of $10.3 million during this period included net proceeds received from shares issued in a private placement, exercise of warrants, and stock options. The net cash decrease for the nine months ended September 30, 2006, was $8.5 million.

As of September 30, 2006, other than U.S. funds, the Company had approximately CDN $5.2 million ($4.7 million) held in Canadian funds and 11.1 million ($1.4 million) in Chinese Renminbi, which exposes the Company to risks associated with foreign exchange fluctuations. For the three and nine months ended September 30, 2006, Canadian and Chinese denominated funds incurred an unrealized foreign exchange loss of $11,000 and a gain of $188,000, respectively, due to the weakening of the U.S. dollar versus its Canadian and Chinese counterpart.

As of September 30, 2006, the Company has approved and expects to spend approximately $3.5 million during 2006 on its exploration and development projects, other generative exploration expenses and general and administrative costs, of which $1.1 million has been spent. As of September 30, 2006, the Company has approved and expects to spend approximately $21.5 million during 2006 or the early part of 2007 on engineering and infrastructure work at the CSH (217) Gold project, of which $13.2 million has been spent and the remaining unspent balance of $8.3 million can be deferred at the discretion of management. The Company expects to fund these operations from its working capital balance on hand, and either a debt facility, new equity financings, or a combination of each. The final independent feasibility study estimated that capital and start-up costs would be approximately $32.3 million. Some of the start-up costs are discretionary and are subject to the receipt of regulatory approvals, availability of financing, and a final decision to commence commercial production at the CSH (217) Gold project. The Company anticipates that funding for this project would be either through a debt facility, new equity financings, or a combination of both.

Subsequent to September 30, 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, which is expected to commence in the fourth quarter of 2006.

In March 2006, the Company announced that it had engaged Macquarie Bank Limited. ("Macquarie") as Lead Arranger for a $35 million project loan facility. The loan facility is expected to be used to fund the mine development and working capital requirements for the CSH (217) Gold project. Macquarie has provided Jinshan with an indicative term sheet, which contains proposed terms and conditions for the establishment of the loan facility. In August 2006, a technical review of the CSH (217) Gold project was completed on behalf of Macquarie by AMEC Engineering. Implementation of the loan facility is subject to, among other things, Macquarie completing its legal due diligence, regulatory approval, and negotiation of definitive agreements.

On September 7, 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 $154,000 (CDN $169,000) 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 does not have sufficient cash to fund the exploration and development of its mineral properties to commercial production and, therefore, will 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, and 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 September 30, 2006, 3,125,000 warrants were exercised at a prices ranging from of CDN $0.60 to CDN $0.70. As a result, the Company issued 3,125,000 common shares and received net proceeds of $1,921,378 (CDN $2,175,000) upon the exercise of warrants.

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 quarterly 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 $331,000 (2005 - $171,000) and $1.1 million (2005 - $501,000) for the three and nine months ended September 30, 2006, respectively.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares without par value. As of November 21, 2006, 141,401,068 common shares were issued and outstanding, 7,571,271 share purchase options had been granted and were outstanding, and 15,011,290 common share purchase warrants had been issued and were outstanding. On a fully diluted basis, 163,983,629 common shares were outstanding.

Risk Factors

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

- *Additional Funding Requirements* – The further development and exploration of the various mineral properties in which it holds interests, 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. 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.
- *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. 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.

- *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.

Qualified Persons

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

Outlook

The Company's principal focus is the advancement of the CSH (217) project, including permitting and development activities and raising additional funds to support development. In this regard, the Company is currently assessing financing options with a view to selecting the alternatives that are the most accretive to long-term shareholder value. It will also continue to identify and evaluate prospective mineral properties for acquisition on a selective basis. The Company seeks to generate positive cash flow from its mineral properties in China, starting with the CSH (217) Gold project, in order to underpin its business development and geological strategies.

November 21, 2006