



Consolidated interim financial statements of

Jinshan Gold Mines Inc.

September 30, 2009
(Unaudited)

*Amended to reflect adjustments for the conversion to
International Financial Reporting Standards.*

*These consolidated interim financial statements have not been
reviewed by the Company's independent auditor,
Deloitte & Touche LLP*

Amended Unaudited Consolidated Financial Statements

These amended unaudited consolidated financial statements of Jinshan Gold Mines Inc. (the “Company”) for the nine months ended September 30, 2009 reflect the Company’s adoption of International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). The Company’s Board of Directors originally approved the unaudited consolidated financial statements for the nine months ended September 30, 2009 on August 6, 2009 and those financial statements were filed on August 6, 2009. The Company’s Board of Directors then approved the amended unaudited consolidated financial statements for the nine months ended September 30, 2009 on March 17, 2009. Both sets of financial statements were prepared in accordance with Generally Accepted Accounting Principles (“GAAP”) in Canada. Except for changes related to the Company’s adoption of IFRS, these amended unaudited consolidated financial statements do not reflect events occurring after August 6, 2009. These amended unaudited consolidated financial statements supersede the Company’s original filings.

Jinshan Gold Mines Inc.

September 30, 2009

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Jinshan Gold Mines Inc.

Consolidated interim statements of comprehensive income (loss)

three and nine month periods ended September 30,

(Stated in U.S. dollars)

(Unaudited)

Notes	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
		(Note 23)		(Note 23)
Revenues	21,048,168	13,096,113	47,038,521	13,096,113
Cost of sales				
Cost of sales excluding depreciation and depletion	12,345,966	7,394,137	28,451,961	7,394,137
Depreciation and depletion	1,627,053	719,051	4,146,854	719,051
	13,973,019	8,113,188	32,598,815	8,113,188
Mine operating earnings	7,075,149	4,982,925	14,439,706	4,982,925
Expenses				
General and administrative	1,340,391	1,554,808	3,177,546	5,216,276
Exploration and evaluation expenditure	395,567	1,034,974	1,001,840	3,329,788
	1,735,958	2,589,782	4,179,386	8,546,064
Income (loss) from operations	5,339,191	2,393,143	10,260,320	(3,563,139)
Other income (expenses)				
Foreign exchange (loss)gain	(3,310,667)	1,667,877	(5,439,771)	2,740,111
Listing expenses	(925,991)	-	(925,991)	-
Interest income	292	19,819	3,732	161,581
Fair value change on warrant liabilities	(1,816,820)	5,165,013	(2,981,228)	11,691,156
Finance costs	(1,829,984)	(1,476,965)	(3,932,322)	(1,818,228)
	(7,883,170)	5,375,744	(13,275,580)	12,774,620
(Loss) income before income tax	(2,543,979)	7,768,888	(3,015,260)	9,211,482
Income tax expense	936,877	-	1,899,098	-
Net (loss) income and comprehensive (loss)income for the period	(3,480,856)	7,768,888	(4,914,358)	9,211,482
Attributable to				
Non-controlling interest	272,489	174,402	505,390	174,402
Owners of the Company	(3,753,345)	7,594,486	(5,419,748)	9,037,080
	(3,480,856)	7,768,888	(4,914,358)	9,211,482
Basic (loss)earnings per share	7	(0.02)	0.05	(0.03)
Diluted (loss)earnings per share	7	(0.02)	0.08	(0.03)
Basic weighted average number of common shares outstanding	7	164,183,461	163,586,648	163,981,604
Diluted weighted average number of common shares outstanding	7	164,183,461	164,775,883	163,981,604

Jinshan Gold Mines Inc.

Consolidated interim statements of financial position

(Stated in U.S. dollars)

(Unaudited)

	Notes	September 30, 2009 \$	December 31, 2008 \$
Current assets			
Cash and cash equivalents		18,459,846	12,142,739
Restricted cash	8	-	5,215,704
Accounts receivable		1,356,828	148,771
Prepaid expenses and deposits	9	650,954	7,176,502
Inventory	10	36,903,619	27,644,767
		57,371,247	52,328,483
Non-current assets			
Long-term receivable		112,297	-
Property, plant and equipment	11	116,209,459	66,982,216
Total assets		173,693,003	119,310,699
Current liabilities			
Accounts payable and accrued expenses		29,353,668	18,784,206
Construction payable		9,777,041	132,779
Net Customer Advances		3,344,889	15,659
Borrowings	12	46,832,547	41,603,514
Warrant liabilities	15	-	-
		89,308,145	60,536,158
Non-current liabilities			
Deferred lease inducement		132,534	-
Borrowings	12	41,389,449	14,929,121
Warrant liabilities	15	3,255,735	274,507
Environmental rehabilitation	14	4,517,602	4,131,735
		49,295,320	19,335,363
Total liabilities		138,603,465	79,871,521
Owners' equity			
Share capital	15	91,227,833	90,384,469
Equity reserve		4,606,154	4,884,800
Deficit		(61,545,570)	(56,125,822)
		34,288,417	39,143,447
Non-controlling interest		801,121	295,731
Total owners' equity		35,089,538	39,439,178
Total liabilities and owners' equity		173,693,003	119,310,699

Approved and authorized for issue by the Board on March 23, 2010

"Xin Song"

Director

"Zhanming Wu"

Director

Jinshan Gold Mines Inc.

Consolidated interim statements of changes in equity

(Stated in U.S. dollars)

(Unaudited)

	Notes	Number of shares	Share capital \$	Equity reserve \$	Deficit \$	Subtotal \$	Non- controlling interest \$	Total owners' equity (deficit) \$
Balance, December 31, 2007		156,561,424	76,281,053	4,271,321	(70,706,334)	9,846,040	-	9,846,040
Shares issued for								
Exercise of warrants	15	5,407,167	11,661,776	-	-	11,661,776	-	11,661,776
Exercise of stock options	15	1,920,568	2,441,640	(1,027,931)	-	1,413,709	-	1,413,709
Stock-based compensation		-	-	1,641,410	-	1,641,410	-	1,641,410
Net income and comprehensive income		-	-	-	14,580,512	14,580,512	295,731	14,876,243
Balance, December 31, 2008		163,889,159	90,384,469	4,884,800	(56,125,822)	39,143,447	295,731	39,439,178
Shares issued for								
Exercise of warrants	15			-	-	-	-	-
Exercise of stock options	15	501,300	843,364	(417,394)	-	425,970	-	425,970
Stock-based compensation				138,748	-	138,748	-	138,748
Net income and comprehensive income					(5,419,748)	(5,419,748)	505,390	(4,914,358)
Balance, September 30, 2009		164,390,459	91,227,833	4,606,154	(61,545,570)	34,288,417	801,121	35,089,538
Balance, December 31, 2007		156,561,424	76,281,053	4,271,321	(70,706,334)	9,846,040	-	9,846,040
Shares issued for								
Exercise of warrants		5,407,167	11,661,776	-	-	11,661,776	-	11,661,776
Exercise of stock options		1,920,568	2,441,640	(1,027,931)	-	1,413,709	-	1,413,709
Stock-based compensation		-	-	1,628,765	-	1,628,765	-	1,628,765
Net income and comprehensive income		-	-	-	9,037,080	9,037,080	-	9,037,080
Balance, September 30, 2008		163,889,159	90,384,469	4,872,155	(61,669,254)	33,587,370	-	33,587,370

Note: Amounts representing equity reserve arise from stock-based compensation provided to employees during the periods presented.

Jinshan Gold Mines Inc.

Consolidated interim statements of cash flows three and nine month periods ended September 30,

(Stated in U.S. dollars)

(Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
		(Note 23)		(Note 23)
Operating activities				
Net (loss)income before tax for the period	(2,543,979)	7,768,888	(3,015,260)	9,211,482
Items not requiring use of cash and cash equivalents				
Depreciation	1,633,589	723,885	4,164,708	731,989
Fair value change on warrant liabilities	1,816,820	(5,165,013)	2,981,228	(11,691,156)
Finance costs	1,642,879	1,476,965	3,932,322	1,818,228
Stock-based compensation	(27,702)	406,686	138,748	1,628,765
Unrealized foreign exchange (gain) loss	3,553,110	(1,749,767)	5,326,577	(2,454,057)
Change in non-cash operating working capital items				
Accounts receivable	(1,308,034)	11,987	(1,233,383)	182,362
Prepaid expenses and deposits	3,301,581	2,505,926	6,525,548	(1,693,218)
Amount due from a shareholder	1,433,577	-	-	-
Inventory	(8,455,541)	(5,592,131)	(8,820,467)	(5,857,533)
Accounts payable and accrued liabilities	23,565,965	(3,123,555)	26,146,331	(1,779,482)
	24,612,265	(2,736,130)	36,146,352	(9,902,621)
Cash generated from operations				
Interest paid	(2,711,947)	(2,886,503)	(5,448,974)	(5,863,854)
Income taxes paid	(936,877)	-	(1,899,098)	-
Net cash flows from operating activities	20,963,441	(5,622,633)	28,798,280	(15,766,475)
Investing activities				
Property, plant and equipment additions	(16,906,514)	(9,897,420)	(43,677,310)	(32,700,912)
Proceeds from sale of pre-commercial gold production	-	-	-	20,906,313
Restricted cash deposits paid	-	6,222,953	-	(7,778,692)
Restricted cash deposits received	-	(2,333,608)	5,215,704	-
Net cash flows from investing activities	(16,906,514)	(6,008,075)	(38,461,606)	(19,573,291)
Financing activities				
Issuance of common shares	425,970	5,505,726	425,970	11,022,869
Net customer advances	(17,143,615)	-	3,344,889	-
Short-term loan repayment	(19,028,035)	18,909,916	(30,620,889)	18,909,916
Proceeds from term loan	42,855,789	-	42,855,789	-
Net cash flows from financing activities	7,110,109	24,415,642	16,005,759	29,932,785
Effect of foreign exchange rate changes on cash and cash equivalents	(20,979)	(117,981)	(25,326)	(448,938)
Net increase(decrease) in cash and cash equivalents	11,146,057	12,666,953	6,317,107	(5,855,919)
Cash and cash equivalents, beginning of period	7,313,789	8,429,553	12,142,739	26,952,425
Cash and cash equivalents, end of period	18,459,846	21,096,506	18,459,846	21,096,506
Cash and cash equivalents are comprised of				
Cash in bank	18,459,846	21,096,506	18,459,846	21,096,506
Bank short-term deposits	-	-	-	-
	18,459,846	21,096,506	18,459,846	21,096,506

Jinshan Gold Mines Inc.

Notes to the consolidated interim financial statements

September 30, 2009

(Stated in U.S. dollars)

(Unaudited)

1. General business description

Jinshan Gold Mines Inc., formerly known as Pacific Minerals Inc., (the "Company") is a publicly listed company incorporated in British Columbia on May 31, 2000 with limited liability under the legislation of the Province of British Columbia and its shares are listed on the Toronto Stock Exchange. The Company together with its subsidiaries is principally engaged in the acquisition, exploration, development and mining of mineral properties in the People's Republic of China. The Company's substantial shareholder is China National Gold Group Corporation ("CNG"), a company registered in Beijing, China.

The head office, principal address and registered and records office of the Company are located at #1030 - 505 Burrard Street, Vancouver, BC, Canada, V7X 1M8.

The Financial Information is presented in United States Dollars ("\$") which is the functional currency of the principal subsidiaries.

2. Basis of preparation

These consolidated interim financial statements are unaudited and have been prepared in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These are the Company's first IFRS consolidated interim financial statements for part of the period covered by the Company's first IFRS consolidated annual financial statements for the year ending December 31, 2009. Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian generally accepted accounting principles ("GAAP").

The interim financial statements were prepared on a going concern basis, under the historical cost convention. The Company has net current liabilities of \$31,936,898 and has an accumulated deficit of \$61,545,570 as at September 30, 2009. The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain financing and generate positive cash flows from the Chang Shan Hao Gold Mine ("CSH Gold Mine"). The Company is monitoring cash flows generated from operations at the CSH Gold Mine against cash requirements for its operating costs, to fund other ongoing expenses, for capital expansion plans and for future business opportunities. The Company is also reviewing this in the context of loans that have been secured to finance the development and operations of the CSH Gold Mine as of September 30, 2009. At September 30, 2009, these loans include \$45,366,207 (Cdn\$50,000,000) (see Note 12 principal amount of senior unsecured promissory notes), of which \$27,564,222 (Cdn\$30,000,000) principal amount falls due in December 2009 and \$17,801,985 (Cdn\$20,000,000) principal amount falls due in June 2010, and trade credit extension by the Company's substantial shareholder, CNG, of \$3,429,253 (see Note 17).

Even in the context of increased financial performance at the CSH Gold Mine, the Company does not expect that cash flow from the CSH Gold Mine will be sufficient to cover all of its operating requirements, financial commitments and business development priorities during the next twelve months. Accordingly, the Company expects that it will need to obtain further financing in the form of debt, equity or a combination thereof for the next twelve months. If current market conditions and tightening credit markets persist for an extended time, they could negatively affect the Company's ability to obtain equity financing or external debt financing. There can be no assurance that additional funding will be available to the Company or, if available, that this funding will be on acceptable terms. If adequate funds are not available, the Company may be required to delay or reduce the scope of any or all of its development projects.

Jinshan Gold Mines Inc.

Notes to the consolidated interim financial statements

September 30, 2009

(Stated in U.S. dollars)

(Unaudited)

2. Basis of preparation (continued)

In September 2009, the CSH CJV received an unsecured bank loan in the principal amount of RMB 290.0 million (US\$42.5 million) from the Agricultural Bank of China. CNG provided a guaranty for the loan. The loan is repayable within five years from the date of the first draw-down. The interest rate is set at 10% below the floating rate set by The People's Bank of China and is payable on a yearly basis. In case of adjustment in the floating rate set by The People's Bank of China, the interest rate for the loan will be reset accordingly and take effect starting the month following the month in which the floating rate is adjusted. This loan was fully drawn down in September 2009.

3. Adoption of new and revised International Financial Reporting Standards

The International Accounting Standards Board ("IASB") has issued a number of new and revised International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and related Interpretations ("IFRICs") (hereinafter collectively referred to as the "new IFRSs") which are effective for the Company's financial year beginning on January 1, 2009 except for IFRIC 18 Transfer of Assets from Customers which is only effective for transfers on or after July 1, 2009. For the purpose of preparing and presenting the consolidated interim financial statements, the Company has consistently early adopted all these new IFRSs for the period presented.

At the date of authorization of these financial statements, the IASB has issued the following new and revised standards, amendment and interpretations which are not yet effective during the Relevant Periods.

- | | |
|-------------------------|---|
| • IFRSs (Amendments) | (Revised) Improvements to IFRS 5 as part of Improvements to IFRSs 2008 ⁽ⁱ⁾ |
| • IFRSs (Amendments) | (Revised) Improvements to IFRSs issued in 2009 ⁽ⁱⁱ⁾ |
| • IAS 24 (Revised) | Related Party Disclosures ⁽ⁱⁱⁱ⁾ |
| • IAS 27 (January 2008) | (Revised) Consolidated and Separate Financial Statements ⁽ⁱ⁾ |
| • IAS 32 (Amendment) | Classification of Rights Issues ^(iv) |
| • IAS 39 (Amendment) | Eligible Hedged Items ⁽ⁱ⁾ |
| • IFRS 2 (Amendment) | Group Cash-settled Share-based Payment Transactions ^(v) |
| • IFRS 3 | Business Combinations ⁽ⁱ⁾ |
| • IFRS 9 | Financial Instruments ^(vi) |
| • IFRIC 14 (Amendment) | Prepayments of a Minimum Funding Requirement ⁽ⁱⁱⁱ⁾ |
| • IFRIC 17 | Distributions of Non-cash Assets to Owners ⁽ⁱ⁾ |
| • IFRIC 18 | Transfers of Assets from Customers ^(vii) |
| • IFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments ^(viii) |

⁽ⁱ⁾ Effective for annual periods beginning on or after July 1, 2009

⁽ⁱⁱ⁾ Amendments that are effective for annual periods beginning on or after July 1, 2009 or January 1, 2010, as appropriate

⁽ⁱⁱⁱ⁾ Effective for annual periods beginning on or after January 1, 2011

^(iv) Effective for annual periods beginning on or after February 1, 2010

^(v) Effective for annual periods beginning on or after January 1, 2010

^(vi) Effective for annual periods beginning on or after January 1, 2013

^(vii) Effective for transfers on or after July 1, 2009

^(viii) Effective for annual periods beginning on or after July 1, 2010

The Company anticipates that the application of these standards, amendments and interpretations will have no material impact on the consolidated financial statements of the Company.

Jinshan Gold Mines Inc.

Notes to the consolidated interim financial statements

September 30, 2009

(Stated in U.S. dollars)

(Unaudited)

4. Summary of significant accounting policies

The consolidated interim financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

(a) *Basis of consolidation*

These consolidated interim financial statements include the financial statements of the Company and its controlled subsidiaries. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

All intra-company transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interest in the net assets of consolidated subsidiaries is identified separately from the Company's equity. Non-controlling interest consists of the non-controlling interest at the date of the original business combination plus the non-controlling interest's share of changes in equity since the date of the combination. Losses applicable to the non-controlling interest in excess of their interest in the subsidiary's equity are allocated against the interests of the Company except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

(b) *Foreign currencies*

The Company's presentation currency and the functional currency of all of its operations is the U.S. dollar as this is the principal currency of the economic environment in which they operate.

Transactions in foreign currencies are initially recorded in the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of each reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

All gains and losses on translation of these foreign currency transactions are included in profit or loss.

Jinshan Gold Mines Inc.

Notes to the consolidated interim financial statements

September 30, 2009

(Stated in U.S. dollars)

(Unaudited)

4. Summary of significant accounting policies (continued)

(c) *Revenue recognition*

Revenue from the sale of gold is recognized when there has been a transfer of risks and rewards to the customer, no further work or processing is required by the Company, the quantity and quality of the goods has been determined with reasonable accuracy, the price is fixed or determinable, and collectability is reasonably assured. This is generally when title passes and the goods have been delivered to a contractually agreed location.

Revenue is commonly subject to adjustment based on an inspection of the product by the customer. In such cases, revenue is initially recognized on a provisional basis using the Company's best estimate of contained metal and adjusted subsequently.

Revenue is not reduced for other taxes payable from the Company's production.

Interest income is recognized in the consolidated interim statement of comprehensive income as it accrues, using the effective interest method.

(d) *Share-based payments*

The Company grants stock options to buy common shares of the Company to directors, officers and employees. The board of directors grants such options for periods of up to six years, with vesting periods determined at its sole discretion and at prices equal to the weighted average price of the common shares for the five days on which they were funded immediately preceding the date the options were granted.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

Where the terms of a stock option is modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the stock-based compensation arrangement, or is otherwise beneficial to the employee as measured at the date of modification over the remaining vesting period.

(e) *Borrowing costs*

Borrowing costs are generally expensed as incurred except where they relate to the financing of construction or development of qualifying assets requiring a substantial period of time to prepare for their intended future use.

Borrowing costs are capitalized up to the date where the asset is ready for its intended use. The amount of borrowing costs capitalized (before the effects of income tax) for the period is determined by applying the interest rate applicable to appropriate borrowings outstanding during the period to the average amount of capitalized expenditure for the qualifying assets during the period.

Jinshan Gold Mines Inc.

Notes to the consolidated interim financial statements

September 30, 2009

(Stated in U.S. dollars)

(Unaudited)

4. Summary of significant accounting policies (continued)

(f) *Income taxes*

The tax expense represents the sum of the current tax charge and the movement in deferred tax.

The tax currently payable is based on taxable income for the period. Taxable income differs from net income as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are not taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable income and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill or an asset or liability in a transaction (other than in a business combination) that affects neither the tax profit nor accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investment in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and is adjusted to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited in profit or loss, except when it relates to items charged or credit directly to other comprehensive income, in which case the deferred tax is also taken directly to other comprehensive income.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(g) *Earnings (loss) per share*

Basic earnings (loss) per share is computed by dividing the net earnings (loss) attributable to common shareholders by the weighted average number of shares outstanding during the reporting period.

Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that (i) net earnings (loss) attributable to common shareholders are adjusted for fair value gains or losses of warrants (if dilutive) and (ii) the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants (if dilutive).

Jinshan Gold Mines Inc.

Notes to the consolidated interim financial statements

September 30, 2009

(Stated in U.S. dollars)

(Unaudited)

4. Summary of significant accounting policies (continued)

(g) *Earnings (loss) per share (continued)*

The number of additional shares is calculated by assuming that outstanding dilutive stock options and warrants were exercised and that the proceeds from such exercises (after adjustment of any unvested portion of stock options) were used to acquire common stock at the average market price during the reporting periods.

(h) *Business combinations*

The acquisitions of businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognized at their fair values at the acquisition date.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss after re-assessment.

The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

(i) *Cash and cash equivalents*

Cash and cash equivalents comprise cash at banks and on hand, and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

(j) *Inventory*

Gold in process inventory consists of gold contained in the ore on leach pads and in-circuit material within processing operations. Gold doré is gold awaiting refinement. Gold inventories are valued at the lower of average production cost or net realizable value.

Jinshan Gold Mines Inc.

Notes to the consolidated interim financial statements

September 30, 2009

(Stated in U.S. dollars)

(Unaudited)

4. Summary of significant accounting policies (continued)

(j) *Inventory (continued)*

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimated selling price per ounce of gold is determined by the average of predicted future gold prices over the next twelve months. The estimated costs of completion are refining costs which are determined based on current refining costs per ounce of gold charged by its customers. Consequently, there are no additional selling costs.

(i) Gold in process inventory

Production costs are capitalized and included in gold in process inventory based on the current mining and processing cost incurred up to the point prior to the refining process including the cost of raw materials and direct labour; mine-site overhead expenses; and allocated indirect costs, including depreciation and depletion of mining interests, and removed at the average production cost per recoverable ounce of gold.

(ii) Gold doré inventory

The recovery of gold from ore is achieved through a heap leaching process. Under this method, ore is placed on leach pads where it is treated with a chemical solution which dissolves the gold contained in the ore. The resulting "pregnant" solution is further processed in a plant where the gold is recovered. For accounting purposes, costs are added to ore on leach pads using current mining and leaching costs, including applicable depreciation and depletion relating to mining interests. Costs are removed from ore on leach pads as ounces of gold are recovered based on the average cost per recoverable ounce on the leach pad. Estimates of recoverable gold on the leach pads are calculated from the quantities of ore placed on the leach pads (measured in tonnes added to the leach pads), the grade of the ore placed on the leach pads (based on assay data), and a recovery percentage (based on ore type).

Consumables used in operations, such as fuel, chemicals, and reagents and spare parts inventory are valued at the lower of cost or net realizable value.

(k) *Property, plant and equipment*

(i) General

Property, plant and equipment are recorded at cost less accumulated depreciation, depletion and impairment charges.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment.

Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Directly attributable expenses incurred for major capital projects and site preparation are capitalized until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent these are recognized as a provision.

Jinshan Gold Mines Inc.

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(Stated in U.S. dollars)

(Unaudited)

4. Summary of significant accounting policies (continued)

(k) *Property, plant and equipment (continued)*

(i) General (continued)

Management reviews the estimated useful lives, residual values and depreciation methods of the Company's property, plant and equipment at the end of each financial reporting period and when events and circumstances indicate that such a review should be made. Changes to estimated useful lives, residual values or depreciation methods resulting from such review are accounted for prospectively.

All direct costs related to the acquisition of mineral property interests are capitalized, at their cost at the date of acquisition, by property.

(ii) Exploration and evaluation expenditure

Drilling and related costs incurred on sites without an existing mine and on areas outside the boundary of a known mineral deposit which contains proven and probable reserves are exploration and evaluation expenditures and are expensed as incurred to the date of establishing that costs incurred are economically recoverable. Further exploration and evaluation expenditures, subsequent to the establishment of economic recoverability, are capitalized and included in the carrying amount of the mineral assets.

Management evaluates the following criteria in its assessments of economic recoverability and probability of future economic benefit:

- Geology - whether or not there is sufficient geologic and economic certainty of being able to convert a residual mineral deposit into a proven and probable reserve at a development stage or production stage mine, based on the known geology and metallurgy. A history of conversion of resources to reserves at operating mines to support the likelihood of conversion.
- Scoping - there is a scoping study or preliminary feasibility study that demonstrates the additional resources will generate a positive commercial outcome. Known metallurgy provides a basis for concluding there is a significant likelihood of being able to recoup the incremental costs of extraction and production.
- Accessible facilities - mining property can be processed economically at accessible mining and processing facilities where applicable.
- Life of mine plans - an overall life of mine plan and economic model to support the mine and the economic extraction of resources/reserves exists. A long-term life of mine plan, and supporting geological model identifies the drilling and related development work required to expand or further define the existing orebody.
- Authorizations - operating permits and feasible environmental programs exist or are obtainable.

Jinshan Gold Mines Inc.

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(Unaudited)

4. Summary of significant accounting policies (continued)

(k) *Property, plant and equipment (continued)*

(ii) Exploration and evaluation expenditure (continued)

Therefore prior to capitalizing exploration drilling and related costs, management determines that the following conditions have been met that will contribute to future cash flows:

- There is a probable future benefit that will contribute to future cash inflows;
- The Company can obtain the benefit and controls access to it;
- The transaction or event giving rise to the future benefit has already occurred; and
- Costs incurred can be measured reliably.

(iii) Development expenditure

Drilling and related costs incurred to define and delineate a mineral deposit at a development stage or production stage mine are capitalized as part of mineral assets in the period incurred, when management determines that there is sufficient evidence that the expenditure will result in a probable future economic benefit to the Company.

(iv) Production expenditure

Capitalization of costs incurred ceases when the related mining property has reached production levels intended by management. Incidental operations are considered necessary to bring mineral assets to the condition necessary for it to be capable of operating in the manner intended by management. Therefore costs incurred prior to reaching production levels intended by management are capitalized and the proceeds from sales prior to commissioning are offset against costs capitalized.

Mine development costs incurred to maintain current production are included in profit or loss. The distinction between mining expenditures incurred to develop new orebodies and to develop mine areas in advance of current production is mainly the production timeframe of the mining area. For those areas being developed which will be mined in future periods, the costs incurred are capitalized and depleted when the related mining area is mined as compared to current production areas where development costs are expensed as incurred.

Jinshan Gold Mines Inc.

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(Unaudited)

4. Summary of significant accounting policies (continued)

(k) *Property, plant and equipment (continued)*

(iv) Production expenditure (continued)

For open-pit operations the removal of overburden or waste ore is required to obtain access to the orebody. To the extent that the actual waste material removed per tonne of ore mined (known as the stripping ratio) is higher than the average stripping ratio in the early years of a mine's production phase, the costs associated with this process are deferred and charged to operating costs using the expected average stripping ratio over the average life of the area being mined. This reflects the fact that waste removal is necessary to gain access to the orebody and therefore realize future economic benefit. The average stripping ratio is calculated as the number of tonnes of waste material expected to be removed during the life of mine, per tonne of ore mined. The average life of mine cost per tonne is calculated as the total expected costs to be incurred to mine the orebody divided by the number of tonnes expected to be mined. The cost of stripping in any period will therefore be reflective of the average stripping rates for the orebody as a whole. However, where the pit profile is such that the actual stripping ratio is below the average in the early years no deferral takes place as this would result in recognition of a liability for which there is no obligation. Instead this position is monitored and when the cumulative calculation reflects a debit balance deferral commences. The average life of mine stripping ratio and the average life of mine cost per tonne are recalculated annually in light of additional knowledge and changes in estimates. Changes in the life of mine stripping ratio are accounted for prospectively as a change in estimate.

(v) Depreciation

Mineral assets are depreciated using the unit-of-production method based on the estimated total recoverable ounces contained in proven and probable reserves at the related mine when the production level intended by management has been reached.

The production level intended by management is considered to be reached when operational commissioning of major mine and plant components is completed, operating results are being achieved consistently for a period of time and there are indicators that these operating results will be sustained. Other factors include one or more of the following:

- A significant utilization rate of plant capacity has been achieved;
- A significant portion of available funding is directed towards operating activities;
- A pre-determined, reasonable period of time of stable operation has passed; and
- A development project significant to the primary business objective of the Company has been completed and significant milestones have been achieved.

Management reviews the estimated total recoverable ounces contained in proven and probable reserves at the end of each reporting period and when events and circumstances indicate that such a review should be made. Changes to estimated total recoverable ounces contained in proven and probable reserves are accounted for prospectively.

Effective on July 1, 2008, the Company determined that the CSH Gold Mine had reached the production level intended by management.

Jinshan Gold Mines Inc.

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(Unaudited)

4. Summary of significant accounting policies (continued)

(k) *Property, plant and equipment (continued)*

(v) Depreciation (continued)

Plant and equipment are depreciated using the straight-line method over the estimated useful lives of the related assets. The significant classes of plant and equipment and their estimated useful lives are as follows:

Buildings	10 years
Furniture and office equipment	2 to 5 years
Machinery and equipment	3 to 10 years
Motor vehicles	5 years

Assets under construction are depreciated when they are substantially complete and available for their intended use, over their estimated useful lives.

Assets held under finance leases are depreciated over the shorter of the lease term and the estimated useful lives of the assets.

(vi) Impairment

The Company's tangible and intangible assets are reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit or loss.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

Jinshan Gold Mines Inc.

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(Stated in U.S. dollars)

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4. Summary of significant accounting policies (continued)

(l) *Financial assets*

(i) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held for trading unless they are designed as effective hedges.

Financial assets at FVTPL are initially recognized, and subsequently carried, at fair value, with changes recognized in profit or loss. Transaction costs are expensed.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months or those that are expected to be settled after 12 months from the end of the reporting period, which are classified as non-current assets. Assets in this category include "accounts receivable", "cash and cash equivalents" and "restricted cash".

Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

(iii) Effective interest method

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

(iv) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

Jinshan Gold Mines Inc.

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September 30, 2009

(Stated in U.S. dollars)

(Unaudited)

4. Summary of significant accounting policies (continued)

(l) *Financial assets*

(iv) Impairment of financial assets (continued)

The carrying amount of all financial assets, excluding accounts receivable, is directly reduced by the impairment loss. The carrying amount of trade receivable is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(v) Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

(m) *Financial liabilities and equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing in the near future; or
- It is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

Jinshan Gold Mines Inc.

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4. Summary of significant accounting policies (continued)

(m) *Financial liabilities and equity (continued)*

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss.

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

(i) Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period.

(ii) Warrant liabilities

The Company has issued share purchase warrants with Canadian dollar exercise prices (Note 15 (c)). As a result of having exercise prices denominated in other than the Company's functional currency, being the U.S. dollar, these warrants meet the definition of derivatives and were therefore classified as held for trading and measured at FVTPL prior to their exercise and expiry dates.

(iii) Other financial liabilities

The Company has classified accounts payable, net customer advances and borrowings as other financial liabilities.

(iv) Derecognition of financial liabilities

For financial liabilities, they are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

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4. Summary of significant accounting policies (continued)

(n) *Environmental rehabilitation*

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a mining property. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized as part of the related property, plant and equipment at the start of each project, as soon as the obligation to incur such costs arises. These costs are recognized in profit or loss over the life of the operation, through the depreciation of the asset. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and recognized in profit or loss as extraction progresses.

Changes in the measurement of a liability relating to the decommissioning of plant or other site preparation work that result from changes in the estimated timing or amount of the cash flow, including the effects of inflation and movements in foreign exchange rates, revisions to estimated reserves, resources and lives of operations, or a change in the discount rate, are added to, or deducted from, the cost of the related asset in the period it occurred. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognized immediately in profit or loss. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed in accordance with the accounting policy set out in Note 4 (k)(vi).

(o) *Leases*

Rentals payable under operating leases are expensed on a straight-line basis over the term of the relevant lease. Incentives received upon entry into an operating lease are recognized on a straight-line basis over the lease term.

(p) *Provisions*

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation estimated at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

(q) *Related party transactions*

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

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5. Significant accounting judgements and estimates

In the process of applying the Company's accounting policies, which are described in Note 4, the directors of the Company have identified the following judgement and key sources of estimation uncertainty that have significant effect on the amounts recognized in the financial information. The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months, are discussed below.

(a) *Inventories*

The Company records the cost of mining ore placed on its leach pads and in process at its mine as gold-in-process inventory, and values gold-in-process inventory at the lower of cost and estimated net realizable value. These costs are charged to earnings and included in cost of sales on the basis of ounces of gold recovered. The assumptions used in the valuation of gold-in-process inventories include estimates of gold contained in the ore placed on leach pads, assumptions of the amount of gold that is expected to be recovered from the ore placed on leach pads, and the amount of gold in the process plant and an assumption of the gold price expected to be realized when the gold is recovered. If these estimates or assumptions prove inaccurate, the Company could be required to write down the recorded value of its gold-in-process inventories.

Although the quantities of recoverable gold placed on the leach pad are reconciled by comparing the grades of ore placed on the leach pad to the quantities actually recovered, the nature of the leaching process inherently limits the ability to precisely monitor inventory levels. The actual recovery of gold from the leach pad is not known until the leaching process has concluded at the end of the mine life.

(b) *Property, plant and equipment*

The Company's property, plant and equipment is depreciated and amortized on either a unit-of-production basis or straight-line method over their estimated useful lives. Under the unit-of-production method, the calculation of depreciation of property, plant and equipment is based on the amount of reserves expected to be recovered from the mine. If these estimates of reserves prove to be inaccurate, or if the Company revises its mining plan, due to reductions in the metal price forecasts or otherwise, to reduce the amount of reserves expected to be recovered, the Company could be required to write down the recorded value of its property, plant and equipment, or to increase the amount of future depreciation and depletion expense.

In addition, IFRS requires the Company to consider at the end of each reporting period whether there has been an impairment indicator of its property, plant and equipment. If the Company determines there has been an impairment because its prior estimates of future net cash flows have proven to be inaccurate, due to reductions in the metal price forecasts, increases in the costs of production, reductions in the amount of reserves expected to be recovered or otherwise, or because the Company has determined that the deferred costs of non-producing properties may not be recovered based on current economics or permitting considerations, the Company would be required to write down the recorded value of its property, plant and equipment.

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(Unaudited)

5. Significant accounting judgements and estimates (continued)

(c) *Environmental rehabilitation*

Environmental rehabilitation costs have been estimated based on the Company's interpretation of current regulatory requirements and have been measured at the net present value of expected future cash expenditures upon reclamation and closure. Environmental rehabilitation costs are capitalized as mineral assets costs and depreciated over the life of the mine. Because the fair value measurement requires the input of subjective assumptions, including the environmental rehabilitation costs, changes in subjective input assumptions can materially affect the estimate of the obligation.

(d) *Warrants issued with Canadian dollar exercise prices*

The fair value of warrants issued with Canadian dollar exercise prices are subject to the limitation of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

6. Finance costs

The finance costs for the Company are broken down as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
Effective interest	2,743,621	1,477,229	7,002,987	6,310,699
Accretion on environmental rehabilitation	96,889	92,568	298,996	272,626
	2,840,510	1,569,797	7,301,983	6,583,325
Less: Amount capitalized	(1,010,526)	(92,832)	(3,369,661)	(4,765,097)
Total finance costs	1,829,984	1,476,965	3,932,322	1,818,228

Interest has been capitalized at the rate of interest applicable to the specific borrowings financing the assets under construction, or, where financed through general borrowings, at a capitalization rate representing the average interest rate on such borrowings.

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7. Earnings (loss) per share

Earnings (loss) used in determining earnings per share ("EPS") are presented below:

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
(Loss) income attributable to owners of the Company for the purpose of basic earnings (loss) per share	(3,753,345)	7,594,486	(5,419,748)	9,037,080
Effect of dilutive potential ordinary shares:				
Fair value change on warrant liabilities	N/A	5,165,013	N/A	11,691,156
(Loss) income attributable to owners of the Company for the purpose of diluted earnings (loss) per share	N/A	12,759,499	N/A	20,728,236
Weighted average number of shares, basic	164,183,461	163,586,648	163,981,604	161,445,001
Dilutive securities:				
Options	-	1,189,235	-	1,189,236
Warrants	-	-	-	-
Weighted average number of shares, diluted	164,183,461	164,775,883	163,981,604	162,634,237
Basic (loss) earnings per share	(2.29) cents	4.64 cents	(3.31) cents	5.60 cents
Diluted (loss) earnings per share	(2.29) cents	7.74 cents	(3.31) cents	12.75 cents

Due to a net loss for the nine month periods ended September 30, 2009, all stock options and warrants (disclosed in Notes 15 (b) and (c)) were excluded from the diluted EPS Computation because their effect would have been anti-dilutive.

8. Restricted cash

In December 2008, the Company's subsidiary in China, Inner Mongolia Pacific Mining Co. Ltd. ("Inner Mongolia Pacific"), received \$1,326,358 (RMB 9,000,000) from the local Chinese tax authority. These funds were temporarily held on behalf of the local Chinese tax authority and therefore, not available for use by the Company and were returned to the local Chinese tax authority in January 2009.

The Company signed a contract with an equipment manufacturer to purchase crusher equipment for \$15,557,383 to be delivered in early 2009. The Company established a \$15,000,000 letter of credit facility with its bank and opened a \$14,001,645 standby letter of credit for the purchase of the equipment. As security for the standby letter of credit, which expired on January 15, 2009, the Company placed \$14,001,645 as restricted cash with its bank. The Company has reduced its standby letter of credit to \$3,889,346 after making progress payments of \$10,112,299 and the security placed with its bank reduced to \$3,889,346 as of December 2008. The standby letter of credit expired on January 15, 2009 and the security was released in full. On February 19, 2009, the Company paid \$3,889,346 to the equipment supplier.

Jinshan Gold Mines Inc.

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9. Prepaid expenses and deposits

	September 30, 2009	December 31, 2008
	\$	\$
Refundable CSH Gold Mine construction deposits	-	3,975,699
Rent deposits	254,761	358,875
Permit advance	-	426,063
Insurance	149,556	304,757
Prepaid resource taxes	-	1,476,319
Other	246,637	634,789
	<u>\$ 650,954</u>	<u>\$ 7,176,502</u>

10. Inventory

	September 30, 2009	December 31, 2008
	\$	\$
Gold in process	29,587,231	25,136,984
Gold doré bars	5,777,366	1,013,325
Consumables	438,385	1,328,923
Spare parts	1,100,637	165,535
	<u>36,903,619</u>	<u>29,147,278</u>

Inventory totaling \$28,451,961 and \$7,394,137 for the nine month periods ended September 30, 2009 and 2008, respectively, was recognized in cost of sales after commercial production began. As at September 30, 2009, the Company anticipates the entire gold in process and gold doré bar balance of \$29,587,231 and \$5,777,366 to be realized within one year.

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Notes to the consolidated interim financial statements

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11. Property, plant and equipment

	Motor vehicles	Furniture and office equipment	Machinery and equipment	Buildings	Mineral assets	Construction in progress	Total
	\$	\$	\$	\$	\$	\$	\$
<i>Cost</i>							
As at December 31, 2007	1,090,237	625,544	24,974,179	4,058,146	26,108,626	41,316	56,898,048
Additions	223,732	171,533	-	217,655	6,250,322	28,685,801	35,549,043
Disposals	(129,833)	(74,105)	(51,357)	-	-	-	(255,295)
Transfer to inventory	-	-	-	-	(20,401,790)	-	(20,401,790)
As at December 31, 2008	1,184,136	722,972	24,922,822	4,275,801	11,957,158	28,727,117	71,790,006
Additions	31,568	93,734	859,088	521,267	12,019,281	42,039,018	55,563,957
Disposals	(56,351)	(6,966)	(1,103,785)	-	-	(1,022,757)	(2,189,860)
Transfer from CIP	-	-	900,126	-	-	(900,126)	-
As at September 30, 2009	1,159,353	809,740	25,578,251	4,797,068	23,976,439	68,843,252	125,164,103
<i>Accumulated depreciation</i>							
As at December 31, 2007	(193,385)	(279,723)	(798,767)	(114,103)	-	-	(1,385,978)
Charge for the year	(236,557)	(149,452)	(2,216,229)	(375,875)	(579,372)	-	(3,557,485)
Eliminated on disposals	65,471	70,202	-	-	-	-	135,673
As at December 31, 2008	(364,471)	(358,973)	(3,014,996)	(489,978)	(579,372)	-	(4,807,790)
Charge for the year	(183,092)	(140,397)	(1,762,022)	(285,941)	(2,064,722)	-	(4,436,174)
Eliminated on disposals	85,816	6,966	196,538	-	-	-	289,320
As at September 30, 2009	(461,747)	(492,404)	(4,580,480)	(775,919)	(2,644,094)	-	(8,954,644)
<i>Carrying value</i>							
As at December 31, 2007	896,852	345,821	24,175,412	3,944,043	26,108,626	41,316	55,512,070
As at December 31, 2008	819,665	363,999	21,907,826	3,785,823	11,377,786	28,727,117	66,982,216
As at September 30, 2009	697,606	317,336	20,997,771	4,021,149	21,332,345	68,843,252	116,209,459

Included in the cost above is \$14,076,413 and \$11,121,750 as at September 30, 2009 and December 31, 2008 related to finance costs which has been capitalized as construction in progress and mineral assets during the period.

Construction in progress as at September 30, 2009 and December 31, 2008 consisted of the crusher construction for the CSH Gold Mine and a building under construction as at December 31, 2007.

Mineral assets consist of development costs capitalized for the CSH Gold Mine commencing on May 1, 2006, when the Company determined by way of a feasibility study that the CSH Gold Mine had economically recoverable reserves. Capitalization of development costs, as part of mineral assets, stopped when the CSH Gold Mine entered into commercial production on July 1, 2008. Deferred development costs included mine operating costs net of proceeds received from the sale of pre-commercial gold production and accordingly, the measurement and valuation of gold inventory at July 1, 2008 resulted in the reclassification of \$20,401,790 to inventory from mineral assets.

Jinshan Gold Mines Inc.

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11. Property, plant and equipment (continued)

Mineral property interests

(a) CSH Gold Mine

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

In April 2002, the Company entered into a joint venture agreement with a Chinese partner, the Brigade 217 of the Northwest Geological Bureau ("the Brigade"), to acquire up to a 96.5% interest in the CSH Gold Mine. In April 2005, the Company completed its earn-in obligations and acquired the 96.5% interest. The Chinese partner was also entitled to receive from the Company two \$1,000,000 payments, the first of which was paid in May 2007, and the second was paid in February 2008.

	December 31, 2007	Incurred during the year	December 31, 2008	Incurred during the period	September 30, 2009
	\$	\$	\$	\$	\$
Exploration expenditure CSH charged to profit or loss	7,029,874	1,806,489	8,836,363	19,384	8,855,747
Mineral assets	26,108,626	(14,151,468)	11,957,158	23,976,439	35,933,597
Construction in progress	41,316	27,799,105	27,840,421	68,843,252	96,683,673

(b) Dadiangou Gold Project

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

In September 2005, the Company entered into a joint venture agreement with its Chinese partner, Nuclear Industry Northwest Economic and Technology Company ("NINETC"), 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 \$3,700,000 over the first three years of exploration commencing on September 19, 2006 and making payments to NINETC of approximately \$1,494,080 (of which \$125,000 has been paid). The Company can increase its interest to 80% by incurring additional exploration expenditures of approximately \$3,200,000 and by making additional payments of approximately \$360,000 to NINETC. NINETC can then choose to participate at a 20% level for all future expenditures, or have their ownership interest diluted. Up to September 30, 2009, the Company had not incurred the required exploration expenditure and its interest in this project remained as 71% as at September 30, 2009 and 2008.

	December 31, 2007	Incurred during the year	December 31, 2008	Incurred during the period	September 30, 2009
	\$	\$	\$	\$	\$
Exploration expenditure DDG charged to profit or loss	3,825,906	1,601,996	5,427,902	307,199	5,735,101

Jinshan Gold Mines Inc.

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11. Property, plant and equipment (continued)

Mineral property interests (continued)

(c) Xinjiang Projects

The Company held two exploration permits covering 96 km² in the Xinjiang Uygur Autonomous Region ("Xinjiang") of Northwest China. The permits were held under a Chinese-Foreign Joint Venture in which the Company held a 99% interest and the partner, Yunnan Geological and Mining Co. Ltd., held a 1% interest. The permits were granted in June 2006 and expired on June 30, 2009. The Company had not renewed the permits and ceased further development in this site subsequent to June 30, 2009.

	December 31, 2007	Incurred during the year	December 31, 2008	Incurred during the period	September 30, 2009
	\$	\$	\$	\$	\$
Exploration expenditure XNJ charged to profit or loss	3,062,247	813,623	3,875,870	411,586	4,287,456

12. Borrowings

	Effective interest rate	Maturity	September 30, 2009	December 31, 2008
	%		\$	\$
Current				
Short-term loan (i)	6.21	March 26, 2009	-	18,672,730
Notes payable (ii)	19.54	December 14, 2009	27,564,222	22,930,784
Current portion of term loan - ABC	5.184	September 9, 2010	1,466,340	-
Notes payable (ii)	19.48	June 26, 2010	17,801,985	-
			46,832,547	41,603,514
Non-current				
Notes payable (ii)	19.48	June 26, 2010	-	14,929,121
Term loan - ABC	5.184	September 9, 2014	41,389,449	-
			41,389,449	14,929,121
Total borrowings			88,221,996	56,532,635

(i) Short-term loan

In June 2009, IMP secured a non-revolving credit facility for \$30,732,757 (RMB 210,000,000) from CNG. The credit facility is unsecured and bears interest payable monthly at 5.31% per annum. The credit facility matured on September 30, 2009.

As of September 30, 2009, the Company had fully paid RMB 130 million (US\$19.0 million), being the aggregate amount the Company had drawn down under this credit facility.

Jinshan Gold Mines Inc.

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12. Borrowings (continued)

(i) Short-term loan (continued)

The Company received \$18,909,916 (RMB 130,000,000) of the bridge loan proceeds from the Industrial and Commercial Bank of China in September 2008, to support operations at the CSH Gold Mine during the construction and installation of crushers. The bridge loan was unsecured, denominated in RMB at an annual interest rate of 6.21%. Interest was payable monthly and the principal amount was repayable in installments of \$4,421,192 (RMB 30,000,000) in January 2009, \$7,368,654 (RMB 50,000,000) in February 2009, and \$7,368,654 (RMB 50,000,000) in March 2009. The principal amount was fully repaid by March 26, 2009. Principal repayments of \$14,600,000 (RMB 100,000,000) were funded by an advance from CNG as prepayment of future gold sales to CNG. The bridge loan was guaranteed by the Company's substantial shareholder, CNG.

As a condition of its promissory note holders consenting to the unsecured bridge loan, the Company has extended to December 14, 2010 the expiry date of 3,860,000 common share purchase warrants to purchase 3,860,000 common shares issued in connection with a note offering that closed in December 2006 (Note A), and has extended to June 26, 2011 the expiry date of 2,450,000 warrants to purchase 2,450,000 common shares in connection with a note offering that closed in June 2007 (Note B and C). The holders of the warrants may exercise the warrants at the original exercise price of Cdn\$1.60 per common share in the case of the warrants issued in connection with the December 2006 note offering and Cdn\$2.50 in the case of the warrants issued in connection with the June 2007 note offering, until the new expiry date. No other terms of the warrants were changed. As a result of the warrant expiry date extensions, the Company determined the additional value of the warrants taking into account the expiry date extensions and recorded the incremental value of \$1,294,238 as a cost of obtaining the bridge loan. The effective interest rate of the bridge loan is 19.91%.

The fair values of the warrants after expiry dates extension totaling \$1,383,080 were measured using the Black-Scholes option pricing model and were based on risk free annual interest rates ranging from 2.9% to 3.0%, expected lives ranging from 2.21 to 2.74 years, an expected volatility of 62%, and a dividend yield rate of nil. The fair values of the warrants are included in warrant liability in the Company's consolidated statement of financial position.

Effective interest recognized for the bridge loan, until its repayment on March 26, 2009, was \$485,769 for the nine month period ended September 30, 2009.

(ii) Notes payable

	Note A	Note B	Note C	Total
	\$	\$	\$	\$
Balances of notes payable,				
December 31, 2007	26,708,698	10,819,046	6,739,279	44,267,023
Unrealized foreign exchange gain	(5,429,323)	(2,191,334)	(1,349,697)	(8,970,354)
Effective interest	4,906,233	1,978,923	1,112,604	7,997,760
Interest paid	(3,254,824)	(1,359,657)	(820,043)	(5,434,524)
Balances of notes payable,				
December 31, 2008	22,930,784	9,246,978	5,682,143	37,859,905
Unrealized foreign exchange loss	3,355,313	1,350,134	824,216	5,529,663
Effective interest	3,604,574	1,446,619	802,858	5,854,051
Interest paid	(2,326,449)	(969,351)	(581,612)	(3,877,413)
Balances of notes payable,				
September 30, 2009	27,564,221	11,074,380	6,727,604	45,366,206

Jinshan Gold Mines Inc.

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12. Borrowings (continued)

(ii) Notes payable (continued)

(a) *Note A*

On December 14, 2006, the Company completed a \$25,935,546 (Cdn\$30,000,000) ("Note A") private placement offering consisting of senior unsecured promissory notes ("Notes") and 6,000,000 warrants for financing the development of the CSH Gold mine. The Notes mature on December 14, 2009, are repayable in Canadian dollars, and carry an annual interest rate of 12%. Interest on the Notes is payable on a calendar quarterly basis commencing on March 31, 2007. The Company can elect to prepay the Notes anytime after 18 months from the issue date with no prepayment penalty. The effective interest rate is 19.54%.

The Company has allocated the \$25,935,546 face value of the private placement offering to the Notes and warrants based on the fair value of the warrants and the Notes. 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 two years, an expected volatility of 79%, and a dividend yield rate of Nil. Each warrant entitles the holder to acquire one common share at Cdn\$1.60 each and expires on December 14, 2008 (see Note 15 (c)). The expiry date has been extended to December 14, 2010 (see Note 12 (i)).

The Company has the right to accelerate the expiry date of the warrants anytime 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.

(b) *Notes B and C*

On June 26, 2007, the Company concluded an \$18,668,907 (Cdn\$20,000,000) private placement offering consisting of senior unsecured promissory notes ("June 07 Notes") and 4,000,000 warrants. Ivanhoe Mines Ltd. ("Ivanhoe Mines"), a substantial shareholder of the Company at that time, purchased \$7,000,840 (Cdn\$7,500,000) ("Note C") of the June 07 Notes and \$11,668,067 (Cdn\$12,500,000) ("Note B") was purchased by third parties. The June 07 Notes mature on June 26, 2010, are repayable in Canadian dollars and carry an annual interest rate of 12%. Interest on the June 07 Notes is payable on a calendar quarterly basis commencing on September 30, 2007. The Company can elect to prepay Note B anytime after 18 months from the issue date with no prepayment penalty and Note C after six months from the issue date with no prepayment penalty. Note B ranks *pari passu* with the notes issued in December 2006 ("Note A") while Note C is subordinate to Notes A and B. The effective interest rate of Note B and Note C is 19.48% and 17.66% respectively.

The Company has allocated the \$18,668,907 face value of the private placement offering to the June 07 Notes and warrants based on the fair value of the warrants and the June 07 Notes. The fair value of the warrants was measured using the Black-Scholes option pricing model and was based on a risk free annual interest rate of 4.6%, an expected life of two years, an expected volatility of 72%, and a dividend yield rate of Nil. Each warrant entitles the holder to acquire one common share at Cdn\$2.50 and expires on June 26, 2009 (see Note 15 (c)). The expiry date has been extended to June 26, 2011 (see Note 12 (i)).

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12. Borrowings (continued)

(ii) Notes payable (continued)

(b) *Notes B and C (continued)*

The Company has the right to accelerate the expiry date of the warrants anytime 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\$4.25 for 20 consecutive trading days.

(iii) Term loan

On September 14, 2009, the Company announced that its subsidiary, IMP, secured a five-year RMB 290,000,000 (\$42,000,000) term loan ("Term Loan") from the Agricultural Bank of China. The purpose of the Term Loan is to satisfy the outstanding funding requirements for the capital expansion project at the CSH Gold Mine, which includes replacing all funds advanced under the temporary capital expansion loan provided by CNG in June 2009. The Term Loan is supported by a guarantee from CNG and matures in five years. The annual interest rate for the Term Loan is currently 5.184%, which is set at 10% below the floating benchmark rate set by The People's Bank of China and interest is payable monthly. The Term Loan principal is repayable through periodic installments with RMB 10,000,000 due in each of September 2010 and 2011 and further installments of RMB 30,000,000 due in successive three-month intervals starting in September 2012 through to September 2014, when the remaining outstanding balance is scheduled to be repaid in full.

13. Income tax expense

For the three and nine months ended September 30, 2009, IMP made installment payments totaling \$936,877 (RMB 6,573,416) and \$1,899,098 (RMB 13,135,475) for corporation income tax in China. The installment payments were based only on the current year net operating income.

14. Environmental rehabilitation

Reclamation and closure costs have been estimated based on the Company's interpretation of current regulatory requirements and determined based on the net present value of future cash expenditures upon reclamation and closure. Reclamation and closure costs are capitalized as mine development costs (under mineral assets), and amortized over the life of the mine on a unit-of-production basis.

The environmental rehabilitation relates to reclamation and closure costs relating to the Company's mine operations at the CSH Gold Mine. The environmental rehabilitation is calculated as the net present value of estimated future net cash flows of the reclamation and closure costs, which total \$7,897,000, discounted at 10.7% and 12.1% per annum at September 30, 2009 and December 31, 2008, respectively. The settlement of the obligations will occur through to 2017. No assets have been legally restricted for the purposes of settling the environmental rehabilitation.

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14. Environmental rehabilitation (continued)

The following is an analysis of the environmental rehabilitation:

	<u>September 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
	\$	\$
Balance, beginning of period	4,131,735	2,244,633
Additions to site reclamation during the period	424,869	1,224,696
Expenses incurred in the current period	(180,803)	-
Accretion incurred in the current period	148,951	405,314
Foreign exchange (gain)loss	(7,150)	257,092
	<u>4,517,602</u>	<u>4,131,735</u>

15. Share capital

(a) *Common shares*

Authorized - Unlimited common shares without par value

Issued and outstanding - 164,390,459 common shares

(b) *Stock options*

The Company has a stock option plan which permits the Board of Directors of the Company to grant options to directors, employees and non-employees to acquire common shares of the Company at the fair market value on the date of approval by the Board of Directors. A portion of the stock options vests immediately on the grant date and the balance vests over a period of up to five years from grant date.

The stock options have a life of up to six years from grant date. The fair market value of the exercise price is the weighted average price of the common shares for the five days on which they were traded immediately preceding the date of approval by the Board of Directors. The Compensation and Benefits Committee 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 September 30, 2009 and December 31, 2008, there were • and • options available for future grants.

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15. Share capital (continued)

(b) Stock options (continued)

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

	September 30,		December 31,	
	2009		2008	
	Number of	Weighted	Number of	Weighted
	options	average	options	average
		exercise		exercise
		price		price
		Cdn\$		Cdn\$
Balance, beginning of period	5,787,300	1.75	9,026,535	1.50
Options granted	-	-	50,000	2.45
Options exercised	(501,300)	0.50 to 1.05	(1,920,568)	0.64
Options forfeited	-	1.06	(1,083,000)	2.90
Options expired	-	1.74	(285,667)	1.31
Balance, end of period	5,286,000	2.04	5,787,300	1.75

During the nine month period ended September 30, 2009, the Company granted nil stock options.

During the year ended December 31, 2008, the Company granted 50,000 stock options to an employee at an exercise price of Cdn\$2.45 with the expiry date of May 1, 2014. The grant-date fair value and compensation costs of \$76,062 will be expensed/recognized over the vesting periods of the options, of which \$19,187 was included in the net amount of \$1,641,410 expensed/recognized in the year ended December 31, 2008.

The following table summarizes information about stock options outstanding and exercisable at September 30, 2009:

	Options outstanding		Options exercisable	
	Number	Remaining	Number	Weighted
Expiring in	outstanding at	contractual	exercisable at	average
2009	September 30,	life (years)	September 30,	exercise price
	2009		2009	(Expressed in CDN\$)
2009	44,000	0.17	44,000	0.87
2011	717,000	1.38 to 1.75	717,000	1.03
2012	10,000	2.28	10,000	1.62
2013	1,915,000	3.81	778,000	2.20
	2,686,000		1,549,000	

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15. Share capital (continued)

(b) *Stock options (continued)*

The fair value of options granted was determined using the Black-Scholes option pricing model, and the following weighted average assumptions:

	<u>September 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
Risk free interest rate	N/A	3.34%
Expected life (years)	N/A	6.0
Expected volatility	N/A	55%
Expected dividend per share	N/A	\$Nil
Expected annual forfeitures	N/A	-
Fair value per option granted	N/A	\$1.36

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has used historical volatility to estimate the volatility of the share price.

(c) *Warrants*

The following is a summary of number of warrants outstanding:

	<u>September 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
Balance, beginning of period	6,310,000	11,717,167
Issued	-	-
Exercised	-	(5,407,167)
Expired	-	-
Balance, end of period	6,310,000	6,310,000

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(Unaudited)

15. Share capital (continued)

(c) Warrants (continued)

The following is a summary of warrants amounts outstanding:

	<u>September 30,</u>	<u>December 31,</u>
	<u>2009</u>	<u>2008</u>
	\$	\$
Balance, beginning of period	274,507	13,825,817
Issued	-	-
Extension of warrants	-	1,294,238
Exercised	-	(2,052,617)
Fair value change on warrant liabilities	2,981,228	(12,792,931)
Balance, end of period	<u>3,255,735</u>	<u>274,507</u>
Warrants expire within 12 months	-	-
Warrants expire after 12 months	<u>3,255,735</u>	<u>274,507</u>
	<u>3,255,735</u>	<u>274,507</u>

Warrants issued with Canadian dollar exercise prices

As a result of having exercise prices denominated in other than the Company's functional currency, being the U.S. dollar, these warrants meet the definition of derivatives and are therefore classified as held for trading and recorded as derivative liabilities measured at fair value. The fair values of the warrants was determined using the Black-Scholes option pricing model at the end of each reporting period. Upon exercise into common shares, the fair value of warrants included in derivative liabilities were reclassified to equity.

The fair value of warrants granted was determined using the Black-Scholes option pricing model, using the following weighted average assumptions at the end of each reporting period:

	<u>September 30,</u>	<u>December 31,</u>
	<u>2009</u>	<u>2008</u>
Risk free interest rate	0.71%	1.30%
Expected life (years)	1.16	2.16
Expected volatility	94.12%	81.75%
Expected dividend per share	Nil	Nil

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has used historical volatility to estimate the volatility of the share price.

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(Unaudited)

15. Share capital (continued)

(c) Warrants (continued)

The following table summarizes information about warrants outstanding at September 30, 2009:

Number of warrants	Exercise price Cdn\$	Expiry date
3,860,000 (i)	1.60	December 14, 2010
2,450,000 (i)	2.50	June 26, 2011
6,310,000		

(i) As mentioned in Note 12 (i), the expiry dates of 3,860,000 warrants and 2,450,000 warrants were extended to December 14, 2010 and June 26, 2011, respectively, in September 2008.

16. Listing expenses

Deferred expenses consist of legal, accounting and related professional fees relating to the initial listing application costs for listing on an Asian stock exchange.

17. Related party transactions

CNG and Ivanhoe Mines Ltd. ("Ivanhoe") owned the following percentages of outstanding common shares of the Company:

	September 30, 2009	December 31, 2008
	%	%
CNG	41.2	41.2
Ivanhoe	-	-

In October 2008, the Company terminated its contract for the refining and purchase and sale of gold doré with a third-party refiner and entered into an equivalent agreement for the purchase and sale of gold doré with CNG, who is shipping the gold doré to a designated refiner in China. The new agreement is on substantially the same terms as the original contract with the third-party refiner, but the Company has determined that this arrangement will address delays in payment and counterparty risks being experienced under the contract with the third-party refiner.

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17. Related party transactions (continued)

The breakdown of the sales transactions between related parties is as follows:

	<u>September 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
	\$	\$
Gold sales	47,038,521	14,011,969
Silver sales (netted in cost of sales)	135,038	60,531

The Company incurred the following expenses with Ivanhoe, CNG and Global Mining Management ("GMM"), all of these companies are related to the Company by way of directors or shareholders in common. Ivanhoe was the substantial shareholder of the Company and GMM was a subsidiary of Ivanhoe and a related party of the Company up to May 2008. After the sale of the equity interest in the Company by Ivanhoe to CNG in May 2008, CNG then became a substantial shareholder of the Company. Both Ivanhoe and GMM ceased to be related parties of the Company after May 2008.

	<u>September 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
	\$	\$
Corporate administration	-	596,916
Salaries	-	333,069
Interest	372,000	835,602
Total related party expenses	372,000	1,765,587

The corporate administration and salaries have been recorded on a cost recovery basis and the interest expense has been recorded on the effective interest method.

The breakdown of the expenses between the different related parties is as follows:

	<u>September 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
	\$	\$
CNG	372,000	395,818
Ivanhoe	-	439,784
GMM	-	929,985
Total related party expenses	372,000	1,765,587

Jinshan Gold Mines Inc.

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17. Related party transactions (continued)

Related party balances

The assets and liabilities of the Company include the following amounts due from related parties:

	<u>September 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
	\$	\$
Assets		
Amount due from a shareholder (CNG)	145,627	-
Prepaid expenses to CNG's subsidiaries	345,449	-
Total related party assets	491,076	-

The assets and liabilities of the Company include the following amounts due to related parties:

	<u>September 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
	\$	\$
Liabilities		
Accounts payable to CNG's subsidiaries	61,263	76,190
Customer advances from CNG	3,429,253	-
Total related party liabilities	3,490,516	76,190

The Company has agreed to apply future gold deliveries to CNG at the then gold spot prices against the customer advances. The customer advances do not have any other terms of repayment and were made by CNG to assist the Company to meet its debt obligations.

Key management personnel

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	\$	\$	\$	\$
Salary cost				
Salaries and other benefits	180,158	357,169	553,753	1,071,507
Post employment benefits	3,531	-	14,466	13,627
Stock-based payments	-	-	-	-
Total	183,689	357,169	568,219	1,085,134

18. Segment information

IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the chief operating decision-maker to allocate resources to the segments and to assess their performance.

The chief operating decision-maker which is responsible for allocating resources and assessing performance of the operating segments, has been defined as the executive directors.

The Company derives its revenue primarily from mining, extraction, production and selling of gold ore to external clients.

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Notes to the consolidated interim financial statements

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(Unaudited)

18. Segment information (continued)

The executive directors review the Company's consolidated financial statements prepared under Canadian generally accepted accounting principles ("Canadian GAAP") for the purposes of resources allocation and performance evaluation. Hence, the Company's segment (loss) income for the year/period is \$47,038,521 and \$13,096,113 during the nine month periods ended September 30, 2009 and 2008, respectively, which is the same as the (loss) income of the Company for the year/period under Canadian GAAP as disclosed in Note 23. The principal differences between Canadian GAAP and IFRS are disclosed in Note 23.

The Company operated in two geographical areas, Canada and China. The Company's Corporate Division located in Canada only earns revenues that are considered incidental to the activities of the Company and therefore does not meet the definition of an operating segment as defined in IFRS 8 *Operating Segments*. During the period, the Company's revenue was solely generated from CSH Gold Mine for gold sales to customers in China.

The Company began to generate revenue in 2008. During the nine month period ended September 30, 2009, the total segment revenue comprises revenue from one customer. The Company sells approximately 100% of its gold to one creditworthy customer, CNG who is also the Company's substantial shareholder for the nine month period ended September 30, 2009. The sales to CNG do not constitute economic dependence for the Company as there are other customers in China to whom gold can be sold.

19. Supplemental cash flow information

Non-cash investing and financing activities

The Company incurred the following non-cash investing and financing activities:

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
Value of warrants transferred to share capital upon exercise	-	-	-	-
Transfer of share option reserve upon exercise of options	-	(1,027,931)	-	(1,027,931)

20. Capital risk management

The Company manages its common shares, stock options, and warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to operate its mine, pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

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

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20. Capital risk management (continued)

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

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

The Company will need additional capital resources to complete or carry out its exploration and development plans and operations for the next 12 months (see Note 2). The Company has complied with all covenants included in its short-term loan and the indenture for its notes payable.

21. Financial instruments

		Carrying amount	
Financial instrument classification		September 30, 2009	December 31, 2008
		\$	\$
<i>Financial assets</i>			
Cash and cash equivalents			
	Loans and receivables	18,459,846	12,142,739
Restricted cash	Loans and receivables	-	5,215,704
Accounts receivable	Loans and receivables	1,356,828	148,771
Long term receivable	Loans and receivables	112,297	-
<i>Financial liabilities</i>			
Accounts payable and accrued expenses	Other financial liabilities	29,353,668	18,784,206
Construction payable	Other financial liabilities	9,777,041	132,779
Short-term loan	Other financial liabilities	-	18,672,730
Notes payable	Other financial liabilities	45,366,207	37,859,905
Term loans	Other financial liabilities	42,855,789	-
Warrant liabilities	FVTPL	3,255,735	274,507

The fair values of the Company's cash and cash equivalents, restricted cash, accounts receivable, accounts payable and short-term loan approximate their carrying values due to their short term nature.

The carrying amounts of the notes payable measured at amortized cost in the Company's and the Company's financial statements approximate their fair values.

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21. Financial instruments (continued)

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

(a) Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in China and Canada and its functional currency is U.S. dollar. A significant change in the currency exchange rates between RMB or Canadian dollar relative to U.S. dollar could have a significant effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

The Company is exposed to currency risk through the following assets and liabilities denominated in Canadian dollars and RMB:

Canadian dollar monetary assets and liabilities

	September 30,	December 31,
	2009	2008
	US\$	US\$
Cash and cash equivalents	643,145	649,888
Accounts receivable	56,328	35,211
Accounts payable and accrued expenses	(1,366,536)	(829,882)
Borrowings	(45,366,207)	(37,859,905)
Warrant liabilities	(3,255,735)	(274,507)
	(49,289,005)	(38,279,195)

Based on the above net exposures, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the U.S. dollar would result in an increase in the Company's income before tax/decrease in income before tax of approximately \$4,928,000 for the nine month period ended September 30, 2009, and a decrease in the Company's loss before income tax/increase in loss before income tax of approximately \$3,827,000 for the nine month period ended September 30, 2008.

RMB monetary assets and liabilities

	September 30,	December 31,
	2009	2008
	US\$	US\$
Cash and cash equivalents	16,143,519	5,538,082
Restricted cash	-	1,326,358
Accounts receivable	124,456	113,560
Accounts payable and accrued expenses	(39,826,534)	(18,031,985)
Borrowings	(42,855,789)	(18,672,730)
	(66,414,348)	(29,726,715)

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(Unaudited)

21. Financial instruments (continued)

(a) *Currency risk (continued)*

Based on the above net exposures, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the RMB against the U.S. dollar would result in an increase in the Company's income before tax/decrease in income before tax of approximately \$6,641,000 for the nine month period ended September 30, 2009 and a decrease in the Company's loss before income tax/increase in loss before income tax of approximately \$2,973,000 for the nine month period ended December 31, 2008.

(b) *Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial asset fails to meet its contractual obligations. The Company sells approximately 70% of its gold to one creditworthy customer, CNG, who is also the Company's substantial shareholder for the nine month period ended September 30, 2009 and exposes the Company to concentration of credit risk. The failure of this customer to make required payments could have a negative impact on the Company's results. The Company manages this risk by demanding upfront payment from this customer. The Company's cash and short-term bank deposits are held in large Chinese and Canadian banks. These investments mature at various dates within 3 months. The Company does not have any asset backed commercial paper in its short-term bank deposits. The Company's accounts receivable consists primarily of goods and services tax refund due from the Federal Government of Canada, all of which are not outstanding for more than 180 days.

The Company had concentration of credit risk by geographical locations as the other receivables comprise various debtors which are located either in PRC or Canada during the Relevant Periods.

Maximum exposure to credit risk is as follows:

	<u>September 30,</u>	<u>December 31,</u>
	<u>2009</u>	<u>2008</u>
	\$	\$
Bank balances	18,459,846	12,140,045
Bank short-term deposits	-	2,694
Restricted cash	-	5,215,704
Accounts receivable	1,356,828	148,771
	19,816,674	17,507,214

The Company had concentration of credit risk exposure on the amounts due from subsidiaries and the risk of default payment depends on the gold production activities carried out by its subsidiaries. The Company monitors the gold production activities of the subsidiaries and the level of credit risk exposures to ensure that appropriate follow up actions are taken when required.

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21. Financial instruments (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due (see Note 2). The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 20. The Company secured additional financing as set out in Note 25.

The following table details the Company's and the Company's remaining contractual maturities for its non-derivative financial liabilities. The table is based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to satisfy the liabilities.

	Weighted average interest rate	Within 1 year	1-2 years	2-5 years	Total undiscounted cash flow	Carrying Amount
	%	\$	\$	\$	\$	\$
As at December 31, 2008						
Accounts payable and accrued expenses	-	18,799,865	-	-	18,799,865	18,799,865
Construction payable	-	132,779	-	-	132,779	132,779
Short-term loan (Note 12 (i))	6.21	19,248,137	-	-	19,248,137	18,672,730
Note payables (Note 12 (ii)(a))	12.00	27,318,024	-	-	27,318,024	22,930,784
Note payables (Note 12 (ii)(b))	12.00	1,960,783	17,297,421	-	19,258,204	14,929,121
		67,459,588	17,297,421	-	84,757,009	75,465,279
As at September 30, 2009						
Accounts payable and accrued expenses	-	29,353,668	-	-	29,353,668	29,353,668
Construction payable	-	9,777,041	-	-	9,777,041	9,777,041
Short-term loan	-	-	-	-	-	-
Long-term loan - ABC	5.184	1,466,340	1,466,340	39,923,109	42,855,789	42,855,789
Long-term loan - CNG	6.00	-	-	-	-	-
Note payables (Note 23 (ii)(a))	12.00	28,173,648	-	-	28,173,648	27,564,221
Note payables (Note 23 (ii)(b))	12.00	19,965,249	-	-	19,965,249	17,801,984
		88,735,946	1,466,340	39,923,109	130,125,395	127,352,704

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's short term bank deposits, notes payables and short-term loan have fixed interest rates and therefore, are not subject to interest rate fluctuations but changes to exchange rates could affect interest payable (see Note 12) and is subject to fair value interest rate risk. The risk that the Company will realize a loss as a result of a decline in the interest rates relates to its variable rate bank balances and a 100 basis point higher/lower in the interest rate of its variable rate bank balances would result in an increase in the Company's income before tax/decrease in income before tax of \$184,000 for the nine month period ended September 30, 2009 and a decrease in the Company's loss before income tax/increase in loss before income tax of approximately \$121,000 for the year ended December 31, 2008.

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21. Financial instruments (continued)

The Company monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

(e) *Fair value measurements recognized in the statement of financial position*

The analysis of financial instruments that are measured subsequent to initial recognition at fair value can be categorized into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial liabilities at FVTPL include warrant liabilities and are categorized into Level 2. There has been no transfer between Level 1 and Level 2 of the financial instruments at FVTPL throughout the Relevant Periods and the details are as follows:

	<u>September 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
	\$	\$
Financial liabilities at FVTPL		
Warrant liabilities (Level 2)	<u>3,255,735</u>	<u>274,507</u>
	<u>3,255,735</u>	<u>274,507</u>

(f) *Price risk*

The Company is exposed to price risk of the Company's shares through its financial liabilities at FVTPL - warrant liabilities (as disclosed in Note 15 (c)). Therefore, the Company are exposed to price risk because of changes in market prices of its shares.

Price sensitivity analysis

The sensitivity analysis has been determined based on the exposure to price risks for warrant liabilities fluctuating in the TSX stock market at the Relevant Period.

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21. Financial instruments (continued)

If the Company's share price had been 50% higher/lower at the end of each reporting period and all other variables were held constant, the Company's income before tax would decrease/increase by \$2,984,000 for the nine month period ended September 30, 2009, and the Company's loss before tax would be increased/decreased by approximately \$2,287,000 for the year ended September 30, 2008 as a result of the changes in market price of the Company's shares.

22. Commitments and contingencies

Operating leases commitments

At the end of each reporting period, the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<u>September 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
	\$	\$
Within one year	93,726	53,289
Between two and five years	407,539	21,615
	501,265	74,904

Operating lease payments represent rentals payable by the Company for its premises. Leases are negotiated for an average term of three to five years.

Capital commitments

	<u>September 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
	\$	\$
Capital expenditure in respect of acquisition of property, plant and equipment for the CSH Gold Mine contracted for but not provided for	14,460,133	25,030,987
Capital commitment in respect of payments to the CSH Mine project and Dadiangou Gold project joint venture partner	-	1,729,080
	14,460,133	26,760,067

Other commitments and contingencies existed at September 30, 2009

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

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

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23. First time adoption of IFRS

(a) Transition to IFRS

The Company's consolidated financial statements for the year ending December 31, 2009 are the first annual financial statements that comply with IFRS and were prepared as described in Note 4, including the application of IFRS 1. IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement in those financial statements of compliance with IFRS.

IFRS 1 also requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was January 1, 2006 (the "Transition Date"). IFRS provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adopters.

Below is the Company's consolidated statement of financial position as at the transition date of January 1, 2006 under IFRS.

	January 1, 2006
	\$
Current assets	
Cash and cash equivalents	15,414,581
Accounts receivable	569,409
Prepaid expenses and deposits	215,125
	<u>16,199,115</u>
Non-current assets	
Property, plant and equipment	918,700
Total assets	<u>17,117,815</u>
Current liabilities	
Accounts payable and accrued expenses	1,206,076
Share purchase warrants	2,263,489
Total liabilities	<u>3,469,565</u>
Owners' equity	
Share capital	35,433,993
Equity reserve	2,449,090
Deficit	(24,234,833)
Total owners' equity	<u>13,648,250</u>
Total liabilities and owners' equity	<u>17,117,815</u>

(b) Initial elections upon adoption

Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

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23. First time adoption of IFRS (continued)

(b) *Initial elections upon adoption (continued)*

(i) IFRS exemption options

(1) Business combinations

IFRS 1 provides the option to apply IFRS 3, *Business Combinations*, retrospectively or prospectively from the Transition Date. The retrospective basis would require restatement of all business combinations that occurred prior to the Transition Date. The Company elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to its Transition Date and such business combinations have not been restated. Further, the Company will not early adopt IFRS 3 Revised and instead will adopt that standard upon its effective date which, for the Company, will be January 1, 2010.

(2) Currency translation differences

Retrospective application of IFRS would require the Company to determine cumulative currency translation differences in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*, from the date a subsidiary or equity method investee was formed or acquired. IFRS 1 permits cumulative translation gains and losses to be reset to zero at transition date. The Company elected to reset all cumulative translation gains and losses to zero in opening retained earnings at its Transition Date.

(3) Share-based payments

IFRS 2, *Share-based Payments*, encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the Transition Date. The Company elected to avail itself of the exemption provided under IFRS 1 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by its Transition Date. Further, the Company applied IFRS 2 for all liabilities arising from share-based payment transactions that existed at its Transition Date. As a result of the transition method elected, the Company reversed the historical Canadian GAAP share-based compensation charges impacting shareholders' equity from retained earnings to capital.

(ii) IFRS mandatory exceptions

Estimates

Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

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23. First time adoption of IFRS (continued)

(b) Initial elections upon adoption (continued)

IFRS employs a conceptual framework that is similar to Canadian GAAP. While the adoption of IFRS has not changed the actual cash flows of the Company, the adoption has resulted in significant changes to the reported financial position and results of operations of the Company. Presented below are reconciliations prepared by the Company to reconcile to IFRS the assets, liabilities, equity, net loss and cash flows of the Company from those reported under Canadian GAAP.

Total assets

	December 31, 2006	December 31, 2007	December 31, 2008	March 31, 2009	June 30, 2009	September 30, 2009
Total assets under Cdn GAAP after restatement	50,873,318	87,465,388	120,542,330	125,421,913	143,432,169	174,650,199
<i>Adjustment for environmental</i>						
Inventory	-	(2,215,390)	(616,511)	(957,874)	(957,196)	(957,196)
Property, plant and equipment	-	-	(615,120)	-	-	-
Total assets under IFRS	50,873,318	85,249,998	119,310,699	124,464,039	142,474,973	173,693,003

Total liabilities

	December 31, 2006	December 31, 2007	December 31, 2008	March 31, 2009	June 30, 2009	September 30, 2009
Total liabilities under Cdn GAAP after restatement	24,199,255	63,793,531	80,828,645	82,969,140	103,821,128	136,304,926
<i>Adjustment for environmental rehabilitation (i):</i>						
Environmental rehabilitation	-	(2,215,390)	(1,231,631)	(957,874)	(957,196)	(957,196)
<i>Adjustment for share purchase warrants (iii):</i>						
Warrant liabilities	9,347,834	13,825,817	274,507	546,119	1,438,915	3,255,735
Total liabilities under IFRS	33,547,089	75,403,958	79,871,521	82,557,385	104,302,847	138,603,465

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23. First time adoption of IFRS (continued)

(b) Initial elections upon adoption (continued)

Total equity and reconciliation of owners' equity

	December 31, 2006	December 31, 2007	December 31, 2008	March 31, 2009	June 30, 2009	September 30, 2009
Total equity and non-controlling interest under Canadian GAAP	26,674,063	23,671,857	39,713,685	42,452,773	39,611,041	38,345,273
<i>Reclassifications:</i>						
Cumulative translation adjustment	(460,850)	(460,850)	(460,850)	(460,850)	(460,850)	(460,850)
Deficit	460,850	460,850	460,850	460,850	460,850	460,850
<i>Adjustments for share purchase warrants (iii):</i>						
Share capital	5,339,902	16,472,028	16,218,369	16,218,369	16,218,369	16,218,369
Equity reserve	(4,426,420)	(6,278,735)	(5,639,160)	(5,639,160)	(5,503,709)	(5,668,441)
Deficit	(2,263,489)	(9,745,004)	(23,646,647)	(10,853,716)	(10,989,167)	(10,824,435)
<i>Adjustment for share-based compensation (ii):</i>						
Equity reserve	(516,312)	(372,463)	135,451	40,489	164,732	223,959
<i>Adjustment to (loss) income for share purchase warrants (iii):</i>						
Deficit	(7,997,827)	(14,274,106)	12,792,931	(271,612)	(1,164,408)	(2,981,228)
<i>Adjustment to (loss) income for share-based compensation (ii):</i>						
Deficit	516,312	372,463	(135,451)	(40,489)	(164,732)	(223,959)
Total equity and non-controlling interest under IFRS	17,326,229	9,846,040	39,439,178	41,906,654	38,172,126	35,089,538
Total liabilities and equity and non-controlling interest under IFRS	50,873,318	85,249,998	119,310,699	124,464,039	139,270,428	173,693,003
<i>Reconciliation of Owners' Equity:</i>						
Share capital	54,409,384	76,281,053	90,384,469	90,384,469	90,384,469	91,227,833
Equity reserve	3,190,272	4,271,321	4,884,800	5,010,533	5,051,250	4,606,154
Deficit	(40,273,427)	(70,706,334)	(56,125,822)	(53,857,368)	(57,792,325)	(61,545,570)
	17,326,229	9,846,040	39,143,447	41,537,634	37,643,394	34,288,417
Non-controlling interest	-	-	295,731	369,020	528,732	801,121
Total equity and non-controlling interest	17,326,229	9,846,040	39,439,178	41,906,654	38,172,126	35,089,538

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23. First time adoption of IFRS (continued)

(b) Initial elections upon adoption (continued)

Net income (loss)

	Year ended December 31,			Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2007	2008	2009	2008	2009	2008
(Loss) income for the year/period under Canadian GAAP after restatement	(8,557,079)	(16,531,264)	1,923,032	(1,877,198)	2,492,288	(2,214,561)	(2,531,270)
Non-controlling interest	-	-	295,731	272,389	174,402	505,390	174,402
(Loss) income for the year/period and non-controlling interest under Cdn GAAP	(8,557,079)	(16,531,264)	2,218,763	(1,604,809)	2,666,690	(1,709,171)	(2,356,868)
<i>Adjustments for share purchase</i>							
Fair value change on warrant liabilities	(7,997,827)	(14,274,106)	12,792,931	(1,816,820)	5,165,013	(2,981,228)	11,691,156
<i>Adjustment for share-based</i>							
General and administrative	516,312	372,463	(135,451)	(59,227)	(62,816)	(223,959)	(122,807)
Total adjustments to (loss) income	(7,481,515)	(13,901,643)	12,657,480	(1,876,047)	5,102,197	(3,205,187)	11,568,349
(Loss) income for the year/period and non-controlling interest under IFRS	(16,038,594)	(30,432,907)	14,876,243	(3,480,856)	7,768,887	(4,914,358)	9,211,481

The adoption of IFRS has had no impact on the net cash flows of the Company. The changes made to the consolidated statements of financial position and consolidated statements of comprehensive income have resulted in reclassifications of various amounts on the consolidated statements of cash flows, however as there have been no changes to the net cash flows, no reconciliations have been presented.

(i) Environmental rehabilitation

Under IFRS

Under IAS 37, provisions, Contingent Liabilities and Contingent Assets, a change in the current market based discount rate will result in the re-measurement of the provision. As a result, the asset retirement obligation liability has been re-measured using the discount rate in effect at year end and an adjustment has been recorded to the corresponding asset.

Under Canadian GAAP

The provision for environmental rehabilitation is not adjusted for changes in the discount rate.

(ii) Share-based compensation

Under IFRS

Each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches. Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods.

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23. First Time Adoption of IFRS (continued)

(b) *Initial elections upon adoption (continued)*

(ii) *Share-based compensation (continued)*

Under Canadian GAAP

The fair value of stock-based awards with graded vesting are calculated as one grant and the resulting fair value is recognized on a straight-line basis over the vesting period. Forfeitures of awards are recognized as they occur.

Consultants are treated as non-employees and 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.

Management has determined that all of the grants awarded to their consultants are considered as employees as the services rendered by their consultants are similar to those rendered by employees. Hence, adjustments are made accordingly under IFRS.

(iii) *Share purchase warrants*

Under IFRS

As a result of having exercise prices denominated in other than the Company's functional currency, being the U.S. dollar, the share purchase warrants meet the definition of derivatives and are measured at FVTPL. The fair value of the share purchase warrants was determined using the Black-Scholes option pricing model at grant date and the end of each reporting period.

Under Canadian GAAP

The share purchase warrants are measured at fair value at initial recognition using the Black-Scholes option pricing model, and recorded in equity reserve with no subsequent remeasurement.

24. Jiama property

On September 23, 2009, the Company announced that it executed a memorandum of understanding with CNG and another partner to acquire a 100% interest in Skyland Mining Limited ("Skyland"), which holds 100% interest in a mineral property ("Jiama") in Tibet, China. The Jiama property is a significant polymetallic deposit consisting of copper, molybdenum, gold, silver and other minerals. The parties have commenced the negotiation and preparation of definitive agreements regarding the purchase and sale of the property. As the acquisition will be a related party transaction under Canadian securities laws, the Company has established a special committee of independent directors to review the transaction. The Company has also commenced the process of preparing a NI 43-101 independent technical report and an independent valuation of the property. The valuation is expected to form the basis of a fairness opinion to be received by the special committee in completing its assessment of the transaction and negotiation of the acquisition price. If definitive agreements are concluded, completion of the transaction is anticipated to be subject to the approval of the Company's shareholders and the Toronto Stock Exchange, as well as customary conditions to closing.