



JINSHAN GOLD MINES INC.

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

December 31, 2009

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

The following Management's Discussion and Analysis of financial condition and results of operations ("MD&A") was prepared as of March 31, 2009. They should be read in conjunction with the annual audited consolidated financial statements and notes thereto of Jinshan Gold Mines Inc. ("Jinshan" or the "Company") for the years ended December 31, 2009 and 2008. Unless the context otherwise provides, references in this MD&A to Jinshan or the Company refer to Jinshan and each of its subsidiaries on a consolidated basis.

The following discussion contains certain forward-looking statements relating to our plans, objectives, expectations and intentions, which are based on our current expectations and are subject to risks, uncertainties and changes in circumstances. For further information on risks and other factors that could affect the accuracy of forward-looking statements and the result of operations of our Company please refer to the section entitled "Forward looking Statements" and "Risk Factors" and to discussions elsewhere in this prospectus.

OVERVIEW

Jinshan is a mining company based in Vancouver, Canada and its principal property is the Chang Shan Hao Gold Mine ("CSH Gold Mine or CSH Mine"), which is located in Inner Mongolia, China. Jinshan holds a 96.5% interest in the CSH Gold Mine, while its Chinese joint venture partner holds the remaining 3.5% interest. Jinshan started up gold production at the CSH Gold Mine in July 2007 and commenced commercial production on July 1, 2008.

According to the newly released Behre Dolbear Technical Report ("BD ITR"), the CSH Mine had measured and indicated gold resources (inclusive of reserves) of approximately 4,992,000 ounces (155.3 tonnes), inferred gold resources of 7,000 ounces (0.2 tonne) and gold reserves of approximately 3,001,000 ounces (93.3 tonnes) as of December 31, 2009. The Mine commenced commercial production in July 2008 with a design processing capacity of 20,000 tonnes of ore per day. For the year ended December 31, 2009, the total gold production was approximately 83,570 ounces. We are currently implementing a series of steps to achieve additional production growth. In particular, we have installed a new ore crushing facility which has ramped up to its design processing capacity of 30,000 tonnes of ore per day in March 2010. According to the Behre Dolbear Technical Report, the total gold production is forecasted to be approximately 132,210 ounces and 144,780 ounces in 2010 and 2011, respectively.

The Company's other properties include the Dadiangou project in Gansu Province, where the Company has released a resource estimate at the end of 2008 based on 68 diamond drill holes with a total of 14,910 metres drilled in. The Company has reviewed its plans and is now pursuing the sale of the project. The Company has no plans to continue with further exploration work on any of the previously held exploration permits known as the Xinjiang project and that project is also being held for sale.

Jinshan is a reporting issuer in British Columbia, Alberta and Ontario, and the Company's shares trade under the symbol JIN on the Toronto Stock Exchange ("TSX"). Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.

HIGHLIGHTS

	Year ended December 31, 2009	Year ended December 31, 2008	From commencement to December 31, 2009
Commercial gold production (ounces)	83,570	33,671	117,241
Pre-commercial gold production (ounces)	-	23,839	45,833
Total gold production (ounces)	83,570	57,510	163,074

	2009	2008
Net income (loss)	(\$ 8.4) Million	\$ 14.9 Million
Basic income (loss) per share	(\$0.06)	\$0.09
Net cash inflows (outflows) from operations	\$ 11.8 Million	(\$ 33.0) Million
Property, plant and equipment cash expenditures	(\$ 37.6) Million	(\$ 26.8) Million

	Balance, December 31, 2009	Balance, December 31, 2008
Cash and cash equivalents	\$ 24.0 Million	\$ 12.1 Million
Working capital(deficiency)*	(\$ 9.4) Million	(\$ 8.2) Million
Restricted cash	-	\$ 5.2 Million

*Working capital consists of current assets less current liabilities

OUTLOOK

The Company initiated gold production at the CSH Gold Mine in July 2007 and for accounting purposes, commenced commercial production on July 1, 2008. In September 2009, Jinshan poured a record high of 11,388 ounces of gold surpassing the design capacity of 9,000 ounces per month. The Company continues to improve

production levels by optimizing the leach circuit and taking various other measures to increase gold recovery in the process plant. As a result, gold recoveries have improved given the operational changes at the mine.

The Company has completed the installation of a 30,000 tonnes per day crushing facility and has been test running such facility since mid-August, 2009. The throughput has gradually ramped up and in March, the crushing facility began operating at its design capacity of 30,000 tonnes of ore per day. These changes will enable the mine to reach its projected increase in gold production in 2010.

The Company continues to look for ways to improve gold recoveries during the winter months as the recoveries are sensitive to cold temperatures in the winter months. However, recoveries and gold production are still expected to reach projected cumulative levels for 2010 with more recoveries during the warmer months of the year.

The Company continues to draw upon China National Gold Corporation's ("CNG") technical and operating experience in China to improve operations at the CSH Gold Mine. Together with CNG's technical expertise, the Company will continue to focus its efforts on increasing and optimizing gold production.

The Company is working with CNG to identify potential projects that can be readily and quickly brought into production. The Company's objective is to identify projects that may also include the potential for further exploration to increase upon the existing resource base of the project. One such project has been identified. 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 the Jiama mineral property ("Jiama"). The Jiama property is a significant polymetallic deposit consisting of copper, gold, silver, molybdenum, 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. A review process is in progress to conform to related party transaction requirements, and upon completion of this process, the terms of any potential acquisition will be determined by negotiation between CNG and its partner on the one hand and a special committee of the Board on the other.

In September 2009, the CSH CJV received an unsecured bank loan in the principal amount of RMB290.0 million (\$42.5 million) from the Agricultural Bank of China. China National Gold 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 5.184% set by The People's Bank of China and the interest 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.

On December 3, 2009, the Company announced that it secured a two year term loan in the amount of \$40,000,000 from China National Gold Hong Kong. The purpose of the term loan was to redeem the CAD\$30,000,000 of the 12% promissory notes due to mature on December 14, 2009. The funds were also used for the early redemption of the CAD\$12,500,000 of the 12% promissory notes, due to mature on June 26, 2010, on January 11, 2010. The loan is unsecured with interest at 6% per annum payable quarterly. Subject to prior repayment, the loan will become due and payable in December, 2011.

CRITICAL ACCOUNTING 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 judgment and key sources of estimation uncertainty that have significant effect on the amounts recognized in the financial statements.

The significant estimates and judgments used in the preparation of these consolidated financial statements include, amongst other things, the recoverability of accounts receivable, the quantities of recoverable gold on leach pads and in circuit, the proven and probable ore reserves and resources and the related depletion and amortization, the estimate tones of waste material to be mined and the estimated recoverable tones of ore from each mine area, the estimated net realizable value of inventory, the expected economic lives of and the estimated future operating results and net cash flows from mineral properties, plant and equipment, the anticipated costs of environmental rehabilitation including the reclamation of mine sites, the commencement of commercial production, the provision for income taxes and composition of deferred income tax assets and liabilities, the computation of stock-based compensation, the computation of warrants issued with a Canadian dollar exercise price and the determination of functional currency.

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.

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 our 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.

During the year ended December 31, 2009, impairment of inventory of \$3,030,461 was recognized in the profit or loss in respect of the Company's gold process inventory, details of which are disclosed in Note 15 of the annual audited consolidated financial statements.

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 been 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.

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 expenditure 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.

As at December 31, 2009, reductions of \$3,145,917 were made from changes in the estimated timing and amount of cash flows on the environmental rehabilitations, details of which are disclosed in Note 19 of the annual audited consolidated financial statements.

Warrants issued with Canadian dollar exercise prices and stock options

The fair value of warrants issued with Canadian dollar exercise prices and stock options 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.

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company has retroactively applied International Financial Reporting Standards ("IFRS") and related Interpretations ("IFRIC's") as issued by the International Accounting Standards Board ("IASB") and effective for the year ended December 31, 2009 to all annual periods since January 1, 2006. See note 3 of the annual audited consolidated financial statements for disclosure concerning these standards and note 27 for the effect of applying IFRS to statements of financial position for dates prior to January 1, 2008

FORWARD LOOKING STATEMENTS

Certain statements made herein, other than statements of historical fact relating to Jinshan, represents forward-looking information. In some cases, this forward-looking information can be identified by words or phrases such as "may", "will", "expect", "anticipate", "contemplates", "aim", "estimate", "intend", "plan", "believe", "potential", "continue", "is/are likely to", "should" or the negative of these terms, or other similar expressions intended to identify forward-looking information. This forward looking information includes, among other things; projected revenues and cash flows from gold production at the CSH Gold Project; performance of the crusher and recovery rates from the processing facility; obtaining regulatory confirmations and updated and expanded permits for the CSH Gold Project to cover all resources and reserves and the entire contemplated mine life; anticipated operating costs; the potential acquisition of additional gold or other mineral property assets; the potential sale of the Dadiangou Gold Project; and statements respecting anticipated business activities, planned expenditures, corporate strategies, participation in projects and financing, and other statements that are not historical facts.

By their nature, forward-looking information involves numerous assumptions, both general and specific, which may cause the actual results, performance or achievements of Jinshan and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Some of the key assumptions include, among others, the absence of any material adverse change in Jinshan's operations or in foreign exchange rates, the prevailing price of gold, effective tax rates and other assumptions underlying the financial performance of the CSH Gold Project as listed in the CSH Technical Report; Jinshan's ability to obtain regulatory confirmations and approvals on a timely basis; continuing positive labour relations; the absence of any material adverse effects as a result of political instability, terrorism, natural disasters, litigation or arbitration and adverse changes in government regulation; the availability and accessibility to Jinshan of financing; and the performance by counterparties of the terms and conditions of all contracts to which Jinshan and its subsidiaries are a party. The forward-looking information is also based on the assumption that none of the risk factors identified in this AIF that could cause actual results to differ materially from the forward-looking information actually occurs.

Forward-looking information contained herein is stated as of the date of this AIF based on the opinions, estimates and assumptions of management. There are a number of important risk, uncertainties and other factors that could cause actual actions, events or results to differ materially from those described as forward-looking information. In particular, important factors that could cause actual results to differ from this forward-looking information include those described under the heading “Risk Factors” in this MD&A. Jinshan disclaims any obligation to update any forward-looking information, whether as a result of new information, estimates, opinions or assumptions, future events or results or otherwise except to the extent required by law. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The forward-looking information in this MD&A is expressly qualified by this cautionary statement. The reader is cautioned not to place undue reliance on forward-looking information.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, many of which may be beyond our control, including those factors set out in the section entitled “Risk Factors” in this prospectus and those set out below.

Prices of Products

Our principal product from the CSH Mine is gold dore bar. The sales prices of gold dore bars are primarily determined based on prevailing gold prices in the market, with reference to prices on the Shanghai Gold Exchange, which in turn have historically correlated with international gold prices.

The following table sets forth the monthly weighted average sales price for the gold produced at the CSH Mine since the commencement of commercial production in July 2008:

	Weighted average sales price (US\$ per ounce)
July 2008.....	940.0
August 2008.....	852.6
September 2008.....	823.4
October 2008.....	789.7
November 2008.....	818.9
December 2008.....	828.8
January 2009.....	856.0
February 2009.....	948.0
March 2009.....	912.0
April 2009.....	870.4
May 2009.....	951.1
June 2009.....	937.4
July 2009.....	931.7
August 2009.....	952.9
September 2009.....	992.3
October 2009.....	1027.0
November 2009.....	1098.2
December 2009.....	1063.0
January 2010.....	1090.6
February 2010.....	1115.9

Historically, the market prices for these metals have fluctuated significantly. The prices may be influenced by numerous factors beyond our control such as world supply and demand, selling and purchase activities by central banks and other macro-economic factors such as expectations regarding inflation rates, interest rates, currency exchange rates, as well as general global economic conditions and political trends. We do not currently employ any financial instruments to hedge market fluctuations. Fluctuations in market prices will lead to fluctuations in our financial results.

Production Volume

Our production volume is primarily determined by the reserves at our mines, our production capacity and our recovery rate with respect to the CSH Mine. We commenced pre-commercial production at the CSH Mine in July 2007 and commercial production in July 2008. The average monthly commercial production volume at the CSH Mine for the years ended December 31, 2009 and 2008 was approximately 6,964 ounces and 5,612 ounces, respectively.

The CSH Mine commenced commercial production in July 2008 with a design processing capacity of 20,000 tonnes of ore per day. Since then, we have installed a new ore crushing facility which ramped up to the design processing capacity of 30,000 tonnes of ore per day in March 2010.

The gold recovery rate at the CSH Mine is determined by various factors including the grade and size of ore placed on the leach pad and the weather condition. We have installed a new crushing facility at the CSH Mine to crush the extracted ore to a size of 80% passing through nine millimeter screens before loading it on the leach pad. Reduced ore particle size will increase the gold recovery rate from Run Of Mine (non-crushed) 37% to approximately 80%, as indicated by the recent column leach test. We have and will continue to experience lower production in the winter months due to low temperatures, which the company is actively seeking better control to keep the leach solution temperature from going down too much during winter months. The recovery rate increases during the warmer months of the year.

Cost of Production

Our cost of production primarily includes mining costs, ore processing costs, other mine operating costs, relevant taxes and depreciation and depletion.

Historically, mining costs have been the largest component of our cost of production at the CSH Mine. Mining costs are primarily affected by the amount of fees paid to third-party contractors. Ore processing costs are primarily affected by the prices of auxiliary materials (such as chemical products and grinding balls) and utilities and production staff costs. Additional capital expenditure will increase our depreciation and depletion, which will in turn increase our cost of production.

Finance Costs

Historically, our working capital and capital expenditure needs have been primarily funded with proceeds from the issuances of promissory notes and loans from commercial banks and China National Gold. Effective interest expense on such indebtedness has been significant. For the years ended December 31, 2008 and 2009, our effective interest expense (including the amount capitalized) was \$9.1 million and \$9.9 million, respectively. Finance costs, as an item on our income statement, which excludes capitalized interest, has been significantly less than our effective interest. For the years ended December 31, 2008 and 2009, our finance costs totaled \$3.6 million and \$6.3 million, respectively.

In the future, we expect our working capital and capital expenditure needs to continue to be partially met with bank loans like the Agricultural Bank of China Loan we presently have. Accordingly, we expect finance costs to continue to affect our results of operations. Fluctuations in interest rates will affect our finance costs, which may in turn affect our results of operations.

Exchange Rate Fluctuations

Our functional currency is the U.S. dollar. During 2006 and 2007, we issued promissory notes denominated in Canadian dollars. In recent years, the exchange rate between the U.S. dollar and Canadian dollar has fluctuated significantly, leading to relatively substantial amounts of foreign exchange gains or losses recorded by us, which in turn had an impact on our net profit or loss.

The following table sets forth the noon buying rate for US dollars in the City of New York for cable transfers in CAD dollars as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

<u>Period</u>	<u>Noon Buying Rate</u>			
	<u>Period End</u>	<u>Average</u> ¹	<u>High</u>	<u>Low</u>
		(CAD per USD\$1.00)		
2006.....	1.1652	1.1340	1.1726	1.0989
2007.....	0.9881	1.0742	1.1852	0.9168
2008.....	1.2240	1.0660	1.2971	0.9717
2009.....	1.0532	1.1405	1.3012	1.0236
2010.....				
January.....	1.0693	1.0429	1.0469	1.0396
February.....	1.0525	1.0568	1.0610	1.0520

⁽¹⁾ Determined by averaging the rates on the last business day of each month during the relevant period.

For the years ended December 31, 2008 and 2009, we had \$8.1 million of foreign exchange gain and \$5.9 million of foreign exchange loss respectively, largely attributable to the Canadian dollar denominated promissory notes. After redeeming Note A on December 14, 2009 and Note B on January 11, 2010, Promissory Note C still remains for CAD \$7.5 million redeemable on June 26, 2010. Accordingly, we expect fluctuations in exchange rate between the U.S. dollar and Canadian dollar to continue to affect our results of operations but not to the degree they have in the past.

Fair Value Change on Warrant Liabilities

In December 2006 and July 2007, we issued warrants as part of a series of issuances of promissory notes. In December 2006, as part of our issuance of the Series A Notes, we issued 6,000,000 warrants with an exercise price of CAD1.60 per Share. In June 2007, as part of our issuance of the Series B and Series C Notes, we issued 4,000,000 warrants with an exercise price of CAD2.50 per Share. As of December 31, 2009, 1,610,000 of our outstanding warrants were due to expire in December 2010, with the remaining 2,450,000 warrants due to expire in June 2011. The fair value change on our warrant liabilities has been significant since the issuance of these warrants. In 2009 and 2008, we had a fair value loss of \$7.2 million and a fair value gain of \$12.8 million, respectively, on our warrant liabilities. The fair values of our warrants were determined by applying the Black-Scholes option pricing model, which are based on a number of assumptions subject to change. The significant change in fair value on our warrant liabilities from a gain in 2008 to loss in 2009 was attributable to a number of factors affecting the fair value of the warrants, including a higher share price, a decrease in exchange rate between Canadian and U.S. dollars, a lower interest rate, and a shorter expected life of the warrants. As a result of our rising stock price, we were able to exercise the accelerated expiry right for the CAD1.60 per Share warrants, and all such warrants will now expire on April 22, 2010. If the present stock price remains above CAD4.25 per share for twenty consecutive days, we will also exercise the accelerated expiry right for the CAD2.50 per Share warrants. However until that happens, we will continue to have a significant number of warrants outstanding, the fair values of which may continue to fluctuate significantly. Our results of operations may be affected accordingly.

Exploration Success

Our long-term growth depends on our ability to grow resources at CSH organically and to acquire economic and accretive reserves. Recent drilling at CSH has resulted in added resources and the Company is working to continue to add resources at CSH. There is a drilling program planned for the warmer months in 2010. The Company is reviewing a number of projects with both proven and probable resources as defined under NI 43-101 and with additional exploration potential for acquisition.

HISTORICAL FINANCIAL INFORMATION

Basis of Presentation

The consolidated financial statements of the Company include the consolidated the financial statements of Jinshan and our controlled subsidiaries (including our operating subsidiaries, namely, the CSH CJV, the Dadiangou CJV and the Xinjiang CJV). Our financial statements are presented in U.S. dollars.

Principal Income Statement Components

Revenue

Revenue represents proceeds from the sales of gold produced at the CSH Mine to customers after the commencement of commercial production on July 1, 2008. The Company's revenue was generated from the sales of gold to China National Gold and two independent third-party refineries in China. Proceeds from the sales of gold at the CSH Mine to customers prior to the commencement of commercial production were netted off against costs and were capitalized and included in mineral assets under property, plant and equipment. For information on the capitalization of costs, see notes 4(k) and 16 of our annual audited consolidated financial statements.

Revenue from sales of gold is recognized when all significant risks and rewards of ownership pass to the customers, no further work or processing is required by us, the quantity and quality of the products has been determined with reasonable accuracy, the price is fixed or determinable, and collectability is reasonably assured. When sales are subject to adjustment based on an inspection of products by the customers, revenue is initially recognized on a provisional basis using our best estimate of contained metal and adjusted subsequently. As a result, we generally recognize revenue from the sales of gold on a provisional basis when gold dore bars are stowed into China National Gold's transporting vehicle and title to our gold dore bars passes. The initially recognized revenue is subject to subsequent adjustment at the time of settlement. The sale price of our gold is generally equal to the market price of gold with reference to the dated gold prices on the Shanghai Gold Exchange, net of refining charges. Our sales of the silver by-product are used to offset cost of sales instead of being included in revenue.

Cost of sales

Our cost of sales primarily consisted of mining costs (which primarily include fees paid to third-party contractors), ore processing costs (which primarily include costs of auxiliary materials used in the production process (such as chemical products), production staff costs and utilities costs), other mine operating costs (primarily operating expenses of the CSH CJV, such as administrative and management staff salaries and benefits and office expenses), taxes and depreciation and depletion. With respect to the CSH Mine, for the years ended December 31, 2009 and 2008, we were subject to PRC resource tax at RMB3 per tonne of ore processed and resource compensation fee at a rate of 2.8% of the revenue of CSH CJV. The rates of these tax and fee are subject to adjustment by relevant PRC government authorities from time to time. Cost of sales is netted against sales of the silver by-product because the amount of proceeds from silver sales is insignificant. Fees paid to third-party contractors are primarily for the provision of mine construction work and mining services.

Depreciation and depletion

Depreciation and depletion primarily consisted of (i) depreciation of property, plant and equipment; and (ii) exploration expenditure incurred on sites within an existing mine or on areas within the boundary of a known mineral deposit which contains proved and probable reserves, provided that such exploration costs are economically recoverable and commercial production has already commenced at such sites. For the accounting treatment of exploration expenditure incurred at other stages, see "— Exploration and evaluation expenditure" below.

General and administrative expenses

General and administrative expenses primarily consisted of administrative and management staff salaries, benefits and travel expenses of administrative and management staff of our head office in Canada, office expenses, investor relations expenses, professional fees and other miscellaneous expenses relating to general administration of our head office in Canada.

Exploration and evaluation expenditure

Exploration and evaluation expenditure primarily consisted of fees paid to third-party contractors for exploration activities such as drilling on sites other than an operating mine and on areas outside the boundary of a known mineral deposit which contains proved and probable reserves and preparing drilling reports, fees paid to obtain exploration permits and in-house exploration staff costs.

Exploration and evaluation expenditure is charged to the consolidated statement of comprehensive income in the period incurred until such time when our management has determined that a mineral property has economically recoverable reserves. For the criteria our management uses when making assessment of economic recoverability, see note 4(k) in our annual audited consolidated financial statements. Following the establishment of economic recoverability, exploration and evaluation expenditure is capitalized and included in the carrying amount of mineral assets under property, plant and equipment.

Foreign exchange (loss) gain

Our reporting currency and the functional currency of our operations is U.S. dollar. Transactions in currencies other than U.S. dollars are initially recorded at the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in currencies other than U.S. dollars are retranslated at the functional currency rate of exchange at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in a currency other than the U.S. dollar 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 our consolidated statements of comprehensive income.

Foreign exchange (loss) gain primarily consisted of foreign exchange differences arising from the conversion of the balances of Canadian-dollar denominated promissory notes and bank deposit to U.S. dollars.

Interest income

Interest income primarily consisted of interest on bank deposits.

Finance costs

Finance costs consisted of effective interest accrued on our borrowings and accretion on environmental rehabilitation liabilities, net of capitalized interest. Interest expenses are capitalized if the borrowings underlying the interest expenses are for a specific project or mine development purposes.

Effective interest consisted of interest expenses and interest accretion on our borrowings. For information on accretion on environmental liabilities, see "Selected Balance Sheet Items - Environmental rehabilitation".

Fair value change on warrant liabilities

Value change on warrant liabilities recorded the change between two consecutive reporting periods in the fair value of warrants that were granted and outstanding as of the end of the previous reporting period. Fair value of warrants is determined using the Black-Scholes option pricing model and requires the input of various subjective assumptions such as the expected volatility of our share price and the expected per share dividend. For further information on the warrants issued by us, see note 20(c) in our annual audited consolidated financial statements.

Income tax expense

The Company was subject to Canadian federal and provincial tax at a rate of 30.0% and 31.0% for the years ended December 31, 2009 and 2008, respectively. During the same periods, our operating PRC subsidiaries, namely the CSH CJV, Dadiangou CJV and Xinjiang CJV, were all subject to PRC enterprise income tax at a rate of 25% and 25%.

As of December 31, 2009, we recognized our deferred tax assets and netted them against deferred tax liabilities which resulted in deferred income taxes of \$1.3 million which we recognized along with the current income tax expense of \$4.8 million for a total tax expense of \$6.1 million. No income tax was accrued for 2008 as the Company had no assessable profit.

Results of Operations of Our Company

The Company initiated gold production at the CSH Gold Mine in July 2007. Effective on July 1, 2008, management has determined that the CSH Gold Mine has entered into commercial production and commencing in the third quarter of 2008, the financial statement presentation reflects revenues and cost of mining operations in the consolidated statement of operations. As the CSH Gold Mine entered into commercial production in the third quarter of 2008, financial and production information for the year ended December 31, 2008, are not comparable to prior years.

Three Year Comparative

CONSOLIDATED (\$ in thousands, except per share information)	Years ended December 31		
	2009	2008	2007
Revenue	\$ 81,047	\$ 29,371	\$ -
Exploration expenses	(1,909)	(5,288)	(6,604)
Net income (loss)	(8,371)	14,876	(30,433)
Basic income (loss) per share	(0.06)	0.09	(0.20)
Cash and cash equivalents	23,985	12,143	26,952
Total assets	174,577	119,311	85,250
Total long-term liabilities	89,260	19,335	60,337

The following table provides selected financial and operating data for the CSH Gold Mine for three months and year ended December 31, 2009, and three months and six months ended December 31, 2008:

	Three months ended December 31, 2009	Year ended December 31, 2009	Three months ended December 31, 2008	Six months ended December 31, 2008
Revenue	\$ 34,008,893	\$ 81,047,414	\$ 16,275,298	\$ 29,371,411
Cost of sales excluding depreciation, amortization and depletion	(22,028,685)	(50,480,646)	(10,714,920)	(18,109,057)
Depreciation, amortization and depletion	(1,550,904)	(5,697,758)	(1,671,409)	(2,390,460)
Cost of sales	(23,579,589)	(56,178,404)	(12,386,329)	(20,499,517)
Mine operating earnings	\$ 10,429,304	\$ 24,869,010	\$ 3,888,969	\$ 8,871,894
Gold produced (ounces)	25,758	83,570	15,593	33,670
Gold sold (ounces)	33,073	83,376	20,411	35,841
Total cost of gold sold per ounce	\$ 713	\$ 674	\$ 607	\$ 572
Cash cost per ounce (Non-GAAP measure)	\$ 568	\$ 516	\$ 518	\$ 511

The following table provides certain operating data for the CSH Gold Mine for three months and year ended December 31, 2009, and three months and six months ended December 31, 2008:

	Three months ended December 31, 2009	Year ended December 31, 2009	Three months ended December 31, 2008	Six months ended December 31, 2008
Ore mined and placed on pad (tonnes)	3,063,135	9,698,571	1,715,388	3,068,406
Average grade of ore (grams per tonne)	0.602	0.630	0.792	0.732
Recoverable gold at 51% recovery rate (ounces)	30,391	98,865	21,106	164,915
Ending gold inventory (ounces)	55,610	55,610	45,503	45,503
Waste rock mined (tonnes)	3,201,852	9,621,554	2,166,503	19,244,446

The following table provides certain unit costs for the CSH Gold Mine for three months and year ended December 31, 2009 and three months and year ended December 31, 2008:

	Three months ended December 31, 2009	Year ended December 31, 2009	Three months ended December 31, 2008	Six months ended December 31, 2008
Cost of mining per tonne of ore	\$ 2.00	\$ 1.67	\$ 1.55	\$ 1.56
Cost of mining waste per tonne of ore	\$ 1.69	\$ 1.44	\$ 1.68	\$ 3.01
Other mining costs per tonne of ore	\$ 0.26	\$ 0.22	\$ 1.69	\$ 0.58
Total mining costs per tonne of ore	\$ 3.95	\$ 3.33	\$ 4.92	\$ 5.15
Cost of reagents per tonne of ore	\$ 1.16	\$ 1.06	\$ 0.97	\$ 0.99
Other processing costs per tonne of ore	\$ 0.26	\$ 0.25	\$ 0.52	\$ 0.37
Total processing cost per tonne of ore	\$ 1.42	\$ 1.31	\$ 1.49	\$ 1.36

The cash cost of production is a measure that is not in accordance with International Financial Reporting Standards (“IFRS”). The Company has included cash cost per gold ounce data to supplement its financial statements, which are presented in accordance with IFRS. Non-IFRS measures do not have any standardized meaning prescribed under IFRS, and therefore they may not be comparable to similar measures employed by other companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance, operating results or financial condition prepared in accordance with IFRS. The Company has included cash cost per ounce data because it understands that certain investors use this information to determine the Company’s ability to generate earnings and cash flow. The measure is not necessarily indicative of operating results, cash flow from operations, or financial condition as determined under IFRS. Cash costs are determined in accordance with the Gold Institute’s Production Cost Standard.

The following table provides a reconciliation of cost of sales as per financial statements and cash cost of production per ounce:

	Three months ended December 31, 2009		Year ended December 31, 2009		Three months ended December 31, 2008		Year ended December 31, 2008	
	Dollars per gold ounce		Dollars per gold ounce		Dollars per gold ounce		Dollars per gold ounce	
Cost of sales	\$ 23,579,589	\$ 628	\$ 56,178,404	\$ 584	\$ 12,386,329	\$ 628	\$ 20,499,517	\$ 584
Adjustments:								
Depreciation, amortization and depletion	(1,550,904)	(60)	(5,697,758)	(68)	(1,671,409)	(107)	(2,390,460)	(71)
Selling costs	(2,397)	(0)	(5,580)	(0)	(47,156)	(3)	(69,070)	(2)
Total cash costs	\$ 22,026,288	\$ 568	\$ 50,475,066	\$ 516	\$ 10,667,764	\$ 518	\$ 18,039,987	\$ 511

Selected Quarterly Data

(\$ in thousands, except per share information)	2009				2008			
	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
QUARTER ENDED								
Revenues	\$34,009	\$21,048	\$18,304	\$7,686	\$16,275	\$13,096	\$0	\$0
Exploration expenses	\$907	\$396	\$279	\$0	\$1,958	\$1,035	\$926	\$1,298
Net income (loss)	(3,457)	(3,480)	(3,775)	2,341	5,665	7,769	(2,007)	3,449
Basic earnings (loss) per share	(0.02)	(0.02)	(0.02)	0.01	0.03	0.05	(0.01)	0.02

Year ended December 31, 2009 compared to year ended December 31, 2008

Revenue

Revenue increased 175.9%, or \$51.6 million, from \$29.4 million for the year ended December 31, 2008, and to \$81.1 million for the year ended December 31, 2009. The increase was primarily due to increased sales of gold at the CSH Mine and a longer reporting period of one year as the CSH mine was in commercial production and reported revenue for only the last six months of 2008. For the year ended December 31, 2009, the CSH Mine produced 83,570 ounces of gold and sold 83,376 ounces of gold at a weighted average price of \$972 per ounce, while for six months ended December 31, 2008, the CSH Mine produced 33,671 ounces of gold and sold 35,841 ounces of gold at a weighted average price of \$819 per ounce. For the year ended December 31, 2008, the CSH Mine produced a total of 57,510 ounces as 23,839 ounces related to the pre-commercial gold production stage up to the July 1, 2008, the date the

mine commenced commercial production. From the commencement of pre-commercial production to the year ended December 31, 2009, the CSH Mine produced a total of 163,074 ounces of gold with 45,833 ounces produced in the pre-commercial production stage of the mine.

Cost of sales

Cost of sales increased by 174% or \$35.7 million, from \$20.5 million for the year ended December 31, 2008 to \$56.2 million for the year ended December 31, 2009. Cost of sales for 2009 included an inventory impairment amount of \$3.0 million recorded by the Company for the year ended December 31, 2009. The actual gold recovery rate of 43% realized since the mine began from the uncrushed ore up to December 2009 was 8% lower than the predicted recovery rate of 51% used in the Company's inventory model. Cost of sales as a percentage of revenue decreased from 69.8% for the year ended December 31, 2008 to 69.3% for the year ended December 31, 2009 primarily due to a reduction in processing costs.

Depreciation and depletion

Depreciation and depletion increased by 138.4%, or \$3.3 million, from \$2.4 million for the year ended December 31, 2008 to \$5.7 million for the year ended December 31, 2009, primarily as a result of our continued mining, ore processing and exploration activities at the CSH Mine since it commenced production in July 2008.

Mine operating earnings

As a result of the foregoing, mine operating earnings increased from \$8.9 million for the year ended December 31, 2008 to \$24.9 million for the year ended December 31, 2009.

General and administrative expenses

General and administrative expenses decreased by 39.5%, or \$2.4 million, from \$6.1 million for the year ended December 31, 2008 to \$3.7 million for the year ended December 31, 2009. This decrease was primarily attributable to a decrease of \$2.1 million in salaries and benefits, a decrease of \$0.4 million in investor relations expenses, a decrease of \$1.8 million in stock-based compensation and a decrease of \$0.5 million in travel expenses partially offset by an increase of \$0.3 million in administration and office expenses, and an increase of \$0.3 million in professional fees. The decrease in salaries and benefits was primarily attributable to a decrease in the size of management of our Company as a result of our efforts to streamline the senior management. Investor relations fees decreased due to decreased participation in investor conferences. Stock-based compensation decreased due to increased expiry and cancellation of stock options resulting in a reversal of expenses. The decrease in travel was primarily due to fewer trips taken by corporate head office staff. Professional fees increased as we obtained additional external services for various accounting and legal matters. Administration and office expenses increased due to the payment to CNG for financial services of \$0.4 million and office rent of \$58,000 offset by decreased insurance costs of \$0.2 million.

Exploration and evaluation expenditure

Exploration and evaluation expenditure decreased by 63.9%, or \$3.4 million, from \$5.3 million for the year ended December 31, 2008 to \$1.9 million for the year ended December 31, 2009. This decrease was primarily due to a \$1.2 million and \$1.5 million decrease in exploration expenses in respect of the Dadiangou Project and the CSH Mine, respectively, as a result of a decreased level of drilling activities. The drilling activities in respect of the CSH Mine decreased mainly because we were focusing our resources on getting the crushing circuit built and ramp up the production. The drilling activities in respect of the Dadiangou Project decreased primarily because the exploration was completed and the project was put up for sale. No exploration and evaluation was incurred for the Xinjiang Project as we and our CJV partner decided to sell the project.

(Loss) income from operations

As a result of the above, income from operations increased by 852.7%, or \$21.8 million, from a loss of \$2.6 million for the year ended December 31, 2008 to income of \$19.2 million for the year ended December 31, 2009.

Foreign exchange (loss) gain

A foreign exchange loss of \$5.9 million was recorded for the year ended December 31, 2009 while a foreign exchange gain of \$8.1 million was recorded for the year ended December 31, 2008. The difference primarily related to the outstanding amount of our promissory notes issued in 2006 and 2007. The difference primarily related to the fluctuation in the value of our outstanding promissory notes in US dollar terms. These promissory notes are denominated in Canadian dollars which appreciated in value against the US dollar for the year ended December 31, 2009, but depreciated in value against the US dollar for the year ended December 31, 2008.

Interest income

Interest income decreased by almost 100.0%, or \$0.2 million, from \$0.2 million for the year ended December 31, 2008 to \$6,000 for the year ended December 31, 2009. This decrease was primarily due to a decrease in bank deposits as a result of increasing capital and operating expenditures as CSH Mine improved production and completed the construction of the crusher facilities.

Listing expenses

We recorded listing expense of \$2.1 million for the year ended December 31, 2009 while we had no such expenses for the year ended December 31, 2008. The listing expenses were incurred primarily for professional services related to the proposed listing on an Asian stock exchange.

Fair value change on warrant liabilities

We recorded an increase of \$7.2 million in the fair value of warrant liabilities for the year ended December 31, 2009 and a decrease of \$12.8 million in the fair value of warrant liabilities for the year ended December 31, 2008.

Finance costs

Finance costs increased by \$2.7 million from \$3.6 million for the year ended December 31, 2008 to \$6.3 million for the year ended December 31, 2009, primarily attributable to a decrease in capitalized interest of \$2.0 million and an increase in effective interest expense of \$0.8 million. The decrease in capitalized interest was primarily attributable to the interest on the CAD\$30 million promissory notes issued in December 2006 no longer being capitalized to deferred development cost since July 1, 2008. The increase in effective interest expense was primarily attributable to the interest expense paid on term loan from Agriculture Bank of China in September 2009 and CNG credit facilities. For information on the promissory notes issued in December 2006, see "Indebtedness" and note 8 of the annual audited consolidated financial statements.

Income tax expense

We incurred current income tax expense of \$4.8 million and deferred income tax expense of \$1.3 million for the year ended December 31, 2009 due to taxable profit during the year. No income tax was accrued for the year ended December 31, 2008 as we had no taxable profit during that year.

Net/comprehensive (loss) income attributable to shareholders of the Company

As a result of the foregoing, we had a net/comprehensive loss attributable to our shareholders of \$9.4 million for the year ended December 31, 2009 and net/comprehensive income attributable to our shareholders of \$14.6 million for the year ended December 31, 2008.

Quarter ended December 31, 2009 compared to quarter ended December 31, 2008

Revenue

Revenue increased by 109%, or \$17.73 million, from \$16.27 million for the quarter ended December 31, 2008, to \$34.0 million for the quarter ended December 31, 2009. The increase was primarily due to increased sales of gold at the CSH Mine. From the commencement of commercial production in July 2008 to December 31, 2009, the CSH Mine produced a total of 83,570 ounces of gold and sold 83,376 ounces of gold at a weighted average price of \$972 per ounce, while from commencement to the year ended December 31, 2008, the CSH Mine produced a total of 33,671 ounces of gold and sold 35,841 ounces of gold at a weighted average price of \$819 per ounce.

Cost of sales

Cost of sales increased by 90.4% or \$11.2 million, from \$12.4 million for the quarter ended December 31, 2008 to \$23.6 million, for the quarter ended December 31, 2009. Cost of sales for 2009 included an inventory impairment amount of \$3.0 million recorded by the Company for the quarter ended December 31, 2009. The actual gold recovery rate of 43% realized from the uncrushed ore up to December 2009 was 8% lower than the predicted recovery rate of 51% used in the Company's inventory model. Cost of sales as a percentage of revenue decreased from 76.1% for the quarter ended December 31, 2008 to 69% for the quarter ended December 31, 2009 primarily due a reduction

processing costs and reduced resource compensation taxes due to an exemption for the Company recorded for the quarter ended December 31, 2009.

Depreciation and depletion

Depreciation and depletion increased by 7.2%, or \$0.1 million, from \$1.67 million for the quarter ended December 31, 2008 to \$1.55 million for the quarter ended December 31, 2009, primarily as a result of our continued mining, ore processing and exploration activities at the CSH Mine since it commenced production in July 2008.

Mine operating earnings

As a result of the foregoing, mine operating earnings increased from \$3.89 million for the quarter ended December 31, 2008 to \$10.4 million for the quarter ended December 31, 2009.

General and administrative expenses

General and administrative expenses decreased by 41.9%, or \$0.4 million, from \$0.9 million for the quarter ended December 31, 2008 to \$0.5 million for the quarter ended December 31, 2009. This decrease was primarily attributable to a decrease of \$0.2 million in salaries and benefits, a decrease of \$0.1 million in investor relations expenses, a decrease of \$0.1 million in stock-based compensation and a decrease of \$0.1 million in travel expenses partially offset by an increase of \$0.3 million in administration and office expenses, and an increase of \$0.3 million in professional fees. The decrease in salaries and benefits was primarily attributable to a decrease in the size of management of our Company as a result of our efforts to streamline the senior management. Investor relations fees decreased due to decreased participation in investor conferences. Stock-based compensation decreased due to an increase in the expiration and cancellation of stock options resulting in a reversal of expenses. The decrease in travel was primarily due to fewer trips taken by corporate head office staff. Professional fees increased as we obtained additional external services for various accounting and legal matters. Administration and office expenses increased due to capital taxes being payable at the end of December 2009 compared with 2008. In addition rent costs are higher for the quarter ended December 31, 2009 compared with December 31, 2008, also there have been a general decrease in insurance costs as well as a reduction in overhead allocation.

Exploration and evaluation expenditure

Exploration and evaluation expenditure decreased by 53.7%, or \$1.05 million, from \$1.95 million for the quarter ended December 31, 2008 to \$0.9 million for the quarter ended December 31, 2009. This decrease was primarily due to a \$0.7 million and \$0.5 million decrease in exploration expenses in respect of the Dadiangou Project and the CSH Mine, respectively, as a result of a decreased level of drilling activities. The drilling activities in respect of the CSH Mine decreased mainly because we were focusing our resources on getting the crushing circuit built and ramp up the production. The drilling activities in respect of the Dadiangou Project decreased primarily because exploration has been completed and the project is being put up for sale. No exploration and evaluation was incurred for the Xinjiang Project as we and our Chinese Joint Venture ("CJV") partner decided to sell the project.

Income from operations

As a result of the foregoing, income from operations increased by 793.0%, or \$8.0 million, from income of \$1.0 million for the quarter ended December 31, 2008 to income of \$9.0 million for the quarter ended December 31, 2009.

Foreign exchange (loss) gain

A foreign exchange loss of \$0.4 million was recorded for the quarter ended December 31, 2009 while a foreign exchange gain of \$5.3 million was recorded for the quarter ended December 31, 2008. The difference primarily relates to the outstanding amount of our promissory notes issued in 2006 and 2007 due to the fluctuation in the value of our outstanding promissory notes in US dollar terms. These promissory notes are denominated in Canadian dollars which appreciated in value against the US dollar for the quarter ended December 31, 2009, but depreciated in value against the US dollar for the quarter ended December 31, 2008.

Interest income

Interest income decreased by 86.2%, or \$11,000, from \$13,000 for the quarter ended December 31, 2008 to \$2,000 for the quarter ended December 31, 2009. This decrease was primarily due to a decrease in bank deposits as a result of increasing capital and operating expenditures as CSH Mine improved production and completed the construction of the crusher facilities.

Listing expenses

We recorded listing expense of \$1.2 million for the quarter ended December 31, 2009 while we had no such expenses for the quarter ended December 31, 2008. The listing expenses were incurred primarily for professional services related to the proposed listing on an Asian stock exchange.

Fair value change on warrant liabilities

We recorded a decrease of \$5.2 million in the fair value of warrant liabilities for the quarter ended December 31, 2009 and an increase of \$1.1 million in the fair value of warrant liabilities for the quarter ended December 31, 2008.

Finance costs

Finance costs increased by \$0.6 million from \$1.77 million for the quarter ended December 31, 2008 to \$2.38 million for the quarter ended December 31, 2009, primarily attributable to a decrease in capitalized interest of \$0.9 million and a decrease in effective interest expense of \$0.3 million. The decrease in capitalized interest was primarily attributable to the interest on the promissory notes issued in December 2006 no longer being capitalized to deferred development cost since July 1, 2008. The decrease in effective interest expense was primarily attributable to the repayment of the \$30million Promissory Note in December 2009. For information on the promissory notes issued in December 2006, see "Indebtedness" and note 8 of the annual audited consolidated financial statements.

Income tax expense

We incurred current income tax expense of \$2.9 million and deferred income tax of \$1.3 million for the quarter ended December 31, 2009 due to taxable profit during this period. No income tax was accrued for the quarter ended December 31, 2008 as we had no taxable profit during this period.

Net/comprehensive income (loss) attributable to shareholders of the Company

As a result of the foregoing, we had net/comprehensive loss attributable to our shareholders of \$3.9 million for the quarter ended December 31, 2009 and net/comprehensive income attributable to our shareholders of \$5.5 million for the quarter ended December 31, 2008.

MINE DEVELOPMENT

CSH Mine – Mineral Resources and Ore Reserves

Property Description

The CSH Gold Project is located in Inner Mongolia Autonomous Region of Northern China (Inner Mongolia). The property hosts two low-grade, near surface gold deposits, along with other mineralized prospects. The main deposit is called the Northeast Zone (the "Northeast Zone"), while the second, smaller deposit is called the Southwest Zone (the "Southwest Zone").

Joint venture agreement

The CSH Gold Project is operated and owned by Inner Mongolia Pacific Mining Co., a CJV in which Jinshan holds a 96.5% interest and Brigade 217 holds the remaining 3.5%.

The following table shows the cumulative expenditures made as of December 31, 2009:

	December 31, 2007	Incurred during the year	Transfers	December 31, 2008	Incurred during the period	December 31, 2009
	\$	\$	\$	\$	\$	\$
Exploration expenditure CSH charged to profit or loss	7,079,614	1,824,263	-	8,903,877	267,299	9,171,176
Mineral assets	26,108,626	6,250,322	(20,401,790)	11,957,158	6,803,215	18,760,373
Construction in progress	41,316	28,685,801	-	28,727,117	48,359,613	77,086,730

An updated mine plan for the CSH Gold Project has been developed and reported in the BD ITR dated March 30th, 2010. This plan has been prepared for heap leaching with a crushing plant throughput rate of 30,000 tonnes per day, with full capacity expected by the end of the first quarter of 2010.

Mineral reserves have been reported for the final pit designs at a positive net value cutoff that corresponds to a gold grade cutoff of approximately 0.3 grams per tonne gold as scheduled in the mine plan. The proven and probable reserves at CSH mine as of December 31, 2009 stand at approximately 138 million tonnes of ore with an average grade of 0.67 g/t gold, representing approximately 3.0 million ounces of contained gold. In the previous March 2008 Independent Technical Report (“ITR”), the company reported 99 million tonnes of reserves at an average grade of 0.71 g/t gold, consisting of 35 million tonnes of proven reserves averaging 0.74g/t gold and 64 million tonnes of probable reserves averaging 0.69 g/t gold at 0.28 g/t gold cut-off grade.

The new reserves are summarized in the table below:

CSH Mine Reserves by category, Northeast and Southwest pits combined December 2009

Classification	Cutoff Au (g/t)	Ore (M tonnes)	Grade Au (g/t)	Contained Au (kOz)	Contained Au (kgs)
Proven	0.30	83.6	0.70	1,868	58,100
Probable	0.30	55.2	0.64	1,133	35,240
Total	0.30	138.8	0.67	3,001	93,340

Resource Estimate

The new CSH mine resource estimate was reported in the BD ITR dated March 30th, 2010. The 2008 drilling campaign added significant tonnages above cutoff and also improved the grade, partly due to the confirmation of grades and upgrade in resource classification down-dip and laterally. The CSH deposit in the Southwest (SW) area is now well delineated, and still significant potential exists for down-dip extensions to the mineralization. Mineralization at depth in the Northeast (NE) has been confirmed, with increases in both tonnages and confidence.

At the end of December 2009, the project’s Measured and Indicated Gold Resources, using 0.3 grams per tonne (“g/t”) Au cut-off grade, stand at 243 million tonnes averaging 0.64 (g/t) gold. This translates into 4.99 million ounces of gold (inclusive of reserves) in the deposit. In the previous March 2008 ITR, 183 million tonnes of Measured and Indicated resources average 0.69 g/t gold were reported with the same 0.30 g/t gold cut-off grade. Details of the new resources are summarized in the table below:

Table 2: CSH Mine Resources by category, Northeast and Southwest Zones (inclusive of reserves).

Resources by category below pit surface to December 31st, 2009, CSH Mine Project, 2009 Resource Model										
Cutoff (g/t)	Measured		Indicated		Measured+Indicated			Inferred		
	M Tonnes	Au Grade (g/t)	M Tonnes	Au Grade (g/t)	M Tonnes	Au Grade (g/t)	Million Ounces Au	M Tonnes	Au Grade (g/t)	Million Ounces Au
0.3	105.8	0.68	137.6	0.61	243.4	0.64	4.993	0.53	0.43	0.007
0.35	96.1	0.71	120.8	0.65	216.9	0.68	4.716	0.35	0.49	0.005
0.4	86.5	0.75	104.1	0.69	190.6	0.72	4.400	0.24	0.54	0.004
0.45	77.2	0.79	89.1	0.74	166.3	0.76	4.068	0.18	0.57	0.003
0.5	68.0	0.83	76.2	0.78	144.2	0.80	3.732	0.12	0.62	0.002
0.55	59.6	0.88	64.9	0.83	124.4	0.85	3.399	0.08	0.68	0.002
0.6	51.9	0.92	54.9	0.87	106.8	0.90	3.073	0.05	0.73	0.001
0.65	44.6	0.97	46.6	0.92	91.2	0.94	2.760	0.03	0.83	0.001
0.7	38.1	1.02	39.6	0.96	77.7	0.99	2.467	0.02	0.88	0.001
0.75	32.3	1.07	33.4	1.00	65.7	1.04	2.188	0.02	0.93	0.000

Production Update

In July 2007, Jinshan completed the construction of the 20,000 tonnes per day (“tpd”) gold heap leach process facility. Since operations commenced in 2007, the Company’s gold production at the CSH mine has totaled 163,074 troy ounces including 83,570 ounces poured in 2009. The CSH project has experienced erratic gold production numbers based on the monthly data, which has been below the gold production estimates set out in prior feasibility studies of approximately 9,000 oz per month. The Company has identified several reasons for this, including in particular that the previously identified “weathered” zone near surface is actually mixed with gradationally increasing amount of sulphide ore down depth, which, when not crushed, has very slow leaching kinetics or gold recovery is dramatically slowed down for ROM processing. Other factors include larger sized ore placed on the heap leach pad by the mining contractor than designed, which will take a longer period of time for gold to be leached out and seasonal slowdowns due to cold weather in winter months. The Company has implemented a number of adjustments that will augment recoveries and production rates including better control on ore size and irrigation rate etc. These adjustments have resulted in a cumulative increase in gold production to date. This increase in recoveries will be largely realized in the warmer months of the year.

In addition, a 30,000-tpd crushing plant was installed in August 2009 and underwent a process of commissioning and adjustment through the fall of 2009 and early 2010. Since March, 2010, mine production has consisted of almost entirely crushed ore, and the crushers reached its design capacity of 30,000-tpd in March 2010. According to the most recent column leach test done by the company Metcon Research of KDE, once the ore is crushed the gold recovery will be greatly improved to approximately 70% to 80% depending on the gold grades. The higher the gold grade, the better the recovery will be. Gold production at the CSH mine has totaled 163,074 gold ounces since start up on July 31, 2007 to the end of December 2009. Based on the new technical report done by Behre Dolbear, for 2010, the mining budget is set at 10.65 million tonnes and gold production is estimated to be 132,210 ounces. Like many other heap leach operations, gold production at the CSH project will gradually increase from now on according to the BD ITR.

Monthly commercial gold production for the months of July 2008 to February 2010 is shown in the tables below:

Month	2008						Total
	Jul	Aug	Sep	Oct	Nov	Dec	
Ounces Produced	5,229	6,395	6,454	5,358	5,237	4,998	33,671

Month	2009												Total
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Ounces Produced	4,561	2,408	2,401	6,877	6,085	6,936	5,290	8,421	14,832	8,800	7,253	9,705	83,570

(1) September includes cleaning of cells for difference with release of 11,388 ounces reported

Month	2010		Total
	Jan	Feb	
Ounces Produced	3,108	3,332	6,440

Project Economics

According to the new mine plan, the CSH mine life is extended from 2018 to 2023 with four more years of leaching afterwards. By the end of 2009 and prior to the use of the crusher, approximately 20 million tonnes of ROM ore were put under leach. The observed recovery from this uncrushed ROM material based on gold poured has been 37.3%. It is estimated that the ultimate recovery rate for the uncrushed ROM ore already on pad will be over 53%. With the new crushers now at the design capacity of 30,000 tpd, it is expected that the gold recovery will be greatly improved. According to the column test done by Metcon Research of KDE in 2009, the recovery rate for the crushed ore is a function of the ore grade. The higher the ore grade the higher the recovery rate, which ranges from the lowest of 62.1% in the SW pit to the highest of 80.9% in the NE pit. According to the new mine production plan, approximately 2.35 million ounces of gold will be produced in the next 15 years starting with annual production of approximately 132,210 ounces in 2010, and gradually increasing to over 150,000 ounces in 2014 and then to over 200,000 ounces in 2021. Production will decline sharply after that.

In the previous technical report released in March 2008, a 600 US dollar per ounce gold price was used to estimate the project economics and the Pre-Income Tax NPV was only \$87 million at 10% discount. In the BD ITR dated March 30th, 2009, Behre Dolbear uses the base gold prices for the next 5 years which are \$1,032 per ounce, \$1,033 per ounce, \$955 per ounce, \$970 per ounce and \$849 per ounce corresponding to the years of 2010, 2011, 2012,

2013 and 2014 respectively. For long-term gold price after 2014, \$849 is used as the long-term gold price estimate. Using the new gold prices, the project Pre-Income Tax Net Present Value (NPV) as of the end of December 2009 at a 9% discount rate, stands at \$ 517 million at the exchange rate of one US dollar to 6.83 RMB yuan. Gold prices and recovery rate are still the two most sensitive factors for the project economics.

Exploration

From 2003 through to 2005, Jinshan undertook annual drill campaigns that allowed Jinshan to complete resource estimates and quantify the size and scope of both the Northeast and Southwest Zones. This was followed by further drilling campaigns in 2007 through to 2008 to increase confidence levels in resource estimates and test extensions of mineralization. In 2007, 41 holes at approximately 11,500 metres were drilled, while in 2008, 23 holes at approximately 5,000 m were drilled.

Exploration and drilling will continue at the CSH gold mine during the 2010 field season within the company's 25 square kilometer licensed area immediately adjoining the mining permit. The first priority for exploration will be to drill several gold anomalies and carry out trenching along the surface strike extension of prospective stratigraphy that was defined by grid rock sampling during the previous field seasons. Deeper drill holes are also planned for the CSH property to explore for higher grades down dip.

Environmental and Community Considerations

The Company is committed to observe and dedicated to comply with Chinese and global environmental and social responsibility standards.

In 2006, an Environmental Impact Study ("EIS") was submitted to the Inner Mongolian Environment Protection Bureau ("EPB") to comply with local (Chinese) requirements, including industrial policies and regional economic development plans, and an Environmental and Social Impact Assessment for the CSH Mine was conducted by internationally recognized consultants Environmental Resources Management ("ERM") utilizing both Chinese EIA requirements as well as World Bank Group Environmental and Social Guidelines. A key aspect of this ERM assessment concerned minimization of community impact as a result of water use by the mine, and it has also been used to provide the basis for an Environmental Management Plan for the site. Various social issues were addressed in the study. This has contributed towards protection of local social heritage and culture, employment of local people (currently approximately 30% of the workforce), employment of women (currently approximately 10% of the workforce) as well as contributions towards local education, medical equipment, various community activities and support of poor families with food and coal (which collectively have been cost at approximately RMB1.6 million to date) having been implemented by the Company.

In November 2007, the CSH Gold Project received its environmental approval from the Mongolian EPB following review of the documents and a site inspection by an expert panel. Environmental Approval, which requires approval of both the EIS and a Soil and Water Conservation Plan, is required to obtain a Mining Permit, thereby enabling the mining operation to commence production.

Due to the semi-desert conditions and scarce water supply in the area, the project is being developed as a zero discharge site, hence it only requires a Water Supply (and not a Discharge) Permit, to be issued by the regulatory authorities. A comprehensive Water Resource Estimation by the Baogang Engineering Investigation and Survey Institute in Baotou was followed by a similar independent study by international experts Golder Associates, and a further hydrogeology and water resources study was conducted by the Baogang Institute. The objective of the mine project in securing its water supply is to balance the extraction of water from local sources with the capacity for recharge of these sources. The collective studies have determined that a sustainable water extraction rate would be 4,000 m³/day in average years and 3,000 m³/day in dry years, which is sufficient to meet the demand of the mining operation. The current Water Permit allows water to be pumped from the Molen River and Xinhure alluvial aquifer as well as the Hushaogou bedrock aquifer, at a rate of up to approximately 1 Mm³/year.

Environment protection measures for the mine site include programs for water management, solid waste, rock dust mitigation, noise control, rehabilitation and seismic and flood risk.

LIQUIDITY AND CAPITAL RESOURCES

We operate in a capital intensive industry. Our liquidity requirements arose principally from the need for working capital to finance development of our mining and processing operations, exploration activities and acquisition of exploration and mining rights. Our principal sources of funds have been proceeds from the issuance of promissory notes, borrowing from PRC Commercial banks and China National Gold and cash generated from operations. Our liquidity will primarily depend on our ability to generate cash flow from operations and obtain external financing to meet our debt obligations as they become due as well as our future operating and capital expenditure requirements.

At December 31, 2009, the Company had an accumulated deficit of \$65,473,203 and negative working capital of \$9,449,740. Per the Company's 2010 working capital and profit forecast, management believes that its forecasted operating cash flows are sufficient to cover the next twelve months of operations factoring in planned capital expenditures and current debt repayments.

Cash flows

The following table sets out selected cash flow data from our consolidated cash flow statements for the years ended December 31, 2009 and 2008:

	Years ended December 31,	
	2009	2008
	\$	\$
Net cash flows from operating activities	11,819,429	(33,048,859)
Net cash flows from investing activities	(32,426,864)	(11,149,173)
Net cash flows from financing activities	32,375,052	29,932,784
Effect of foreign exchange rate changes on cash and cash equivalents	74,304	(544,438)
Net increase (decrease) in cash and cash equivalents	11,841,921	(14,809,686)
Cash and cash equivalents, beginning of period	12,142,739	26,952,425
Cash and cash equivalents, end of period	23,984,660	12,142,739

Operating cash flow

For the year ended December 31, 2009, net cash from operating activities was \$11.8 million, which was primarily attributable to (i) an increase in construction payable of \$15.3 million primarily due to completing the crusher facilities, (ii) an increase in prepaid expenses and deposits of \$5.4 million primarily due to a decrease in refundable deposits for the CSH Mine construction and resource tax prepayments made to local PRC government, (iii) a loss of \$7.2 million on the fair value of warrant liabilities, (iv) finance costs of \$6.3 million, (v) depreciation of \$5.7 million, and (vi) income taxes paid of \$4.7 million.

For the year ended December 31, 2008, net cash used in operating activities was \$33.0 million, which was primarily attributable to (i) an increase in inventory of \$27.8 million primarily reflecting an increase in the inventory of gold-in-process after the commencement of commercial production in July 2008, (ii) an increase in prepaid expenses and deposits of \$5.2 million primarily due to an increase in refundable deposits for the CSH Mine construction and a resource tax prepayment of \$1.5 million made to local PRC government, (iii) a decrease in fair value of warrant liabilities of \$12.8 million, (iv) interest paid of \$5.9 million primarily on the promissory notes and (v) an unrealized foreign exchange gain of \$7.9 million, partially offset by (i) finance costs of \$3.6 million and (ii) an increase in accounts payable and accrued liabilities of \$3.7 million primarily attributable to the amounts payable to third-party contractors for the installation of the crushing facility at the CSH Mine.

Investing cash flow

For the year ended December 31, 2009, net cash used in investing activities was \$32.4 million, which was primarily attributable to purchases of property, plant and equipment of \$37.6 million, net of construction payables. This increase in purchases was primarily in relation to the construction and installation of the crushing facility and expansion of processing facilities at the CSH Mine. This was partially offset by restricted cash deposits of \$5.2 million primarily as a result of the return by a bank of cash deposited to secure a stand-by credit facility.

For the year ended December 31, 2008, net cash used in investing activities was \$11.1 million, which was primarily attributable to: (i) purchases of property, plant and equipment of \$26.8 million primarily in relation to the installation of the crushing facility and expansion of processing facilities at the CSH Mine and (ii) restricted cash deposits of \$15.3 million comprising a \$14.0 million security deposit for a standby letter of credit for the purchase of

ore crushing equipment and \$1.3 million held on behalf of local PRC tax authorities, partially offset by proceeds from sales of products from pre-commercial production of \$20.9 million.

Financing cash flow

For the year ended December 31, 2009, net cash from financing activities was \$32.4 million, which was primarily attributable to the aggregate proceeds of \$82.3 million from the term loan from the Agricultural Bank of China to CSH CJV and the term loan we borrowed from CNG, partially offset by: (i) the repayment of Series A Notes and Series B Notes in an aggregate amount of approximately \$36.3 million and (ii) the repayment of the bridge loan of approximately \$18.9 million from the Industrial and Commercial Bank of China. See “Indebtedness”.

For the year ended December 31, 2008, net cash from financing activities was \$30.0 million, which was attributable to the aggregate proceeds of \$11.0 million from issuance of common shares in connection with the exercise of warrants and stock options during the same year and proceeds of \$18.9 million from the bridge loan we received from the Industrial and Commercial Bank of China in September 2008.

SELECTED BALANCE SHEET ITEMS

Accounts receivable

Accounts receivable primarily represented interest receivables, goods and services tax refund from relevant government authorities, listing expense receivable, and other receivables such as employee travel advances. We did not record any trade receivable from the sale of our gold dore bars to China National Gold as China National Gold pays an estimate sale price within two days before delivery. The estimate sale price is calculated on the basis of the estimated weight of gold and silver contained in the gold dore bars we sell. The final sale price is settled when the parties finalize the weight of gold and silver contained in the gold dore bars in accordance with the weighing and sampling procedures specified in the sale agreement. We did not record any accounts receivable from the sale of our gold dore bars to the independent third-party refinery because we started and stopped selling our products to them in July 2008 and October 2008, respectively. Therefore, as of December 31, 2008, all amounts receivable from this refinery, if any, had been settled.

Accounts receivable increased from \$0.1 million as of December 31, 2008 to \$1.7 million as of December 31, 2009, primarily due to the listing expense receivable of \$1.2 million, based on a cost sharing agreement with the owners of the Jiama property. The listing expenses included professional expenses incurred for a proposed Asian stock exchange listing.

The following table sets forth an aging analysis of our accounts receivable as of the dates indicated:

	2009
	\$
Less than 1 month	65,217
1 to 3 months	1,270,276
Over 6 months	346,437
Total accounts receivable	1,681,930

Our trade receivable turnover days for the year ended December 31, 2009 and 2008 were zero because we did not have trade receivable relating to sales of our gold.

As of March 31, 2010, 71 % of our accounts receivables as of December 31, 2009 had been settled.

Prepaid expenses and deposits

Prepaid expenses and deposits primarily consisted of CSH Mine construction deposits paid to third-party contractors, deposits for supplies and services for mining operations at the CSH Mine, rent deposits for our corporate offices, deposits to suppliers for purchase of spare parts, insurance premium for future periods and resource tax prepaid to relevant PRC government.

As of December 31, 2009 and 2008, prepaid expenses and deposits were \$7.2 million and \$1.7 million, respectively. The increase of \$5.5 million in prepaid expenses and deposits was primarily due to (i) a decrease of \$3.7 million in refundable CSH Mine construction deposits paid to third-party contractors due to the decreased level of mine construction work at the CSH Mine as concentration turned to the construction and installation of the crushing facility; and (ii) \$0.7 million of deposits for mine supplies and services in relation to increased mine production, partially offset by a decrease in prepaid resources tax. We had no prepaid resource taxes as of December 31, 2009 as compared to the

\$5.1 million prepayment of resource compensation tax outstanding as of December 2008, because the resource compensation tax only requires a prepayment of the tax every second year.

Inventory

Inventory consisted of gold-in-process (comprising gold contained in the ore placed on the leach pad and in-circuit material within processing operations), gold dore bars, auxiliary materials and spare parts.

Costs capitalized and included in mineral assets were mine operating costs netted off against proceeds received from sales of products prior to the commencement of commercial production on July 1, 2008. Costs of \$20.4 million that were capitalized and included in mineral assets (as part of property, plant and equipment) upon commencement of commercial production in July were reclassified as and transferred to inventory.

Our inventory increased from \$27.6 million as of December 31, 2008 to \$29.0 million as of December 31, 2009 primarily attributable to the increase in our gold-in-process. Inventory turnover days for the year ended December 31, 2009 and six months ended December 31, 2008 were 188.5 days and 246.8 days, respectively. The shorter reporting period of six months in 2008 relates to commercial production commencing only as of July 1, 2008. Prior to that time, the mine was in a pre-commercial production stage. These inventory turnover periods were primarily attributable to the amount of gold-in-process we had which was in turn primarily attributable to the nature of the heap leaching method we use at the CSH Mine. It generally requires a significant period of time (several years) from the time when ore is placed on leach pads to the time when gold is poured.

As of December 31, 2009 and 2008, inventory primarily consisted of gold-in-process.

As we commenced commercial production on July 1, 2008, our cost of sales for 2008 represented cost of sales for the six months ended December 31, 2008. Inventory turnover days for the year ended December 31, 2009 and six months ended December 31, 2008 are calculated based on inventory as of the period end divided by cost of sales for that period and multiplied by 365 days and 183 days, respectively.

As of March 31, 2010, 100% of our gold dore bar inventory as of December 31, 2009 had been sold.

Accounts payable and accrued expenses

Accounts payable and accrued expenses primarily consisted of amounts outstanding for trade purchases relating to gold production activities (such as purchases of auxiliary materials) and construction activities and fees payables to third-party contractors.

Accounts payable and accrued expenses increased from \$18.9 million as of December 31, 2008 to \$35.1 million as of December 31, 2009 primarily due to increased third-party contractors for the installation of the crushing facility at the CSH Mine.

The increase of accounts payable and accrued expenses to \$19.5 million as of December 31, 2009 was mainly driven by the growing business activities including operation and listing activities. The increase of Accounts payable and Construction payable as of December 31, 2009 over 6 months was caused by the increase of unpaid amounts to third-party crusher contractors and third-party mining contractors at CSH mine.

The accounts payable turnover days for the year ended December 31, 2009 are calculated based on Accounts payable and accrued expenses as of the period end divided by the cost of sales for the period. The Accounts payable turnover days for the year ended December 31, 2009 were 134.1 days. The rate was relatively long primarily attributable to the increase of unpaid amounts to Chinese governmental authorities whose amounts come due in one to twelve months after the period end, third-party mining contractors at CSH mine, and the listing services provided by third-party vendors in the year of 2009.

The following table sets forth an aging analysis of our accounts payable and accrued expenses as of the dates indicated:

	Years ended December 31,		
	2009	2008	2007
	\$	\$	\$
Less than 1 month	24,526,308	13,979,217	13,391,117
1 to 3 months	1,444,774	1,485,099	527,804
3 to 6 months	2,525,308	3,235,841	38,167
Over 6 months	6,576,214	232,487	1,109,397
Total	35,072,604	18,932,644	15,066,485

The credit period for trade purchases is typically between 30 to 90 days. Accounts payable and accrued expenses due for 30 days or less increased from \$14.0 million as of December 31, 2008 to \$24.5 million as of December 31, 2009 primarily attributable to increased production and increased construction related to the crushing facility. Accounts payable and accrued expenses due for more than 30 days but no more than 90 days as of the end of the relevant reporting periods remained basically the same. Accounts payable and accrued expenses due for more than 90 days but no more than 180 days decreased from \$3.2 million as of December 31, 2008 to \$2.5 million as of December 31, 2009 primarily attributable to amounts payable to third-party contractors for the installation of the crushing facility and mining services provided at the CSH Mine. Accounts payable and accrued expenses due for more than 30 days but no more than 90 days as of the end of the relevant reporting periods increased primarily attributable to an increase in construction contracts with longer payment terms related to the completion of the crushing facility. Accounts payable and accrued expenses as of December 31, 2009 and 2008 due for over 180 days primarily represented retention money payables to third-party contractors for mine infrastructure construction work performed that were retained by us for quality assurance purposes. Pursuant to the agreements we entered into with our third-party contractors for mine construction work, we typically retain, on a monthly basis, around 5% to 10% of the payments to third-party contractors and release these amounts retained a certain period of time after the construction work is substantially completed.

As we commenced commercial production on July 1, 2008, our cost of sales for 2008 represented cost of sales for the six months ended December 31, 2008. Accounts payable turnover days for the six months ended December 31, 2008 are calculated based on accounts payable and accrued expenses as of the period end divided by cost of sales for that period and multiplied by 183 days. Accounts payable turnover days for the six months ended December 31, 2008 were 169.0 days. Accounts payable turnover days for the six months ended December 31, 2008 were relatively long primarily attributable to the amount of accounts payables and accrued expenses as of December 31, 2008 which was in turn primarily attributable to the amounts payable to third-party contractors for mining services provided and the installation of the crushing facility at the CSH Mine as well as retention money payables to third-party contractors for construction work that were retained by us for quality assurance purposes.

As of March 31, 2010, 73 % of our trade accounts payables as of December 31, 2009 had been settled. None of our construction payables as of December 31, 2009 were due to be paid as outlined in the contract terms.

Warrant liabilities

Warrant liabilities represented the fair value of the warrants that were outstanding as of the end of each reporting period. Warrants were granted primarily in connection with the promissory notes issued in December 2006 and June 2007, respectively, and a private placement of common shares in August 2006. For further information on the promissory notes, the private placement of common shares in August 2006 and the warrants granted in relation thereto, see note 18 annual audited consolidated financial statements.

As of December 31, 2009 and 2008, warrant liabilities were \$5.3 million and \$0.3 million, respectively.

Total warrant liabilities increased from \$0.3 million as of December 31, 2008 to \$5.3 million as of December 31, 2009, primarily attributable to an increase in fair value of warrant liabilities as of December 31, 2009 of \$7.2 million which was in turn primarily due to the increase in the Canadian dollar relative to the US dollar and the increasing share price.

For further information on warrants, see note 20 in the annual audited consolidated financial statements.

Environmental rehabilitation

Environmental rehabilitation primarily represented reclamation and closure costs relating to our operations at the CSH Mine. We have estimated reclamation and closure costs based on our interpretation of current regulatory

requirements and the recorded amount is the net present value of estimated future cash expenditures on reclamation and closure in connection with the areas estimated to be disturbed. Reclamation and closure costs were capitalized as mine development costs (under mineral assets as part of property, plant and equipment) since the commencement of pre-commercial production and depreciated over the life of the mine on a unit-of-production basis. At the same time, we started to recognize environmental rehabilitation liabilities since the commencement of pre-commercial production with the same amount of net present value of estimated future cash expenditures on reclamation and closure and accrete the balance of the environmental rehabilitation liabilities for each reporting period through to 2017. Such accretion is recorded as part of the finance costs.

The environmental rehabilitation was calculated as the net present value of estimated future net cash outflows of the reclamation and closure costs in a total amount of approximately \$9.5 million and \$7.9 million discounted at 10.0% and 12.1% as of December 31, 2009 and 2008, respectively. The accretion incurred in connection with the environment rehabilitation represented interest expenses calculated based on the foregoing discount rates and therefore it was recorded as part of the finance costs. Our environmental rehabilitation liabilities decreased from \$ 4.1 million as of December 31, 2008 to \$ 1.6 million as of December 31, 2009, primarily attributable to the extended timing of cash flows and its changed distribution close to the end of relevant discounting period. This is offset by the decrease of the discount rate from 12.1% to 10.0%, and the increase of estimated amount of undiscounted cash flows, was \$9.5 million.

Net current assets / Net current liabilities

We had net current liabilities of \$9.4 million as of December 31, 2009, respectively, and net current liabilities of \$8.2 million as of December 31, 2008. See “Risk Factors - Risks relating to Our Business and Industry - Jinshan had net current liabilities and significant net cash outflows from operating and investing activities”.

RELATED PARTY TRANSACTIONS

CNG owned the following percentages of outstanding common shares of the Company:

	December 31,	
	2009	2008
	%	%
CNG	40.3	41.2

In October 2008, the Company terminated its contract for the refining and purchase and sale of gold dore with a third-party refiner and entered into an equivalent agreement for the purchase and sale of gold dore with CNG, who is shipping the gold dore 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.

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

	Years ended December 31,	
	2009	2008
	\$	\$
Gold sales	77,723,334	14,011,969
Silver sales (netted in cost of sales)	166,214	60,531

The Company’s gold dore and silver sales were sold to CNG at market price under the relevant agreement.

The Group incurred the following expenses with Ivanhoe, CNG and Global Mining Management (“GMM”); all of these companies are or were related to the Company by way of directors or shareholders in common. Ivanhoe Mines Ltd. 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 controlling shareholder of the Company. Both Ivanhoe and GMM ceased to be related parties of the Group after May 2008.

	Years ended December 31,	
	2009	2008
	\$	\$
Corporate administration	-	596,916
Financial services agreement	409,770	-
Salaries	-	333,069
Interest	1,384,193	835,602
Total related party expenses	1,793,963	1,765,587

During the year ended December 31, 2008, Ivanhoe and GMM incurred corporate administration and salaries on behalf of the Company and these corporate administration and salaries have been recorded on a cost recovery basis. The interest expense has been recorded on the effective interest method.

The financial services agreement was entered into by the Company and CNG whereby CNG would provide the Company with assistance with respect to obtaining additional financial support, including, but not limited to negotiations with respect to non-revolving credit facilities, assistance with respect to application and provision of a guarantee for bank loans to be used for the construction of the crusher and other financial options.

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

	Years ended December 31,	
	2009	2008
	\$	\$
CNG	1,793,963	395,818
Ivanhoe	-	439,784
GMM	-	929,985
Total related party expenses	1,793,963	1,765,587

During the year ended December 31, 2009, CNG extended trade credit of \$20,488,504 and a non-revolving credit facility of \$30,732,757 (RMB 210,000,000) (Note 18) to the Company's subsidiary, IMP. By December 31, 2009, the Company had repaid the total advances under trade credit extension and non-revolving credit facility from CNG

During the year ended December 31, 2009, the Company entered into a letter of intent with a subsidiary of CNG to dispose of its entire interest in Gansu, the entity that holds the Dadiangou Project. The transaction has not yet been completed as of the date of this report however a deposit of RMB15 million (\$ 2.2 million) has been paid by the buyer and put into trust which is subject to return if the transaction does not complete.

Related party balances

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

	December 31,		
	2009	2008	2007
	\$	\$	\$
Assets			
Listing expense receivable from CNG's subsidiary	1,184,911	-	-
Amount due from a shareholder (CNG)	346,437	-	-
Prepaid expenses to GMM	-	-	227,749
Prepaid expenses to CNG	283,451	-	-
Total related party assets	1,814,799	-	227,749

Accounts receivable from CNG arose from the sale of gold to CNG. There is no credit period. The balance of \$346,437 at December 31, 2009 is aged within 8 months. The full amount has not yet been settled.

Listing expenses receivable from CNG's subsidiary and accounts receivable from CNG are included in accounts receivable and prepaid expenses to CNG's subsidiaries are included in prepaid expenses and deposits in the consolidated statements of financial position.

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

	Years ended December 31,		
	2009	2008	2007
	\$	\$	\$
Liabilities			
Accounts payable to GMM	-	-	375,409
Accounts payable to CNG	109,391	76,190	-
Total related party liabilities	109,391	76,190	375,409

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

	Years ended December 31,	
	2009	2008
	\$	\$
Salary cost		
Salaries and other benefits	822,960	1,391,025
Post employment benefits	11,382	15,380
	834,342	1,406,405

INDEBTEDNESS

Our borrowings are denominated in RMB, US dollars and Canadian dollars. As of December 31, 2009 and 2008, we had the following outstanding borrowings:

	Years ended December 31,		
	2009	2008	2007
	\$	\$	\$
Current			
Short-term loan	-	18,672,730	-
Term loan - ABC	1,458,619	-	-
Promissory notes payable	10,633,386	22,930,784	-
	12,092,005	41,603,514	-
Non-current			
Term loan - ABC	40,841,331	-	-
Term loan - CNG	40,000,000	-	-
Notes payable	-	-	26,708,698
Notes payable	-	14,929,121	17,558,325
	80,841,331	14,929,121	44,267,023
	92,933,337	56,532,635	44,267,023

Our indebtedness comprised the following:

Series A Notes (fully repaid)

On December 14, 2006, we completed a private placement offering of senior unsecured promissory notes in the principal amount of \$30.0 million (\$25.9 million) ("Series A Notes") and 6,000,000 warrants. Series A Notes matured on December 14, 2009 and are repayable in Canadian dollars. Interest on Series A Notes is 12% per annum and is payable on a calendar quarterly basis commencing on March 31, 2007. We are entitled to prepay Series A Notes after June 14, 2008 with no prepayment penalty. Series A Notes were fully repaid in December 2009. Each warrant entitles the holder to purchase one Share at an exercise price of CAD1.60 per Share ("Series A Warrants"). We have a

right to accelerate the expiry date of the warrants after June 14, 2008 if our Shares trade at or above a volume weighted average share price of CAD2.75 for 20 consecutive trading days. This right was exercised on March 18, 2010.

We extended the expiry date of 3,860,000 Series A Warrants from December 14, 2008 to December 14, 2010 in order to secure approval of note holders for a bridge loan from the Industrial and Commercial Bank of China.

The effective interest rate of Series A Notes is 19.5%.

Series B Notes (fully repaid) and Series C Notes

On June 26, 2007, we completed another private placement offering of senior unsecured promissory notes in the principal amount of CAD\$20.0 million (\$18.7 million) and 4,000,000 warrants. Each warrant entitles the holder to purchase one Share at an exercise price of CAD2.50 per Share. Ivanhoe, a then significant shareholder of our Company, purchased CAD\$7.5 million (\$7.0 million) principal amount of the notes ("Series C Notes") and 1,500,000 warrants. The remaining principal amount of the promissory notes of CAD\$12.5 million (\$11.7 million) ("Series B Notes") and the remaining 2,500,000 warrants were purchased by third parties. In May 2008, China National Gold Hong Kong assumed Series C Notes in their entirety from Ivanhoe as part of the consideration for its acquisition from Ivanhoe of all shares then owned by Ivanhoe in our Company.

Both Series B and Series C Notes mature on June 26, 2010 and are repayable in Canadian dollars. Interest on both Series B and Series C Notes is 12% per annum and is payable on a quarterly basis commencing on September 30, 2007. We are entitled to prepay Series B Notes after December 27, 2008 and Series C Notes after December 27, 2007, in each case with no prepayment penalty. Series B Notes rank pari passu with Series A Notes issued while Series C Notes are subordinated to Series A and Series B Notes. In December 2009, we elected to prepay Series B Notes in their entirety (including the principal amount and any interests outstanding at the time of the prepayment) by issuing notices to relevant note holders. The prepayment took place on January 11, 2010. With respect to the Series C Notes, we intend to repay them in full on their due date of June 26, 2010.

We have a right to accelerate the expiry date of the warrants after 18 months from the issue date, if our Shares trade at or above a volume weighted average share price of CAD4.25 per Share for 20 consecutive trading days. The warrants issued under Series B and Series C Notes originally had an expiry date of June 26, 2010. We subsequently extended the expiry date of 2,450,000 of the warrants issued under Series B Notes to June 26, 2011 in order to secure the bridge loan from the Industrial and Commercial Bank of China.

The effective interest rate of Series B and Series C Notes is 19.5% and 17.7%, respectively.

Bridge loan from the Industrial and Commercial Bank of China (fully repaid)

Inner Mongolia Pacific Mining Co. ("IMP"), the CSH Co-operative China Joint Venture company ("CSH CJV or CJV") received a bridge loan in the principal amount of RMB130.0 million (\$18.9 million) from the Industrial and Commercial Bank of China in September 2008, to support operations at the CSH Mine during the construction and installation of the crushing facility. The bridge loan was unsecured, denominated in RMB and bore interest at an annual rate of 6.21%. China National Gold provided a guaranty for the bridge loan. Interest on the bridge loan was payable on a monthly basis and the principal was repayable in installments of RMB30.0 million (\$4.4 million) in January 2009, RMB50.0 million (\$7.4 million) in February 2009, and RMB50.0 million (\$7.4 million) in March 2009. The principal amount had been fully repaid in March 2009. Principal repayment of RMB100.0 million (\$14.6 million) was funded by an advance from China National Gold which will be set off against our future gold sales to CNG.

As a condition for the holders of Series A, Series B and Series C Notes to consent to the bridge loan, we extended the expiry date of 3,860,000 Series A Warrants to December 14, 2010, and the expiry date of 2,450,000 warrants issued in connection with the Series B to June 26, 2011. As a result of the extensions of the warrant expiry dates, we determined the warrants had an incremental value of \$1.3 million and recorded such amount as a cost of obtaining the bridge loan.

The effective interest rate of the bridge loan is 19.9%.

We incurred the following indebtedness subsequently:

Non-revolving credit facility from China National Gold (fully repaid)

In June 2009, the CSH CJV secured a non-revolving credit facility for RMB210.0 million (\$30.7 million) from China National Gold. The credit facility was unsecured and bore interest (payable on a monthly basis) at a rate of 5.31% per annum. The credit facility matured on September 30, 2009. As of December 31, 2009, we had fully paid RMB80 million (\$11.7 million), being the aggregate amount we had drawn down under this credit facility.

Loan from the Agricultural Bank of China

In September 2009, the CSH CJV received an unsecured bank loan in the principal amount of RMB290.0 million (\$42.5 million) from the Agricultural Bank of China. China National Gold provided a guaranty for the loan. The loan is repayable within five years from the date of the first draw-down. The annual interest rate for the term loan is currently 5.184 based on the floating rate set by the People's Bank of China and the interest 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.

Shareholder's loan from China National Gold

In December 2009, we received an unsecured non-revolving shareholder's loan from China National Gold Hong Kong in the principal amount of \$40 million. The loan bears interest (payable on a quarterly basis) at an annual rate of 6% and matures in December 2011. The proceeds of the loan have partially been used to redeem Series A Notes due on December 14, 2009. We used the remaining amount of the proceeds to prepay Series B Notes in their entirety on January 11, 2010.

Restrictive covenants

We are subject to various customary conditions and covenants under the terms of our financing agreements. For example, under the indenture for the outstanding Series C Notes held by China National Gold, we are required to obtain note holder's consents prior to carrying out certain activities and entering into certain transactions, including but not limited to (i) incurring additional debt; (ii) creating additional charges on our assets; (iii) making guarantee in favor of any third party; (iv) dispose of material assets other than to an arm's length third party on arm's length commercial terms; (v) entering into commercial arrangements with any non-arm's length third party unless the arrangements are entered into in good faith and on arm's length commercial terms; (vi) changing the character of our main business; and (v) distributing dividends. We intend to repay the Series C Notes in full on June 26, 2010.

Under the loan agreement between CSH CJV and Agricultural Bank of China, the CSH CJV is prohibited from distributing dividends before repaying amounts due under the loan agreement in the same fiscal year. In addition, the CSH CJV is required to obtain the lender's consent prior to carrying out certain activities or entering into certain transactions such as reduction of registered capital, disposal of assets, mergers and acquisitions and provision of guaranty or creating charges over its material assets in favor of third-parties. See "Risk Factors -Limitations on the ability of CJV's to pay dividends could have a material adverse effect on Jinshan's ability to conduct business" as we could have dividends from China in the future.

The following table sets forth the maturity profiles for our outstanding borrowings as of the dates indicated:

	Years ended December 31,	
	2009	2008
	\$	\$
Within 1 year	1,458,619	41,603,514
1 to 5 years	91,474,717	14,929,121
	<u>92,933,336</u>	<u>56,532,635</u>

Commitments and contingencies

Operating leases

We have leased certain properties in China and Canada. All the leases are under operating lease arrangements and the leases are negotiated for an average term of three to five years. We are generally required to prepay certain amount of rental/ leasing fees under the terms of these leases.

The following table sets forth our material future aggregate minimum operating lease payments under these operating leases as of the dates indicated:

	December 31, 2009
	\$
Within one year	95,482
Between two and five years	391,307
	486,789

Capital commitments

Our capital commitments related primarily to payments for purchase of equipment and machinery for the CSH Mine, the payments to Brigade 217 and NINETC, our joint venture partners for the CSH Joint Venture (“JV”) and the Dadiangou JV, and payments to third-party contractors for provision of mining and exploration engineering work and mine construction work for the CSH Mine. We have entered into contracts that prescribed such capital commitments, but have not included them in our consolidated financial statements. The following table sets forth our capital commitments in respect of acquisition of property, plant and equipment for the CSH Mine and payments to our joint venture partners as of the dates indicated:

	December 31, 2009
	\$
Capital expenditure in respect of acquisition of property, plant and equipment for the CSH Gold Mine contracted but not provided for	10,465,453

In addition to the table set forth above, we entered into service agreements with third-party contractors such as China Railway and China Metallurgical for the provision of mining and exploration engineering work and mine construction work for the CSH Mine. The amount of fees for such work performed and to be performed each year varies depending on the amount of work performed. For the years ended December 31, 2009 and 2008, aggregate fees paid to third-party contractors amounted to approximately \$42.3 and \$42.1 million, respectively.

Quantitative and Qualitative Disclosures about Market Risks

Currency risk

We are exposed to the risk of the fluctuation of foreign exchange rates. We operate in China and Canada and our functional currency is the U.S. dollar. A significant change in the currency exchange rates between the RMB or Canadian dollar relative to the U.S. dollar could have a significant effect on our results of operations, financial position or cash flows. We have not hedged our exposure to currency fluctuations.

We are exposed to currency risk through the following assets and liabilities denominated in Canadian dollars and RMB.

Canadian dollar monetary assets and liabilities

	Years ended December 31,		
	2009	2008	2007
	\$	\$	\$
Cash and cash equivalents	5,812,185	649,888	21,795,824
Accounts receivable	99,840	35,211	260,341
Accounts payable and accrued expenses	(1,487,292)	(829,882)	(2,470,306)
Borrowings	(10,633,386)	(37,859,905)	(44,267,023)
Warrant liabilities	(5,286,123)	(274,507)	(13,825,817)
	(11,494,776)	(38,279,195)	(38,506,981)

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 a decrease or increase in our loss before income tax of approximately \$1.1 million for the year ended December 31, 2009 and an increase or decrease in our income before tax of approximately \$3.8 million for the year ended December 31, 2008.

RMB monetary assets and liabilities

	Years ended December 31,		
	2009	2008	2007
	\$	\$	\$
Cash and cash equivalents	16,361,908	5,538,082	3,755,368
Restricted cash	-	1,326,358	-
Accounts receivable	397,130	113,560	47,534
Accounts payable and accrued expenses	(32,347,188)	(18,031,985)	(12,474,754)
Borrowings	(42,299,950)	(18,672,730)	-
	(57,888,101)	(29,726,715)	(8,671,852)

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 a decrease or increase in our loss before income tax of approximately \$5.8 million for the years ended December 31, 2009, and an increase or decrease in income before tax of approximately \$3.0 million for the year ended December 31, 2008.

Credit risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial asset fails to meet its contractual obligations. For the year ended December 31, 2009 and 2008, we sold approximately 95.9% and 47.4% of our gold to China National Gold, who we believe is credit worthy. The failure of China National Gold to make required payments could have a material adverse effect on our results of operations. We manage this risk by requiring China National Gold to make prepayment for an estimate price of the gold dore bars at the time of delivery.

Our cash and short-term bank deposits are deposited in large Chinese and Canadian banks. These investments mature at various dates within three months. We do not have any asset backed commercial paper in our short-term bank deposits. Our accounts receivables consists primarily of goods and services tax refund due from the Federal Government of Canada, all of which are outstanding for 180 days or less. We had concentration of credit risk by geographical locations as the other receivables comprise various debtors which are located either in the PRC or Canada.

Our maximum exposure to credit risk is as follows:

	December 31,		
	2009	2008	2007
	\$	\$	\$
Bank balances	23,984,660	12,140,045	9,896,230
Bank short-term deposits	-	2,694	17,056,195
Restricted cash	-	5,215,704	-
Accounts receivable	1,681,880	148,771	348,914
	25,666,540	17,507,214	27,301,339

Liquidity risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they fall due. We manage liquidity risk through the management of our capital structure and financial leverage.

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 risk that we will realize a loss as a result of a decline in the interest rates relates to our variable rate bank balances, and the risk is limited because these balances are not material. Our short term bank deposits, notes payables and short-term loan have fixed interest rates and therefore, are not subject to interest rate fluctuations. The risk we will realize a loss as a result of a decline in the interest rate relates to our variable interest rate bank balances. A 100 basis point higher or lower in the interest rate of our variable rate bank balances would result in a decrease in our loss before income tax or an increase in loss before income tax of approximately \$240,000 for the years ended December 31, 2009, and an increase in our income before tax or a decrease in income before tax of \$121,000 for the year ended December 31, 2008. We monitor interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Share price risk

We are exposed to price risk of our Shares due to our warrant liabilities as determined by the fair value of warrants, which in turn is affected by our Share price.

If our Share price on the Toronto Stock Exchange had been 50% higher or lower at each balance sheet date and all other variables remain constant, as a result of the change in warrant liabilities, our loss before tax would increase or decrease by \$5.3 million for the years ended December 31, 2009, and our income before tax would decrease or increase by \$2.3 million for the year ended December 31, 2008.

CONTINGENT LIABILITIES

As of March 31, we do not have any material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

As of March 31, we had not entered into any material off-balance sheet arrangements.

DISTRIBUTABLE RESERVES

As of March 31, we had no reserves available for distribution to the shareholders of our Company.

DIVIDEND AND DIVIDEND POLICY

We have not paid any dividends since our incorporation. We do not currently have a fixed dividend policy. Our Directors will determine any future dividend policy on the basis of, among others, our results of operations, cash flows and financial conditions, operating and capital requirements, the amount of distributable profits and all other relevant factors.

Subject to the BCBCA, the Directors may from time to time declare and authorize payment of such dividends as they may deem advisable, including the amount thereof and time and method of payment provided that the record date for the purpose of determining Shareholders entitled to receive payment of the dividend must not precede the date on which the dividend is to be paid by more than two months.

A dividend may be paid wholly or partly by the distribution of cash, specific assets or of fully paid Shares or of bonds, debentures or other securities of the Company, or in any one or more of those ways. No dividend may be declared or paid in money or assets if there are reasonable grounds for believing that the Company is insolvent or the payment of the dividend would render the Company insolvent.

In addition, we are subject to various customary conditions and covenants under the terms of our financing agreements, including those restricting our ability to declare and distribute dividends. Under the indenture for the outstanding Series C Notes held by China National Gold, we are required to obtain China National Gold's consent prior to distributing dividends. Therefore, prior to the repayment of the promissory notes in full, we will not be able to declare and distribute any dividends without the prior consent of China National Gold. We intend to repay such promissory notes in full.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for the design and effectiveness of disclosure controls and procedures ("DC&P") and the design of internal control over financial reporting ("ICFR") to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company's Chief Executive Officer and principal financial officer have each evaluated the design and effectiveness of the Company's DC&P and ICFR as of December 31, 2009 and, in accordance with the requirements established under National Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings, the Chief Executive Officer and principal financial officer have concluded that these controls and procedures are effective in providing reasonable assurance that material information relating to the Company is made known to them by others within the Company and that the information required to be disclosed in reports that are filed or submitted under Canadian Securities legislation are recorded, processed, summarized and reported within the time period specified in those rules.

The Company's Chief Executive Officer and principal financial officer have used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework to evaluate the design and effectiveness of the Company's ICFR as of December 31, 2009 and have concluded that these controls and procedures are effective in providing reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner. Management of the Company was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. During the three months ended December 31, 2009, there were no changes in the Corporation's DC&P or ICFR that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

Transition to IFRS from GAAP

In February 2008, the Canadian Accounting Standards Board confirmed that Canadian publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS") for financial periods beginning on and after January 1, 2011. In the Canadian Securities Administrators ("CSA") Staff Notice 52-321 – Early Adoption of International Financial Reporting Standards, Use of US GAAP and Reference to IFRS-IASB, CSA has indicated that it would be prepared to provide exemptive relief to permit a Canadian reporting issuer to prepare its financial statements in accordance with IFRS for financial periods beginning before January 1, 2011.

The Company is in the application process for a listing of its common shares on an Asian stock exchange. As part of the application process, the Company is required to provide financial statements under IFRS with three years of comparative data ("Relevant Periods"). In order to produce the required International Accounting Standards Board ("IASB") financial statements, the Company has produced 2009 interim IFRS statements with an IFRS transition date of January 1, 2006. As per Appendix A of IFRS 1, "An entity cannot have more than one set of IFRS financial statements. Therefore, it must have only one starting point for transition to IFRS". The Company has now received exemptive relief under Staff Notice 52-321 in order to be permitted to adopt IFRS for Canadian reporting purposes for all financial statement filings that occur on or after January 1, 2010. The Company now has an effective IFRS adoption date of January 1, 2009 (including interim comparative periods after January 1, 2009) and a transition date of January 1, 2006 ("Transition Date").

IFRS Conversion

The Company implemented a comprehensive IFRS conversion plan, which took into account matters such as changes in accounting policies, restatement of comparative periods, organizational and internal controls and any required changes to business processes. The Company retained an external third party accounting firm to assist with the conversion plan. In addition, the Company appointed an internal staff member as IFRS conversion project manager, which together with the external third party accounting firm helped to ensure the full impact of the conversion was understood and managed reasonably. Accounting staff also attended several training courses on the adoption and implementation of IFRS. The Company believes that its accounting personnel have obtained a thorough understanding of IFRS.

The Company also reviewed its current internal and disclosure control processes which did not require significant modification as a result of its conversion to IFRS.

Transition to IFRS

The Company's consolidated financial statements for the year ending December 31, 2006 are the first annual financial statements that comply with IFRS and were prepared as described in Note 4, of the annual audited consolidated financial statements 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. Please see note 27 of the annual audited consolidated financial statements for an explanation of these exemptions and exceptions and the reconciliations from GAAP to IFRS.

RISK FACTORS

Readers should carefully consider all of the information set out in this MD&A, including the risks and uncertainties described below. Of particular note is the fact that the Company's principal operations are conducted in the People's Republic of China ("PRC") and are governed by a legal and regulatory environment that in some respects differs from that which prevails in other countries. Jinshan's business, financial condition or results of operations could be materially and adversely affected by any of these risks.

Fluctuations in the market prices of gold could materially and adversely affect Jinshan's business and results of operations.

Substantially all of the Company's revenues and cash flows from operating activities are derived from the sale of gold doré bars. Historically, the market prices for gold has fluctuated widely and experienced periods of significant decline. Prices are influenced by numerous factors and events which are beyond the Company's control such as world demand and supply, forward selling activities, gold reserve movements at central banks, costs of production by other producers and other macro-economic factors such as expectations regarding inflation, interest rates, currency exchange rates (especially the strength of the U.S. dollar), as well as general global economic conditions and political trends. If market prices of gold and other nonferrous metals that Jinshan produces should fall due to these and other factors and events, Jinshan's business, results of operations and the price of the Common Shares could be materially and adversely affected.

Jinshan has a limited operating history and future revenues and profits are uncertain.

Jinshan has paid no dividends on its Common Shares since incorporation and does not anticipate doing so in the foreseeable future. To date, Jinshan has generated cash flow from the CSH Gold Project, and no cash flow from its other operations. Jinshan has a limited operating history and there can be no assurance of its ability to operate its projects profitably. While Jinshan may in the future generate additional working capital through the operation, development, sale or possible syndication of its properties, there is no assurance that Jinshan will be capable of producing positive cash flow on a consistent basis or that any such funds will be available for exploration, development and production programs.

If Jinshan's relationship with China Gold materially changes, growth prospects and results of operations may be materially and adversely affected.

China Gold is the Company's controlling shareholder. Jinshan has benefited significantly from its relationship with China Gold, and a key aspect of its strategy is to continue to capitalize on this relationship. However, there can be no assurance that the relationship will remain the same in the future or that plans for ongoing cooperation will be effectively implemented. For instance, China Gold may determine to conduct its overseas activities through another acquired overseas-listed company, another controlled entity listed overseas or in China, or by itself.

Jinshan has had net current liabilities and significant net cash outflows from operating and investing activities.

Jinshan had net current liabilities of as of December 31, 2009. The principal reason for the net current liability position as of December 31, 2009 was because of loan obligations to fund part of capital expenditure. A net current liability or negative operating and other cash flow position may impair the Company's ability to make necessary capital expenditures, develop business opportunities or make strategic acquisitions. If debt and interest repayment obligations are not met, creditor(s) could choose to demand immediate repayment, which could result in a complete loss of investment for equity holders if Jinshan is not able to repay such obligations, the result of which could materially and adversely affect the Company's business and results of operations.

Jinshan depends on the CSH Gold Project for substantially all revenue and cash flow from operating activities in the near term. Failure to obtain the expected economic benefits from this mine could materially and adversely affect the business, financial condition and results of operations.

The Company's operations are exposed to uncertainties in relation to the CSH Gold Project, which is the Company's only operating mine at present. The Company contemplates the acquisition of additional producing mineral properties, including potentially the Jiama Project, but has not and may never complete any such acquisitions to diversify its operations. If the Company fails to derive the expected economic benefits from the CSH Gold Project due to a delay or difficulty encountered in the operation of the mine, an occurrence of any event that causes the mine to operate at less than optimal capacity or for other reasons, Jinshan's business, financial condition and results of operations could be materially and adversely affected.

Jinshan is relatively inexperienced in the acquisition and development of mining assets.

Jinshan contemplates making strategic acquisitions or investments as a means of pursuing Jinshan's corporate strategy. It is possible that Jinshan may not identify suitable acquisition or investment opportunities, or if it does identify suitable opportunities, that it may not complete those transactions due to an inability to reach commercially acceptable terms. The inability to identify suitable acquisition targets or investments or the inability to complete such transactions could materially and adversely affect Jinshan's competitiveness and growth prospects. In the event Jinshan successfully completes an acquisition or investment, it could face difficulties managing the investment or integrating the acquisition with its operations. There can be no assurance that Jinshan will be able to achieve the strategic purpose of such an acquisition or investment. These difficulties could disrupt Jinshan's ongoing business, distract its management and employees, and increase its expenses, any of which could materially and adversely affect Jinshan's business and results of operations.

The operating costs of the CSH Gold Project may differ from Jinshan's estimates.

The estimates regarding operating costs of the CSH Gold Project are based on the CSH Technical Report. The CSH Technical Report derives estimates of average cash operating costs based upon, among other things: (i) anticipated tonnage, grades and metallurgical characteristics of ore to be mined and processed; (ii) anticipated recovery rates of minerals from the ore; (iii) cash operating costs of comparable facilities and equipment; and (iv) anticipated climatic conditions. Actual operating costs, production and economic returns may differ significantly from those anticipated by the CSH Technical Report. Accordingly, there is no assurance that future operating activities will result in profitable mining operations.

Fluctuations in exchange rates could materially and adversely affect financial position and results of operations.

Although the functional currency is the U.S. dollar, Jinshan incurs a large portion of expenditures in RMB. Meanwhile, revenue from gold sales is denominated in RMB, but the gold price effectively moves in line with the United States dollar gold price, while significant loan obligations have in the past been denominated in Cdn.\$. As a result, Jinshan's financial position and results are significantly impacted by exchange rate fluctuations related to the U.S. dollar, the Canadian dollar and RMB. Foreign exchange rate fluctuation has been a principal factor leading to the significant

variations in fair value change on warrant liabilities of the Company. Such foreign exchange gain or loss and fair value change in turn could have a significant impact on financial position and results.

The interests of China Gold, Jinshan's controlling shareholder, may not be the same as, and may conflict, with those of other shareholders.

China Gold holds approximately 40% of outstanding Common Shares, and holds a controlling interest in the Company. The interests of China Gold may conflict with those of other shareholders. As an example, China Gold holds a controlling interest in Zhongjin Gold Corporation, a public company whose shares are listed on the Shanghai Stock Exchange and whose principal scope of business includes the exploration, mining, processing smelting and refining of gold in the PRC. As the operations of Zhongjin Gold Corporation are substantially larger than those of the CSH Gold Project in terms of resources, annual gold production and revenue generated from the sale of gold, China Gold may, for business considerations or otherwise, take actions that favor itself or Zhongjin Gold Corporation instead of the interests of the shareholders of Jinshan. China Gold may exercise its influence over Jinshan as a controlling shareholder in manners inconsistent with the best interests of the other shareholders. If that occurs, the Company may lose some of its competitive advantages and its business and results of operations may be materially and adversely affected.

Reserve and resource estimates are based on assumptions which may prove to be inaccurate, and Jinshan may produce less minerals than the current estimates.

Ore reserves and mineral resources estimates are based on a number of assumptions. If those assumptions prove inaccurate, the Company may need to lower ore reserves and mineral resources. The accuracy of estimates is a function of the quantity and quality of available data and the assumptions made and judgments used in engineering and geological interpretation, which may prove to be unreliable. There is no assurance that estimates will prove accurate or that such mineral resources can be mined or processed profitably.

Estimates of resources and reserves may change significantly when new information becomes available or new factors arise, and interpretations and deductions on which resource and reserve estimates are based may prove to be inaccurate. Resource estimates indicate in-situ mineral occurrences from which valuable or useful minerals may be recovered, but do not take into account whether such resources could be mined or whether valuable or useful minerals could be recovered economically from them, nor do resource estimates incorporate mining dilution or allow for mining losses. Jinshan's reserve estimates represent the amount of minerals that it believes can be mined and processed, based on the selling price that is not lower than the total estimated costs of production and anticipated additional capital expenditures, and are calculated based on estimates of future production costs and metal prices. In the future the Company may need to revise reserve estimates, if, for instance, production costs increase or the sales prices to metals produced decrease and as a result a portion or all of the mineral reserves may become uneconomical to recover. The inclusion of reserve and resource estimates should not be regarded as a representation that all these amounts can or will be economically exploited or recovered.

Failure to achieve production estimates could have a material adverse effect on future cash flow, results of operations and financial condition.

Estimates of future production for mining operations are subject to change. The Company cannot give any assurance that it will achieve production estimates. Failure to achieve production estimates could have a material and adverse effect on future cash flow, results of operations and financial condition. The production estimates are based on, among other things, reserve estimates, assumptions regarding ground conditions and physical characteristics of ores (such as hardness and presence or absence of certain metallurgical characteristics) and estimated rates and costs of production. Actual production may vary from estimates for a variety of reasons, including risks and hazards of the types discussed elsewhere in this AIF, and as set out below:

- actual ore mined varying from estimates in grade, tonnage, and metallurgical and other characteristics;
- mining dilution;
- pit wall failures or cave-ins;
- industrial accidents;
- equipment failures;
- natural phenomena such as inclement weather conditions, floods, blizzards, droughts, rock slides and earthquakes;
- encountering of unusual or unexpected geological conditions;
- changes in power costs and potential power shortages;
- shortages of principal supplies needed for operation, including explosives, fuels, equipment parts and lubricating oil;
- litigation; and
- restrictions imposed by government authorities.

Such occurrences could result in damage to mineral properties, interruptions in production, injury or death to persons, damage to property or the property of others, monetary losses and legal liabilities. These factors may cause a mineral deposit that has been mined profitably in the past to become unprofitable. Estimates of production from properties not yet in production or from operations that are to be expanded are based on similar factors (including, in some instances, feasibility studies prepared by the Company's personnel and/or outside consultants), but it is possible that actual cash operating costs and economic returns will differ significantly from those currently estimated.

A portion of estimated resources and reserves for the CSH Gold Project falls outside of the scope of its current mining permit. Jinshan may not be able to obtain a new mining permit if it plans to conduct mining activities on this portion of the CSH Gold Project.

According to the CSH Technical Report, a portion of the defined mineral resources and mineral reserves at the CSH Gold Project as of December 31, 2009 are located below the lower elevation limit of the current mining permit for the CSH Gold Project. The Company is applying for a confirmation that the permit will also cover minerals below this elevation limit. However, there can be no assurance that it will be able to obtain such a confirmation or a new mining permit. If Jinshan does not obtain such confirmation or new permit, future growth prospects and results of operations may be materially and adversely affected.

Failure to obtain and maintain required government approvals, permits and licenses for exploration and mining activities or renewals thereof could materially and adversely affect business and results of operations.

Under relevant PRC laws, Jinshan is required to obtain certain government approvals, permits and licenses for each of its mineral properties, among which exploration permits, mining permits, production safety certificates and gold operating permits are crucial to business operations. There is no assurance that the Company will obtain such approvals, permits and licenses in a timely manner in the future or at all. Any failure to obtain or any delay in obtaining or retaining any required governmental approvals, permits or licenses could subject the Company to a variety of administrative penalties or other government actions and adversely impact business operations. Specifically,

- under the "Mineral Resources Law" and the "Administrative Measures on Registration of Tenement of Mineral Resources Exploration and Survey", if the Company fails to obtain or renew the exploration permit and conducts exploration without valid exploration permits, it may be ordered to cease exploration and subjected to a fine of up to RMB100,000, and for failure to present the annual report of the exploration or pass annual verification, it may be ordered to cease the exploration and subjected to a warning or a fine of up to RMB50,000, and, in the worst case, the exploration permit may be suspended;
- under the "Administrative Measures on Registration of Mineral Resources Exploitation" and "Mineral Resources Law", if the Company fails to obtain or renew the mining permit and conducts mining without valid mining permits, it may be ordered to cease mining and pay for the damages caused, any mineral products and illicit gains may be confiscated, and it may also be fined; for failure to present the annual report or pass the annual verification, the Company may be ordered to cease mining activities, and subjected to a warning or a fine of up to RMB50,000, and in the worst case, the mining permit may be suspended;
- under the "Regulations on Production Safety Certificate", if the Company fails to obtain the production safety certificate, it may be subjected to the confiscation of the illicit gains and a fine ranging from RMB100,000 to RMB500,000; if it continues production without duly renewing the production safety certificate upon its expiration, Jinshan may be ordered to suspend production and take the corrective measures within a prescribed time period, and it may be subjected to the confiscation of the illicit gains and a fine ranging from RMB50,000 to RMB100,000; and
- under the "Mineral Resources Law" and the "Regulations on Administration of the Permit for Gold Exploitation", if Jinshan fails to obtain or renew the permit for gold exploitation and engages in gold exploitation without valid permits, it may be ordered to stop mining, and pay for the damages caused, any mineral products and illicit gains may be confiscated, and may also be fined.

If any administrative penalties and other government actions are imposed on or taken against Jinshan due to Jinshan's failure to obtain or delay in obtaining or retaining any required governmental approvals, permits or licenses, business, financial condition and results of operations could be materially and adversely affected.

Jinshan may be unable to renew the mining permit for the CSH Gold Project.

The mining permit for the CSH Gold Project will expire in August 2013. Under the PRC laws and regulations, if there will remain residual reserves in a property when the mining permit in respect of such property expires, the holder of the

expiring mining permit is entitled to apply for extensions for additional terms. However, there can be no assurance that the Company will successfully renew its mining permit on favorable terms, or at all, once such permit expires. If Jinshan is unable to renew such permit, its business and results of operations will be materially and adversely affected.

Jinshan may not pass the annual verification of mining rights to the CSH Gold Project.

The Company's mining rights for the CSH Gold Project are subject to annual verification by the Department of Land and Resources of Inner Mongolia. In the annual verification, the relevant authorities will consider whether mining activities in the past year have been in compliance with the relevant laws and regulations. If Jinshan does not pass the annual verification for failing to meet the relevant requirements or materially breaching any laws or regulations, it may be penalized according to the relevant laws and regulations or given a deadline to rectify the situation, or its mining rights may be revoked. While Jinshan has passed the annual verifications in the past and has not been penalized in the past, there can be no assurance that the Company will be able to pass the annual verification of its mining rights in the future. Should this occur, the Company's business and results of operations will be materially and adversely affected.

Jinshan owns the CSH Gold Project through a CJV company, which is established pursuant to a CJV agreement. Therefore, it is subject to risks relating to operations through CJV companies.

IMPMP, the entity that holds the CSH Gold Project, is a CJV established under a CJV agreement. Although under the existing CJV agreement Jinshan is entitled to appoint a majority of the directors of IMPMP and appoint the general manager (who is responsible for the day-to-day operation and management of IMPMP and implementing resolutions of the board), certain members of the management and boards of directors of IMPMP are nominated by the Company's CJV partner. Under the CJV Law and the CJV agreement, certain decisions require unanimous consent of the directors present at a meeting of the board, such as (i) amendment to the articles of association of IMPMP, (ii) increase or reduction of the registered capital of IMPMP; (iii) dissolution of IMPMP; (iv) mortgage of the assets of IMPMP; or (v) merger or division of IMPMP or a change in its form of organization; and to the extent unanimous consent cannot be obtained, there is a risk that Jinshan will not be able to effect these matters despite its desire to do so.

Furthermore, the exploration and mining permits of the CSH Gold Project are currently held by IMPMP and the operation of the CSH Gold Project is carried out by IMPMP. If the CJV partner makes an early termination of the CJV agreement or materially breaches the CJV agreement, Jinshan's business and results of operations could be materially and adversely affected.

In addition, the CJV agreement with the CJV partner involves a number of risks, including (i) disputes with the CJV partner as to the performance or scope of each party's obligations under the CJV agreement, (ii) financial difficulties encountered by the CJV partner affecting its ability to perform its obligations under the CJV agreement or other contracts with the Company, and (iii) conflicts between the policies or objectives adopted by the CJV partner and those adopted by the Company. There can be no assurance that a dispute will not arise in the future. If a dispute or disagreement does arise between the CJV partner and Jinshan, it could be time-consuming, costly and distracting for the Company to resolve such dispute or any legal proceedings that develop from the dispute or disagreement. Furthermore, if Jinshan receives an adverse decision in any of such legal proceeding, it may be required to pay compensation or damages to the CJV partner. As a result, the Company's business and results of operations could be materially and adversely affected.

Changes in PRC tax laws and regulations could materially and adversely affect Jinshan's business and results of operations.

The Company's PRC subsidiaries are subject to, among other things, corporate income tax, resources tax, VAT, city maintenance and construction tax, education surcharge and property tax under PRC laws and regulations. The PRC government increased the resources tax rate of gold effective on May 1, 2006. There is no assurance that the PRC government will not increase the rates of resources tax or other taxes. Any increase in these tax rates could materially and adversely affect the Company's results of operations.

Jinshan may not be able to obtain further financing to fund the expansion and development of its business.

The Company is in a capital-intensive industry and has relied on a mixture of equity capital and debt financing to fund operations. Jinshan also has outstanding a number of debt obligations that may need to be finalized on or prior to maturity depending on future cash flow, including Cdn\$7.5 million of promissory notes due in June 2010 owing to China Gold. Jinshan has previously funded capital expenditures primarily by the issuance of equity and debt securities and credit facilities. In the future, Jinshan expects to use cash generated from operations, and potentially further financing, if required, to meet its business growth objectives and payment obligations, including further development of existing exploration, mining and processing operations, development of new properties and future acquisitions. Any required additional funding may be sought through the debt and equity markets or through project participation

arrangements with third parties, but there is no assurance that Jinshan will be able to obtain sufficient funding or obtain funding at all when it is required and that such additional funding will be available on commercially acceptable terms. If any such additional funding is obtained, it may be on terms that are highly dilutive or otherwise adverse to its existing stockholders. Failure to obtain the funding or obtain the funding on commercially acceptable terms that the Company needs when it is required could have material and adverse effect on its business and results of operations.

Jinshan's indebtedness and the conditions and restrictive covenants imposed by its financing agreements could materially and adversely affect its business and results of operations.

The Company has a high level of indebtedness. It may continue to incur debts to fund daily operations and to pursue expansion plans. Jinshan's ability to meet regularly scheduled interest and principal payments on its indebtedness will depend on future operating performance and cash flow, which in turn will depend on prevailing economic and political conditions and other factors, many of which may be beyond its control. Furthermore, a high level of indebtedness will expose the Company to interest rate risks which could substantially affect its ability to generate cash or make a profit. In addition, Jinshan's financing agreements include various conditions and covenants that require it to obtain lenders' consents prior to carrying out certain activities and entering into certain transactions, such as incurring additional debt, creating additional charges on assets, providing additional guarantees or disposing of certain assets. In connection with existing borrowings and other financing arrangements, Jinshan has agreed to comply with various financial and other covenants. For example, under the indenture for the outstanding promissory notes in the June 2007 Placement held by China Gold, Jinshan is required to obtain China Gold's consent prior to carrying out certain activities and entering into certain transactions, including but not limited to (i) incurring additional debt; (ii) creating additional charges on assets; (iii) making guarantees in favor of any third party; (iv) disposal of material assets other than to an arm's length third party on arm's length commercial terms; (v) entering into commercial arrangements with any non-arm's length third party unless the arrangements is entered into in good faith and on arm's length commercial terms; (vi) changing the character of the its main business; and (vii) distributing dividends. While Jinshan intends to repay the promissory notes in full upon maturity in June 2010, it may be required to comply with similar or even more restrictive covenants or other terms under any new loan and other financing agreements. If this happens, the Company's ability to pay dividends or other distributions on the Shares may be limited. In addition, Jinshan may also be significantly restricted in its ability to raise additional capital through bank borrowings and debt and equity issuances or to engage in some transactions that it expects to be of benefit. Jinshan's inability to meet these conditions and covenants or obtain lenders' consent to carry out restricted activities could materially and adversely affect the business and results of operations.

Jinshan relies on third-party contractors to conduct a substantial portion of exploration, mine construction and mining activities.

The Company outsources all of its mining and exploration engineering work (such as drilling) and most of its mine construction work to third-party contractors. The Company maintains supervision over these contractors and amends the outsourcing agreements from time to time to better address cost and quality controls. However, notwithstanding its efforts, contractors may take actions contrary to instructions or requests, or be unable or unwilling to fulfill their obligations. In such event the Company may have disputes with the contractors, which could lead to additional expense, distractions and potentially loss of production time and additional costs, any of which could materially and adversely affect the business and results of operations.

In addition, under the relevant PRC laws and regulations, an owner of an exploration or mining permit has a statutory obligation to ensure safe production. In the event of any production safety-related accident involving a contractor, Jinshan may be held directly liable or liable for compensation to the extent of its fault regardless of any contractual provisions to the contrary. Any of such liabilities could have a material and adverse effect on the financial condition and results of operations.

Jinshan's operations may face material risk of liability, delays and increased production costs from design defects, environmental and industrial accidents and other factors such as severe weather conditions, natural disasters, community protests or civil unrest.

By its nature, the business of mineral exploration and development, mining and processing contains elements of significant risk and hazards. The continuous success of business is dependent on many factors such as (i) successful design and construction of mining and processing facilities, and (ii) successful commissioning and operating of mining and processing facilities.

The CSH Gold Project is subject to technical risks in that the infrastructure may not perform as designed. For example, according to the CSH Technical Report, the mine production at the CSH Gold Project is expected to depend mostly on the crushing production and heap leach gold recovery rate. However, the early trial runs of the crushing facility at the CSH Gold Project demonstrated design problems that did not allow the facility to function properly. The crushing facility was shut down to modify and correct the problems before October 2009. Since a single large crushing system is

used at the CSH Gold Project, equipment breakdown at the crushing facility could cause delays in the crushing production. According to the CSH Technical Report, there are still uncertainties with respect to the heap leach gold recovery rate at the CSH Gold Project. The eventual total gold recovery rate for all ore can be reached after five years. The ROM ore extracted from 2007 to December 31, 2009 is expected to reach 53% over this period of time, which is less than the 80% recovery rate originally expected. Increased development costs, lower output or higher operating costs may all combine to make a mine less profitable than expected at the time of the development decision. There can be no assurance that the Company will be adequately compensated by third-party mine design and construction companies in the event that a mine did not meet its expected design specifications.

Jinshan's business may also be disrupted by a variety of other risks and hazards, including environmental hazards, industrial accidents (including but not limited to mishandling of dangerous articles), technical or mechanical failures, processing deficiencies, labor disputes, community protests or civil unrest, unusual or unexpected geological occurrences, severe seismic activity, flooding, discharge of toxic chemicals, fire, explosions, and other delays. Accidents, technical difficulties, mechanical failures or plant breakdowns encountered in the exploration and development, mining and processing activities could result in disruptions to operations and increases in operating costs or personal injuries. Environmental events such as changes in the water table (man-made or naturally occurring), mudslides and instability of the stopes could materially and adversely affect underground and open-pit mining. Mishandling of dangerous articles such as explosives and toxic materials could result in material disruptions to operations. The occurrence of any of these risks and hazards could result in damage to or destruction of production facilities, personal injury, environmental damage, business interruption, delay in production, increased production costs, monetary losses and possible legal liability (including compensatory claims, fines and penalties), which could materially and adversely affect the business and results of operations.

Jinshan may not complete the sale of the Dadiangou Gold Project.

Jinshan has ceased all development on the Dadiangou Gold Project and, along with its CJV partner, proposes to sell the project. To date, the Company has not consummated a sales agreement, and there is a risk that the Company will never complete such a sale or only complete such a sale on lower than expected commercial terms. In such event, the Company will be deprived of any substantive benefit from its investment in the Dadiangou Gold Project.

Jinshan may not be able to maintain an adequate and timely supply of electricity, water, auxiliary materials, equipment, spare parts and other critical supplies at reasonable prices or at all.

Cost effective operations of the CSH Gold Mine depends, among other things, on the adequate and timely supply of electricity, water and auxiliary materials. Major auxiliary materials used in production include forged steel grinding balls, chemical products, explosives, lubricating oil, electric wires and cables, rubber products and fuel. Auxiliary materials are sourced from domestic suppliers and equipment from suppliers in the PRC and other countries. If supplies of auxiliary materials, equipment or spare parts are interrupted or their prices increase, or existing suppliers cease to supply the Company on acceptable terms, Jinshan's business, financial condition and results of operations could be materially and adversely affected.

There are certain risks relating to the real properties that Jinshan owns, uses or leases.

There are a number of title defects relating to the real properties that Jinshan owns, uses or leases. As a result of these defects, the Company faces title related risks. There is a risk that the Company will be subject to challenges, lawsuits or other actions taken with respect to the properties owned, used or leased. If any of the owned or leased properties were successfully challenged, it may impact operations and the Company could be materially and adversely affected by any lawsuits or actions unfavorably decided or resolved against it.

Jinshan's operations are governed by extensive and increasingly stringent environmental and other laws and regulations.

The Company's operations are subject to extensive PRC environmental laws and regulations relating to air and water quality, waste management and public health and safety. To comply with these laws and regulations, Jinshan incurs significant costs associated with its production facilities, production process and the installation of pollution control equipment. Jinshan must undergo inspections by relevant PRC environmental authorities and maintain various environmental permits. Failure to comply with relevant PRC environmental laws and regulations could materially and adversely affect business and results of operations.

In addition, PRC environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed mines and a heightened degree of responsibility for companies and their officers, directors and employees. Amendments to current PRC laws and regulations governing operations and activities of mining companies or more stringent implementation thereof could have a material adverse impact on Jinshan and cause increases in capital expenditure, production costs or

reductions in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Mining operations have a limited life and eventual closure of these operations will entail costs and risks regarding ongoing monitoring, rehabilitation and compliance with environmental standards.

The CSH Gold Project has a limited mine life. The key costs and risks for mine closures are: (i) long-term management of permanent engineered structures (such as tailings dams) and acid drainage; (ii) achievement of environmental closure standards (such as rehabilitation requirements); (iii) orderly retrenchment of employees and third-party contractors; and (iv) relinquishment of the sites with associated permanent structures and community development infrastructure and programs to new owners. The consequences of a difficult closure range from increased closure costs and handover delays to ongoing monitoring and environmental rehabilitation costs and damage to reputation if desired outcomes cannot be achieved. In the event of a difficult closure, the Company's business and results of operations could be materially and adversely affected.

In an effort to address mine closure and other geological environment issues, a mining company is required to submit rehabilitation undertakings and pay rehabilitation deposits to the relevant government authorities under applicable PRC laws and regulations. Jinshan has submitted the rehabilitation undertakings and paid the installments of rehabilitation deposits that have become due with respect to the CSH Gold Project. However, in the event of non-compliance of applicable rehabilitation, undertakings or deposits requirements in the future, the Company could be subject to a variety of penalties and other administrative actions, including inability to proceed with certain administrative procedures relating to mining permits (including annual inspection, renewal, alteration and mortgage registration), suspension of mining permits or ceasing of operations.

Dividends payable by Jinshan to foreign investors and gain on the sale of its Shares may become subject to withholding taxes under PRC tax laws.

Pursuant to new PRC Enterprise Income Tax Law and implementation regulations issued by the State Council, to the extent any dividends for earnings derived since January 1, 2008 are considered sourced within China, PRC income tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises" (and that do not have an establishment or place of business in China, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business). Similarly, any gain realized on the transfer of the Common Shares by such investors is also subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China. If the Company is considered to be a "resident enterprise", the dividends it pays with respect to its Common Shares would be treated as income derived from sources within China and be subject to PRC income tax. It is uncertain whether the Company will be considered a PRC "resident enterprise". Accordingly, there is uncertainty as to whether the dividends payable to Jinshan's foreign investors, or the gain its foreign investors may realize from the transfer of its Shares, would be treated as income sourced within China and be subject to PRC tax. If the Company is required under the new tax law to withhold PRC income tax on dividends payable to foreign shareholders who are "non-resident enterprises," or if shareholders are required to pay PRC income tax on the transfer of their Common Shares, the value of shareholders' investment in the Common Shares may be materially and adversely affected.

Limitations on the ability of CJVs to pay dividends could have a material adverse effect on Jinshan's ability to conduct business.

Jinshan is a holding company and expects to rely on dividends and other distributions to be paid by IMPM for future cash and financing requirements, and to service any debt and pay its expenses. Relevant PRC laws, rules and regulations permit payments of dividends only out of retained earnings, if any, determined in accordance with PRC accounting standards and regulations. Under PRC laws, rules and regulations, each of the entities incorporated in the PRC is required to set aside a portion of its net income each year to fund certain reserves and to make up for previously accumulated losses before it can distribute dividends to its shareholders. These reserves, together with the registered equity of these entities, are not distributable as cash dividends. As a result of these PRC laws, rules and regulations, IMMI will be restricted in its ability to distribute dividends.

The global financial markets have experienced significant volatility recently, which have had negative repercussions on the global economy. As a result, Jinshan's business, financial condition and results of operations could be materially and adversely affected.

Certain recent adverse financial developments have impacted the global financial markets. These developments include a general slowing of economic growth globally, substantial volatility in equity securities markets, and volatility and tightening of liquidity in credit markets. While it is difficult to predict how long these conditions will last, they could continue to present risks for an extended period of time, including increase in interest expenses on the Company's bank

borrowings, or reduction of the amount of banking facilities currently available. If the economic downturn continues, the Company's business, financial condition and results of operations could be materially and adversely affected.

Jinshan's risk management and internal control systems may not be adequate or effective.

Jinshan's Directors together with senior management are responsible for overseeing internal control policies and procedures. The Company has established risk management and internal control systems consisting of relevant organizational framework policies, procedures and risk management methods that it believes are appropriate. In order to enhance internal control and risk management system, the Company engaged a qualified consulting firm, which has adequate experience in providing enterprise risk services, to perform an internal control review.

Jinshan believes it has a proper internal control and risk management system in place. However, it has in the past experienced weaknesses in internal controls. The Company has undertaken efforts to address the causes of the internal control weaknesses. But there will always be inherent limitations in the design and implementation of these systems. There can be no assurance that the systems will be sufficiently effective in identifying and preventing all such risks. In addition, as some of the Company's risk management and internal control policies and procedures are relatively new, the Company may need to establish and implement additional policies and procedures to further improve systems from time to time. Since risk management and internal controls depends on the implementation by employees, there can be no assurance that such implementation will be free from human errors or mistakes. If the Company fails to timely implement policies and procedures, or fails to identify risks that affect the business with sufficient time to plan for contingencies for such events, the business, results of operations and financial condition of the Company could be materially and adversely affected.

Jinshan may not be able to retain or secure key qualified personnel, key senior management or other personnel.

Recruiting and retaining qualified personnel is critical. Jinshan depends on certain key qualified personnel, key senior management and other employees in its business. The Company is led by a distinguished integrated PRC and international management team. As the business grows, the Company may recruit additional management and other personnel. There is no assurance that the key qualified personnel will continue to provide services or will honor the agreed terms and conditions of employment or contracts. Any loss of key personnel or failure to recruit and retain personnel for the Company's future operations and development could have a material adverse effect on Jinshan's business and results of operations.

Jinshan may not be adequately insured against losses and liabilities arising from operations.

Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological conditions, rock bursts or slides, fire, floods, earthquakes or other environmental occurrences and political and social instability. These risks can result in, among other things, damage to and destruction of mineral properties or production facilities, personal injury, environmental damage, delays in mining, monetary losses and legal liability.

Jinshan maintains insurance within ranges of coverage consistent with industry practice in the PRC. However, in line with industry practice in the PRC, it has elected not to insure against certain risks as a result of high premiums or other reasons or has agreed to policy limits on certain coverage that may not cover all potential liabilities for similar reasons. In the event that Jinshan suffers a significant liability for which it is not insured or its insurance coverage is inadequate to cover the entire liability, Jinshan's business and results of operation could be materially and adversely affected.

Some of Jinshan's Directors and officers are directors and officers of other mineral resource companies and these directors and officers may encounter conflicts of interests with Jinshan.

Some of Jinshan's Directors and officers are directors or officers of other mineral resource companies. To the extent that such other companies may participate in ventures in which Jinshan may participate, these directors and officers may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. Such other companies may also compete with Jinshan for the acquisition of mineral property rights. In the event that any such conflict of interest arises, a director or officer who has such a conflict is required to disclose the conflict to a meeting of the Board. If the conflict involves a director, the director is required to abstain from voting for or against the approval of such participation or such terms. In appropriate cases, the Company will establish a special committee of independent Directors to review a matter in which several directors, or management, may have a conflict. In accordance with the provisions of the British Columbia *Business Corporations Act*, the directors and officers are required to act honestly in good faith, with a view to its best interests of the Company.

Jinshan faces increasing domestic and foreign competition.

Jinshan faces increasing competition from both domestic and international gold and other nonferrous metal producers. Major competitors are large international gold and nonferrous metals producers. These competitors may have certain advantages, including greater financial, technical and raw materials resources, greater economies of scale, broader name recognition and more established relationships in certain markets. Increased competition may prevent Jinshan from acquiring new properties and ultimately may have a material adverse impact on the business, results of operations and growth prospects.

Failure to discover new reserves, maintain or enhance existing reserves, develop new operations or expand current operations could negatively affect the business and results of operations.

Mining exploration is unpredictable in nature. The success of any mining exploration program depends on various factors including, among other things, (i) whether ore bodies can be located; (ii) whether the location of ore bodies are economically viable to mine; (iii) whether appropriate metallurgical processes can be developed and appropriate mining and processing facilities can be economically constructed; and (iv) whether necessary governmental permits, licenses and consents can be obtained.

In order to maintain mineral production beyond the life of the current proven and probable reserves, the Company must identify further reserves capable of economic exploitation. However, due to the unpredictable and speculative nature of this industry, there is no assurance that any exploration program will result in the discovery of valuable resources. If a valuable resource is discovered, it can take several years and capital expenditure from the initial phases of exploration before production commences during which period the capital cost and economic feasibility may change. There is also no assurance that reported resources can be converted into reserves. Furthermore, actual results upon production may differ from those anticipated at the time of discovery.

To access additional reserves in explored areas, the Company will need to successfully complete development projects, including extending the CSH Gold Mine and developing or acquiring new mines. There are a number of uncertainties inherent in the development and construction of any new mine or an extension to an existing mine, including: (i) the availability and timing of necessary governmental approvals, (ii) the timing and cost necessary to construct mining and processing facilities, and the availability and cost of smelting and refining arrangements; (iii) the availability and cost of labor, utilities, auxiliary materials and other supplies and the accessibility of transportation and other infrastructure; and (iv) the availability of funds to finance construction and production activities. Accordingly, there is no assurance that any future exploration activities or development projects will extend the life of existing mining operations or result in any new economic mining operations.

Changes to the PRC regulatory regime for the mining industry may materially and adversely affect the business and results of operations.

The PRC local, provincial and central authorities exercise a substantial degree of control over the gold industry in the PRC. Jinshan's operations are subject to a range of PRC laws, regulations, policies, standards and requirements in relation to, among other things, mine exploration, development, production, taxation, labor standards, occupational health and safety, waste treatment and environmental protection and operation management. Any changes to these laws, regulations, policies, standards and requirements or to the interpretation or enforcement thereof may increase Jinshan's operating costs and thus adversely affect its results of operations.

Although Jinshan seeks to comply with all PRC laws, regulations, policies, standards and requirements applicable to the mining industry or all changes in existing laws, regulations, policies, standards and requirements, there can be no assurance that the Company will be able to comply with them economically or at all. Furthermore, any new PRC laws, regulations, policies, standards and requirements or any change in existing laws, regulations, policies, standards and requirements may also constrain future expansion plans and adversely affect profitability.

PRC political, economic and social conditions government policies could affect Jinshan's business.

China is, and for the foreseeable future is expected to remain, the country in which Jinshan concentrates most of its business activities and financial resources. Currently all of its operating assets are located in the PRC and all revenue is derived from operations in the PRC. Results of operations and prospects are subject, to a significant degree, to economic, political and social developments in the PRC. The economy of the PRC differs from the economies of most

developed countries in many respects, including the extent of government involvement, the level of development, the growth rate and government control of foreign exchange.

The PRC economy has traditionally been centrally planned. Since 1978, the PRC government has been promoting reforms of its economic and political systems. These reforms have brought about marked economic growth and social progress in the PRC, and the economy of the PRC has shifted gradually from a planned economy towards a market-oriented economy. Jinshan believes that it has benefited from the economic reforms implemented by the PRC government and its economic policies and measures. However, there is no assurance that the PRC government will continue to pursue economic reforms. In addition, while the PRC's economy has experienced significant growth in the last three decades, growth has been uneven across both geographic regions and the various sectors of the economy. Jinshan's business, results of operations, financial condition and prospect may be adversely affected by the PRC government's political, economic and social conditions and government policies.

Jinshan's business could be negatively affected by changes and uncertainties in the PRC legal system.

The PRC legal system is based on civil law system. Unlike a common law system, prior legal decisions and judgments have limited significance for guidance. The PRC is still in the process of developing a comprehensive statutory framework. Since 1979, the PRC government has established a commercial law system, and has made significant progress in promulgating laws and regulations relating to economic affairs and matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. However, many of these laws and regulations are relatively new. The implementation and interpretation of these laws and regulations remain uncertain in many areas and may not be consistent with long-standing local conventions and customs. As a result, there may be ambiguities, inconsistencies and anomalies in applicable agreements or the legislation upon which these agreements are based, which are atypical of more developed legal systems and which may affect the interpretation and enforcement of rights and obligations. Furthermore, the PRC legal system is based in part on government policies and administrative rules that Jinshan may not be aware. Moreover, the legal protections available under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action may be protracted and could result in substantial costs and diversion of resources and management attention.

In addition, there are several levels of government with influence over the CSH Gold Project. A loss of support by any one of those levels of government could result in substantial disruption in the ability to continue operations. Such a loss of support could occur on a national level, such as a change in government policy to discourage foreign investment. It may also occur at a provincial or local level, in which the ability to conduct operations is hindered by aggressive or capricious application of jurisdiction within the control of a particular level of government.

Jinshan may be unable to enforce its legal rights in certain circumstances.

Jinshan is incorporated in British Columbia. In the event of a dispute arising from or in respect of its operations in the PRC, the Company may be subject to the exclusive jurisdiction of PRC courts or may not be successful in subjecting foreign persons to the courts in Canada, Hong Kong or other jurisdictions. Jinshan may also be hindered or be prevented from enforcing its rights with respect to a governmental entity or instrumentality because of the doctrine of sovereign immunity.

Government control of currency conversion and changes in the exchange rate between the RMB and other currencies could negatively affect Jinshan's financial condition, operations and ability to pay dividends.

The RMB currently is not a freely convertible currency. All of the Company's revenue is in RMB and Jinshan will need to repatriate earnings outside of China and convert RMB to foreign currency for payment of dividends, if any, to the shareholders. Under the current foreign exchange regulations in the PRC, PRC subsidiaries will be permitted to effect foreign exchange for current-account transactions (including the distribution of dividends) through accounts permitted by the PRC government. Under existing PRC foreign exchange regulations, profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE or its local branch is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. There can be no assurance that the PRC government will refrain from imposing restrictions on foreign exchange transactions for current-account items, including the payment of dividends.

Certain restrictions on foreign investment in the PRC mining industry could materially and adversely affect the business and results of operations.

In the PRC, foreign companies have in the past been, and are currently, required to operate within a framework that is different from that imposed on domestic PRC companies. The PRC government has been opening up opportunities for foreign investment in mining projects and this process is expected to continue, especially following the PRC's

accession into the World Trade Organization. However, if the PRC government should reverse this trend, or impose greater restrictions on foreign companies, or seek to nationalize PRC operations, the Company's business and results of operations could be materially and adversely affected.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares without par value. As of March 31, 2010, 168,734,459 common shares were issued and outstanding, 1,172,000 stock purchase options had been granted and were outstanding, and 3,060,000 common share purchase warrants had been issued and were outstanding. On a fully diluted basis, 172,966,459 common shares were outstanding.

QUALIFIED PERSON

Dr. Qingping Deng, a qualified person as defined by National Instrument 43-101 supervised the preparation of the technical and scientific information relating to the CSH Gold Technical Report in this MD&A.

March 31, 2010