

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about any aspect of this information circular, or as to the action to be taken, you should consult a licensed securities dealer or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares of **CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.**, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

中國黃金國際資源有限公司

(a company incorporated under the laws of British Columbia, Canada with limited liability)

(Hong Kong Stock Code: 2099)

(Toronto Stock Code: CGG)

NEW CONTINUING CONNECTED TRANSACTIONS

REVISIONS TO EXISTING CONTINUING CONNECTED TRANSACTIONS

NOTICE AND INFORMATION CIRCULAR

**RELATING TO THE ANNUAL GENERAL MEETING AND SPECIAL MEETING
OF THE SHAREHOLDERS**

TO BE HELD IN VANCOUVER, BRITISH COLUMBIA, CANADA

ON JUNE 18, 2013 VANCOUVER TIME (JUNE 19, 2013 HONG KONG TIME)

Independent financial adviser to the Independent Board Committee and

the Independent Shareholders



TC Capital
天財資本

TC Capital Asia Limited

May 21, 2013

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CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

(a company incorporated under the laws of British Columbia, Canada with limited liability)

(TSX Symbol: CGG)

(HKEx Stock Code: 2099)

One Bentall Centre

Suite 1030, 505 Burrard Street, Box 31

Vancouver, British Columbia V7X 1M5

Telephone: 604-609-0598 Fax: 604-688-0598

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual and special meeting (the "Meeting") of the shareholders of China Gold International Resources Corp. Ltd. (the "Company") (TSX: CGG) (HKEx: 2099) will be held in the Walker Room of the Terminal City Club located at 837 West Hastings Street, Vancouver, British Columbia V6C 1B6, on Tuesday, June 18, 2013 commencing at 11:00 am Vancouver time, for the following purposes:

1. to receive and consider the audited consolidated financial statements of the Company for the financial year ended December 31, 2012, together with the report of the directors and the auditors thereon;
2. to set the number of directors of the Company at nine (9);
3. to elect directors for the ensuing year;
4. to appoint Deloitte Touche Tohmatsu as the auditors of the Company for the ensuing year and to authorize the directors to fix their remuneration;
5. to grant to the board of directors a general mandate to allot, issue and otherwise deal with unissued shares not exceeding 20% of the issued share capital of the Company;
6. to grant to the board of directors a general mandate to repurchase shares not exceeding 10% of the issued share capital of the Company;
7. to extend the share allotment mandate by the addition thereto of the shares repurchased by the Company;
8. to consider and, if thought fit, approve as an ordinary resolution of independent shareholders of the Company (consisting of the shareholders of the Company other than China National Gold Group Corporation and any of its associates):
 - (a) the Supplemental Jiama Framework Agreement and the transactions contemplated thereunder, as more particularly described in the information circular accompanying this notice;
 - (b) the proposed revisions to the existing annual caps for the two years ending December 31, 2013 and 2014 and the proposed annual cap for the year ending December 31, 2015 for the transactions contemplated under the Supplemental Jiama Framework Agreement, as more particularly described in the information circular accompanying this notice;

- (c) the Supplemental Contract for Purchase and Sale of Dore and the transactions contemplated thereunder, as more particularly described in the information circular accompanying this notice;
- (d) the Product and Service Framework Agreement and the transactions contemplated thereunder, as more particularly described in the information circular accompanying this notice;
- (e) the proposed annual monetary caps for the transactions contemplated under the Product and Service Framework Agreement for the three years ending December 31, 2013, 2014, and 2015, as more particularly described in the information circular accompanying this notice;
- (f) the Contract for Purchase and Sale of Copper Concentrate and the transactions contemplated thereunder, as more particularly described in the information circular accompanying this notice;
- (g) the proposed annual monetary caps for the transactions contemplated under the Contract for Purchase and Sale of Copper Concentrate for the two years ending December 31, 2013 and 2014, as more particularly described in information circular accompanying this notice; and
- (h) to authorize any one director of the Company to do such further acts and things and to execute or cause to be executed, and to deliver or cause to be delivered, such other documents and instruments, and to take all such steps which in the opinion of such director of the Company do or cause to be done all such other acts and things, necessary or desirable to implement and/or carry out and/or give effect to the terms of the foregoing resolutions; and

9. to transact such other business as may properly come before the Meeting or any adjournments thereof.

The board of directors has fixed May 7, 2013 Vancouver time (being May 8, 2013 Hong Kong time) as the record date for determining the shareholders entitled to receive notice of and to vote at the Meeting and at any adjournments thereof.

An information circular and a form of proxy accompany this notice. The information circular provides additional information relating to the matters to be dealt with at the Meeting.

A Shareholder who is unable to attend the Meeting in person and who wishes to ensure that such Shareholder's shares are voted at the Meeting is requested to complete, date and execute the enclosed form of proxy and deliver it by facsimile, by hand or by mail in accordance with the instructions set out in the form of proxy and in the accompanying information circular.

Please advise the Company of any change in your address.

DATED at Vancouver, British Columbia, this 21st day of May, 2013.

**BY ORDER OF THE BOARD OF DIRECTORS
OF CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.**

Jerry Xie

Executive Vice President and Corporate Secretary

As of the date of this notice the executive directors are Zhaoxue Sun, Xin Song, Zhanming Wu and Xiangdong Jiang, the non-executive director is Bing Liu and the independent non-executive directors are Ian He, Yunfei Chen, Gregory Hall and John King Burns.

If you are in any doubt about any aspect of this information circular, or as to the action to be taken, you should consult a licensed securities dealer or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares of **CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.**, you should at once hand this information circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

(a company incorporated under the laws of British Columbia, Canada with limited liability)

(TSX Symbol: CGG)

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Registered office/ Headquarters:

One Bentall Centre

Suite 1030, 505 Burrard Street, Box 31

Vancouver, British Columbia V7X 1M5

Telephone: 604-609-0598 Fax: 604-688-0598

Principal Place of Business in Hong Kong:

8/F., Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong

Executive Directors	Non-executive Director	Independent non-executive Directors
Zhaoxue Sun Xin Song Zhanming Wu Xiangdong Jiang	Bing Liu	Ian He Yunfei Chen Gregory Hall John King Burns

INFORMATION CIRCULAR

This information circular is furnished in connection with the solicitation of proxies by the management of China Gold International Resources Corp. Ltd. (the "Company") (TSX: CGG) (HKEx: 2099) for use at the annual and special meeting (the "Meeting") of its Shareholders to be held at 11:00 am Vancouver time on Tuesday, June 18, 2013 in the Walker Room of the Terminal City Club located at 837 West Hastings Street, Vancouver, British Columbia V6C 1B6, and at any adjournments thereof, for the purposes set forth in the notice that accompanies this information circular. Unless otherwise stated, this information circular contains information as at the Latest Practicable Date. Certain capitalized terms used in this information circular have the meanings given to them in Schedule C. All dollar figures are in Canadian dollars and references to "US\$" are to United States dollars, except as otherwise noted.

SOLICITATION OF PROXIES

The solicitation of proxies by management will be primarily by mail, but proxies may be solicited by directors, officers and employees of the Company personally, by telephone, or by means of electronic communication. All costs of this solicitation will be borne by the Company.

APPOINTMENT OF PROXYHOLDERS

A Shareholder entitled to vote at the Meeting may, by means of proxy, appoint a proxyholder or one or more alternate proxyholders, who need not be Shareholders, to attend and act at the Meeting for the Shareholder and on the Shareholder's behalf.

The individuals named in the accompanying form of proxy are directors or officers of the Company. **A Shareholder may appoint, as proxyholder or alternate proxyholder, a person or persons other than any of the persons designated in the accompanying form of proxy, and may do so either by inserting the name or names of such persons in the blank space provided in the accompanying form of proxy or by completing another suitable form of proxy.**

An appointment of a proxyholder or alternate proxyholders will not be valid unless a form of proxy making the appointment, signed by the Shareholder or by an attorney of the Shareholder authorized in writing (a "Proxy"), is deposited with Canadian Stock Transfer Company Inc operating the transfer agency business in the name of CIBC Mellon Trust Company, by facsimile to 416-368-2502 or 1-866-781-3111, by mail to P.O. Box 721, Agincourt, Ontario, M1S 0A1 or by hand to 320 Bay Street, Banking Hall Level, Toronto, Ontario, M5H 4A6 and received by Canadian Stock Transfer Company Inc operating the transfer agency business in the name of CIBC Mellon Trust Company not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) before the Meeting or any adjournment thereof at which the proxy is to be used.

REVOCAION OF PROXIES

A Shareholder who has given a proxy may revoke it:

- (a) by depositing an instrument in writing executed by the Shareholder or by the Shareholder's attorney authorized in writing:
 - (i) with CIBC Mellon Trust Company, not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) before the Meeting or any adjournment thereof, at which the proxy is to be used; or
 - (ii) at the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used; or
 - (iii) with the chairman of the Meeting on the day of the Meeting or any adjournment thereof;
- (b) in any other manner provided by law.

A revocation of a proxy will not affect a matter on which a vote is taken before the revocation.

VOTING OF PROXIES AND EXERCISE OF DISCRETION

The nominees named in the accompanying form of proxy will vote or withhold from voting the shares represented thereby in accordance with the instructions of the Shareholder on any ballot that may be called for. If the Shareholder specifies a choice with respect to any matter to be acted upon, the shares will be voted accordingly. The form of proxy will confer discretionary authority on the nominees named therein with respect to:

- (a) each matter or group of matters identified therein for which a choice is not specified;
- (b) any amendment to or variation of any matter identified therein; and

- (c) any other matter that properly comes before the Meeting.

In respect of a matter for which a choice is not specified in the form of proxy, the nominees named in the accompanying form of proxy will vote shares represented by the proxy in favour of such matter.

As of the date of this information circular, the management of the Company is not aware of any amendment, variation or other matter that may come before the Meeting, but if any amendment, variation or other matter properly comes before the Meeting, each nominee named in the accompanying form of proxy intends to vote on such business in accordance with their best judgment.

VOTING BY NON-REGISTERED SHAREHOLDERS

Only registered Shareholders or the persons they appoint as their proxies are permitted to vote at the Meeting. Most Shareholders are “non-registered” Shareholders (“Non-Registered Shareholders”) because the shares they own are not registered in their own names, but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the shares. Shares beneficially owned by a Non-Registered Shareholder are registered either: (i) in the name of an intermediary (an “Intermediary”) that the Non-Registered Shareholder deals with in respect of the shares of the Company (Intermediaries include, among others, banks, trust companies, securities dealers, securities brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs, TFSAs and similar plans); or (ii) in the name of a clearing agency (such as The Canadian Depository for Securities Limited or HKSCC Nominees Limited) of which the Intermediary is a participant. In accordance with applicable securities law requirements, the Company will have distributed copies of the notice, this information circular, and the form of proxy (collectively, the “Meeting Materials”) to the clearing agencies and Intermediaries for distribution to Non-Registered Shareholders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Shareholders unless a Non-Registered Shareholder has waived the right to receive them. Intermediaries often use service companies to forward the Meeting Materials to Non-Registered Shareholders. Generally, Non-Registered Shareholders who have not waived the right to receive Meeting Materials will either be given:

- (a) a voting instruction form which is not signed by the Intermediary and which, when properly completed and signed by the Non-Registered Shareholder and returned to the Intermediary or its service company, will constitute voting instructions (often called a “voting instruction form”) which the Intermediary must follow. Typically, the voting instruction form will consist of a one page pre-printed form. Sometimes, instead of the one page pre-printed form, the voting instruction form will consist of a regular printed proxy form accompanied by a page of instructions which contains a removable label with a bar code and other information, wherever applicable. In order for the form of proxy to validly constitute a voting instruction form, the Non-Registered Shareholder must remove the label from the instructions and affix it to the form of proxy, properly complete and sign the form of proxy and submit it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company; or
- (b) a form of proxy which has already been signed by the Intermediary (typically by a facsimile with a stamped signature), which is restricted as to the number of shares beneficially owned by the Non-Registered Shareholder but which is otherwise not completed by the Intermediary. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Shareholder when submitting the form of proxy. In this case, the Non-Registered Shareholder who wishes to submit a proxy should properly complete the form of proxy and deposit it with the Company c/o CIBC Mellon Trust Company, 320 Bay Street, Banking Hall Level, Toronto, Ontario, M5H 4A6.

In either case, the purpose of these procedures is to permit Non-Registered Shareholders to direct the voting of the common shares of the Company they beneficially own. Should a Non-Registered Shareholder who receives one of the above forms wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Shareholder), the Non-Registered Shareholder should strike out the persons named in the form of proxy and insert the Non-Registered Shareholder or such other person's name in the blank space provided. In either case, Non-Registered Shareholders should carefully follow the instructions of their Intermediary, including those regarding when and where the proxy or voting instruction form is to be delivered.

A Non-Registered Shareholder may revoke a proxy or voting instruction form given to an Intermediary by contacting the Intermediary through which the Non-Registered Shareholder's common shares of the Company are held and following the instructions of the Intermediary respecting the revocation of proxies. In order to ensure that an Intermediary acts upon a revocation of a proxy or voting instruction form, the written notice should be received by the Intermediary well in advance of the Meeting.

VOTES NECESSARY TO PASS RESOLUTIONS

Pursuant to the Articles of the Company, a quorum for the transaction of business at any meeting of Shareholders is at least two persons who are, or who represent by proxy, Shareholders who, in the aggregate hold at least 5% of the issued shares entitled to be voted at the Meeting.

Under the *Business Corporations Act* (British Columbia) (the "Business Corporations Act"), the Company's governing corporate law statute, a simple majority of the votes cast at the Meeting is required to pass all ordinary resolutions and, pursuant to the Company's Articles, a majority of not less than two-thirds of the votes cast at the Meeting is required to pass all special resolutions.

Pursuant to Rule 13.39(4) of the Hong Kong Listing Rules, any vote of Shareholders at a general meeting must be taken by poll, and the Company will announce the results of the poll in the manner prescribed in Rule 13.39(5) of the Hong Kong Listing Rules.

At the Meeting, Shareholders will be asked to set the number of directors of the Company at nine (9) by ordinary resolution, to elect directors and appoint auditors for the ensuing year, to approve a Share Issue Mandate (as hereinafter defined), to approve a Share Repurchase Mandate (as hereinafter defined) and to approve the Additional Share Allotment Mandate (as hereinafter defined). If there are more nominees for election as directors or appointment as the Company's auditors than there are vacancies to fill, those nominees receiving the greatest number of votes will be elected or appointed, as the case may be, until all such vacancies have been filled. If the number of nominees for election or appointment is equal to the number of vacancies to be filled, all such nominees will be declared elected or appointed.

Pursuant to Rule 14A.59(5) of the Hong Kong Listing Rules, any connected person of the Company and Shareholder with a material interest in the Proposed Matters (as hereinafter defined) and its associates will not be entitled to vote at the Meeting relating to the Proposed Matters. As such, the Independent Shareholders consisting of the Shareholders other than China National Gold and any of its associates, will be asked to consider and, if thought fit, pass ordinary resolutions to, among other things, approve:

- (a) the Supplemental Jiama Framework Agreement and the transactions contemplated thereunder, as more particularly described herein;
- (b) the Proposed Annual Caps for the transactions contemplated under the Supplemental Jiama Framework Agreement, as more particularly described herein;
- (c) the Supplemental Contract for Purchase and Sale of Dore and the transactions contemplated thereunder, as more particularly described herein;

- (d) the Product and Service Framework Agreement and the transactions contemplated thereunder, as more particularly described herein;
- (e) the proposed annual monetary caps for the transactions contemplated under the Product and Service Framework Agreement for the three years ending December 31, 2013, 2014, and 2015, as more particularly described herein;
- (f) the Contract for Purchase and Sale of Copper Concentrate and the transactions contemplated thereunder, as more particularly described herein;
- (g) the proposed annual monetary caps for the transactions contemplated under the Contract for Purchase and Sale of Copper Concentrate for the two years ending December 31, 2013 and 2014, as more particularly described herein; and
- (h) to authorize any one director of the Company to do such further acts and things and to execute or cause to be executed, and to deliver or cause to be delivered, such other documents and instruments, and to take all such steps which in the opinion of such director of the Company do or cause to be done all such other acts and things, necessary or desirable to implement and/or carry out and/or give effect to the terms of the foregoing resolutions,

((a) to (h) collectively, the **“Proposed Matters”**).

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Zhaoxue Sun, Xin Song, Bing Liu and Zhanming Wu are considered to have a conflict of interest in the transactions contemplated under the Continuing Connected Transaction Contracts due to their senior management positions in China National Gold Group Corporation (“China National Gold”) of Beijing, PRC. They had abstained from voting on the Board resolutions in relation to such transactions. Other than as disclosed herein, no other person who has been a director or officer of the Company at any time since the commencement of the Company’s last financial year, or any affiliate or associate (as such term is defined in the *Securities Act* (British Columbia)) of any of the foregoing, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The Company has an authorized share capital consisting of an unlimited number of common shares without par value. As of the Record Date, the Company had outstanding 396,358,753 fully paid and non-assessable common shares without par value, each carrying the right to one vote.

A holder of record of one or more common shares on the securities register of the Company at the close of business on the Record Date who either attends the Meeting personally or deposits a proxy in the manner and subject to the provisions described above will be entitled to vote or to have such common shares voted at the Meeting.

To the knowledge of the Company’s directors and senior officers, China National Gold, through its wholly owned subsidiary, China National Gold Group Hong Kong Limited of Hong Kong, owns 155,794,830 common shares of the Company, representing approximately 39.3% of the outstanding voting shares of the Company. To the knowledge of the Company’s directors and senior officers, no other person or company beneficially owns, or controls or directs, directly or indirectly, shares carrying 10% or more of the voting rights of the Company.


ELECTION OF DIRECTORS



The Company’s Articles provide that the number of directors of the Company is set at the greater of three (3) and the number set by ordinary resolution. Directors are elected at each annual general meeting and hold



office until the next annual general meeting, unless a director's office is earlier vacated in accordance with the provisions of the Business Corporations Act and the Company's Articles. The Board believes that the process in place to elect directors allows appointing the most qualified candidates, independently. The Nominating and Corporate Governance Committee of the Board is comprised of directors who are considered "independent" under Rule 3.13 of the Hong Kong Listing Rules and Section 311 of the TSX Company Manual. The Nominating and Corporate Governance Committee identifies director nominees who, in its best judgment, have high personal and professional integrity, who have demonstrated exceptional ability and sound judgment and who shall be effective in their services as a director, in conjunction with the other Board members, in order to serve the interests of the Shareholders. It does so after assessing the size, functions, composition and performance of the Board, the Board's committees, the Chairman, the chairman of each committee and individual directors. The Nominating and Corporate Governance Committee has concluded that the group of individuals proposed to the Shareholders is a highly skilled group, who will fulfill the needs of the Company and be able to serve the interests of the Shareholders.




At the Meeting, Shareholders will be asked to pass an ordinary resolution setting the number of directors of the Company at nine (9), subject to any further increases permitted by the Company's Articles.

Management proposes to nominate the persons named in the following table for election as director. The information concerning the proposed nominees has been furnished by each of them:

Name, Province or State and Country of Residence and Present Office Held	Director Since	Number of Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly ⁽¹⁾	Number of Options Held	Principal Occupation and Qualifications ⁽¹⁾
 <p>Zhaoxue Sun Beijing, PRC Age: 50 Director and Chairman</p>	May 12, 2008	Nil	Nil	<p>Zhaoxue Sun's principal occupations include President of China National Gold from October 2006 to present and Chief Executive Officer of the Company from September 8, 2008 to October 9, 2009.</p> <p>Zhaoxue Sun is a professor level senior engineer and holds a Ph.D. doctorate degree in resources economics from the China University of Geosciences. Zhaoxue Sun serves as Chairman of the Chinese Gold Association.</p>

Name, Province or State and Country of Residence and Present Office Held	Director Since	Number of Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly ⁽¹⁾	Number of Options Held	Principal Occupation and Qualifications ⁽¹⁾
 <p>Xin Song Beijing, PRC Age: 50 Chief Executive Officer and Director</p>	October 9, 2009	Nil	Nil	<p>Xin Song's principal occupations include Chief Executive Officer of the Company from October 9, 2009 to present, Vice President of China National Gold in charge of resources development and international operations from 2003 to present, Chairman of the Board of Skyland Mining Limited from December 2007 to present and Chairman of the Board of Tibet Jia Ertong Minerals Exploration Ltd. from April 2008 to present, the subsidiaries of the Company which indirectly hold the Jiama Mine.</p> <p>Xin Song holds a Ph.D. doctorate degree in resources economics and management from the University of Science and Technology Beijing, China, a master's degree in business administration from the China Europe International Business School, a master's degree in mining engineering from the University of Science and Technology in Beijing and a bachelor's degree in mineral processing engineering from the Central-South Institute of Mining and Metallurgy.</p>
 <p>Bing Liu Beijing, PRC Age: 50 Director</p>	May 12, 2008	Nil	Nil	<p>Bing Liu's principal occupation includes Vice President and Chief Accountant of China National Gold from November 1999 to present.</p> <p>Bing Liu holds a master's degree in currency and banking from the Department of Business Administration, Asia International Open University in Macau and holds a bachelor's degree in finance from the Department of Finance and Trade Economics, Chinese Academy of Social Science.</p>

Name, Province or State and Country of Residence and Present Office Held	Director Since	Number of Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly ⁽¹⁾	Number of Options Held	Principal Occupation and Qualifications ⁽¹¹⁾
 <p>Zhanming Wu Beijing, PRC Age: 38 Vice President of Business Development and Director</p>	May 12, 2008	Nil	Nil	<p>Zhanming Wu's principal occupations include Vice President of Business Development of the Company from March 11, 2010 to present, Head of the Overseas Operation Department of China National Gold from September 2007 to present, director of Skyland Mining Limited from April 2008 to present and director of Tibet Jia Ertong Minerals Exploration Ltd. from April 2008 to present, the subsidiaries of the Company which indirectly hold the Jiama Mine and Director of Strategic Investment of Digital China Financial Service Holdings Limited from January 2006 to August 2007.</p> <p>Zhanming Wu holds a master's degree in management science and engineering from Tsinghua University and a bachelor's degree in management information systems from Tsinghua University.</p>
 <p>Ian He ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾ British Columbia, Canada Age: 51 Director (Independent)</p>	May 31, 2000	160,000	100,000 ⁽⁶⁾	<p>Ian He's principal occupations include President of Tri-River Ventures Inc. from July 2007 to present and President of Spur Ventures Inc. from August 1995 to June 2006.</p> <p>Ian He holds a Ph.D. degree and a M.A.Sc. degree from the Department of Mining Engineering of the University of British Columbia and a bachelor's degree from the Heilongjiang Institute of Mining and Technology, China.</p>
 <p>Yunfei Chen ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾ Hong Kong, PRC Age: 42 Director (Independent)</p>	May 12, 2008	Nil	100,000 ⁽⁷⁾	<p>Yunfei Chen's principal occupations include acting as an Independent Advisor from August 2007 to present and Managing Director of Deutsche Bank Hong Kong from July 2001 to August 2007.</p> <p>Yunfei Chen graduated from Southern Illinois University, Carbondale, with a juris doctor degree and is qualified to practice law in New York. Mr. Chen obtained a bachelor of law degree in China.</p>

Name, Province or State and Country of Residence and Present Office Held	Director Since	Number of Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly ⁽¹⁾	Number of Options Held	Principal Occupation and Qualifications ⁽¹¹⁾
 <p>Gregory Hall ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾ Western Australia, Australia Age: 63 Director (Independent)</p>	October 9, 2009	Nil	100,000 ⁽⁸⁾	<p>Gregory Hall's principal occupations include acting as an Independent Geological Consultant from August 2006 to present and Chief Geologist of Placer Dome Group from 2000 to July 2006.</p> <p>Gregory Hall holds a Bachelor of Science degree in applied geology from the University of New South Wales, Australia.</p>
 <p>John King Burns ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾ Pennsylvania, USA Age: 62 Director (Independent)</p>	October 27, 2009	Nil	100,000 ⁽⁹⁾	<p>John King Burns' principal occupations include serving as a Director of several public and private mineral and energy companies from 1995 to present.</p> <p>John King Burns holds a Bachelor of Arts degree in economics from the University of Pennsylvania.</p>
 <p>Xiangdong Jiang British Columbia, Canada Age: 54 Vice President of Production and Director</p>	June 17, 2010	13,500	80,000 ⁽¹⁰⁾	<p>Xiangdong Jiang's principal occupations include Vice President of Production of the Company from March 24, 2009 to present, Director of Inner Mongolia Pacific Mining Co. Ltd. from September 2008 to present, General Manager of the CSH Gold Mine from August 2007 to present, Vice President of Production and Technology of the Company from September 8, 2008 to March 23, 2009 and Vice President of Business Development of the Company from May 20, 2004 to September 8, 2008.</p> <p>Xiangdong Jiang holds a bachelor's degree in Geology and Mineral Exploration from Changchun College of Geology.</p>

Notes:

- (1) As of the Latest Practicable Date.
(2) Denotes a member of the Audit Committee.

- (3) Denotes a member of the Compensation and Benefits Committee.
- (4) Denotes a member of the Nominating and Corporate Governance Committee.
- (5) Denotes a member of the Health, Safety and Environmental Committee.
- (6) As of the Latest Practicable Date, Ian He held 100,000 stock options granted on June 1, 2010 and expiring on June 1, 2015 at an exercise price of Cdn\$4.35 from June 1, 2010 until June 1, 2011; Cdn\$4.78 from June 2, 2011 until June 1, 2012; Cdn\$5.21 from June 2, 2012 until June 1, 2013; Cdn\$5.64 from June 2, 2013 until June 1, 2014 and Cdn\$6.09 from June 2, 2014 until June 1, 2015 with 20% vesting immediately and an additional 20% vesting on June 2, 2011, June 2, 2012, June 2, 2013 and June 2, 2014, respectively.
- (7) As of the Latest Practicable Date, Yunfei Chen held 100,000 stock options granted on June 1, 2010 and expiring on June 1, 2015 at an exercise price of Cdn\$4.35 from June 1, 2010 until June 1, 2011; Cdn\$4.78 from June 2, 2011 until June 1, 2012; Cdn\$5.21 from June 2, 2012 until June 1, 2013; Cdn\$5.64 from June 2, 2013 until June 1, 2014 and Cdn\$6.09 from June 2, 2014 until June 1, 2015 with 20% vesting immediately and an additional 20% vesting on June 2, 2011, June 2, 2012, June 2, 2013 and June 2, 2014, respectively.
- (8) As of the Latest Practicable Date, Gregory Hall held 100,000 stock options granted on June 1, 2010 and expiring on June 1, 2015 at an exercise price of Cdn\$4.35 from June 1, 2010 until June 1, 2011; Cdn\$4.78 from June 2, 2011 until June 1, 2012; Cdn\$5.21 from June 2, 2012 until June 1, 2013; Cdn\$5.64 from June 2, 2013 until June 1, 2014 and Cdn\$6.09 from June 2, 2014 until June 1, 2015 with 20% vesting immediately and an additional 20% vesting on June 2, 2011, June 2, 2012, June 2, 2013 and June 2, 2014, respectively.
- (9) As of the Latest Practicable Date, John King Burns held 100,000 stock options granted on June 1, 2010 and expiring on June 1, 2015 at an exercise price of Cdn\$4.35 from June 1, 2010 until June 1, 2011; Cdn\$4.78 from June 2, 2011 until June 1, 2012; Cdn\$5.21 from June 2, 2012 until June 1, 2013; Cdn\$5.64 from June 2, 2013 until June 1, 2014 and Cdn\$6.09 from June 2, 2014 until June 1, 2015 with 20% vesting immediately and an additional 20% vesting on June 2, 2011, June 2, 2012, June 2, 2013 and June 2, 2014, respectively.
- (10) As of the Latest Practicable Date, Xiangdong Jiang held 80,000 stock options granted on July 20, 2007 and expiring on July 20, 2013 at an exercise price of Cdn\$2.20 with vesting as to 20% on first anniversary of the date of grant and 20% each anniversary thereafter.
- (11) As of the Latest Practicable Date, none of the proposed directors of the Company held any other positions with the Company or its subsidiaries or had any other major appointments or professional qualifications. For information regarding the other public company directorships of the proposed directors including their former directorships in the previous three years, see "Schedule A – Corporate Governance Disclosure – Board of Directors." As of the Latest Practicable Date, none of the proposed directors of the Company had any relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company (as defined in the Hong Kong Listing Rules), except as disclosed in "Schedule A – Corporate Governance Disclosure – Board of Directors."

Re-election of Independent Directors

The Board has assessed the independence of each of the proposed independent non-executive director nominees with reference to the criteria affecting independence as set out in Rule 3.13 of the Hong Kong Listing Rules and Section 311 of the TSX Company Manual. Each of Ian He, Yunfei Chen, Gregory Hall and John King Burns has confirmed his independence accordingly.

Ian He has served on the Board for more than 13 years. Accordingly, particular consideration was applied in assessing his continued independence. Taking into account that Ian He (i) does not hold more than 1% of the total issued share capital of the Company, (ii) save for the Shares and/or options of the Company held by him, has no past or present financial or other interest in the Group's business, (iii) has no connection with any of the Company's connected persons (as defined in the Hong Kong Listing Rules) and (iv) is free from any business or other relationship which could materially interfere with the exercise of his independent judgment, the Board believes that Ian He remains independent and will continue to provide a strong independent element on the Board. Ian He holds a Masters Degree in Applied Science and a Ph.D. in metallurgy and has extensive experience in the mining industry including serving as director of several public companies. The Board believes that Ian He's continued service on the Board will be valuable to the Company and accordingly, the Board recommends that Ian He be re-elected as an independent non-executive director.

Furthermore, taking into account that each of Yunfei Chen, Gregory Hall and John King Burns (i) does not hold more than 1% of the total issued share capital of the Company, (ii) save for the options of the Company held by him, has no past or present financial or other interest in the Group's business, (iii) has no connection with any of the Company's connected persons (as defined in the Hong Kong Listing Rules) and (iv) is free

from any business or other relationship which could materially interfere with the exercise of his independent judgment, the Board believes that Yunfei Chen, Gregory Hall and John King Burns remain independent and will continue to provide strong independent elements on the Board. Yunfei Chen is a legal practitioner with a broad range of experience both in Asia and in the U.S. including mining industry experience and experience as an investment banker. Gregory Hall is a seasoned geologist with extensive experience working with global mining companies. John King Burns has extensive experience in the global resource sector and serves as a director of several public and private mineral and energy companies. The Board believes that the continued service of Yunfei Chen, Gregory Hall and John King Burns on the Board will be valuable to the Company. The Board recommends that each of Yunfei Chen, Gregory Hall and John King Burns be re-elected as an independent non-executive director.

Corporate Cease Trade Orders and Bankruptcies

To the knowledge of the Company, no proposed director of the Company is or has been, within the past 10 years, a director, chief executive officer or chief financial officer of any company that:

- (a) was subject to an order that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

To the knowledge of the Company, no proposed director of the Company is or has been, within the past 10 years, a director or executive officer of any company that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets.

Individual Bankruptcies

To the knowledge of the Company, no proposed director of the Company has, within the past 10 years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

Penalties or Sanctions

To the knowledge of the Company, no proposed director has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Corporate governance relates to the activities of the Board, the members of which are elected by and are accountable to the Shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day-to-day management of the Company. The Board is committed to sound corporate governance practices which are in the interest of the Shareholders and also contribute to effective and efficient decision making. A description of certain corporate governance practices of the Company in accordance with Form 58-101F1 of National Instrument 58-101 of the Canadian Securities Administrators is attached as Schedule A to this information circular.

DIRECTORS AND OFFICERS INSURANCE

The Company has purchased directors and officers liability insurance with aggregate coverage in the amount of US\$50,000,000. The aggregate premium for the insurance coverage was US\$199,000 and the coverage has a deductible of US\$50,000 per claim except for securities claims which have a deductible of US\$100,000.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets out a summary of all compensation paid by the Company and its subsidiaries for the years ended December 31, 2012, December 31, 2011 and December 31, 2010 to its Chief Executive Officer, Chief Financial Officer, and each of the individuals who at December 31, 2012 were the three most highly compensated executive officers of the Company having total compensation individually of more than Cdn\$150,000 (collectively, the “Named Executive Officers”) and includes former executive officers of the Company who would otherwise be considered Named Executive Officers but for the fact that such individuals were no longer executive officers of the Company as of December 31, 2012:

Name and Principal Position	Year	Salary (US\$) ⁽¹⁾	Share-based awards (US\$)	Option-based awards (US\$)	Non-equity incentive plan compensation		Pension Value (US\$)	All Other Compensation (US\$) ⁽⁸⁾	Total Compensation (US\$)
					Annual incentive plans (US\$)	Long-term incentive plans (US\$)			
Xin Song ⁽²⁾ Chief Executive Officer	2012	nil	nil	nil	nil	nil	nil	nil	nil
	2011	nil	nil	nil	nil	nil	nil	nil	nil
	2010	nil	nil	nil	nil	nil	nil	nil	nil
Derrick ⁽³⁾ Zhang Chief Financial Officer	2012	\$182,179 ⁽⁴⁾	nil	nil	nil	nil	nil	nil	\$182,179
	2011	\$119,634	nil	nil	nil	nil	nil	nil	\$119,634
	2010	\$95,607	nil	nil	nil	nil	nil	nil	\$95,607
Xiangdong Jiang Vice President Production	2012	\$180,922	nil	nil	nil	nil	nil	\$53,238	\$234,160
	2011	\$176,994	nil	nil	nil	nil	nil	\$50,010 ⁽⁹⁾	\$227,004
	2010	\$180,972 ⁽⁵⁾	nil	nil	nil	nil	nil	\$50,723 ⁽⁹⁾	\$231,695
Jerry Xie ⁽⁶⁾ Executive Vice President and Corporate Secretary	2012	\$180,922	nil	nil	nil	nil	nil	Nil	\$180,922
	2011	\$176,994	nil	nil	nil	nil	nil	nil	\$176,994
	2010	\$180,972 ⁽⁷⁾	nil	nil	nil	nil	nil	nil	\$180,972

Notes:

- (1) The Company pays each of the Named Executive Officers in Canadian currency. Notwithstanding this fact, the Company reports its financial results in U.S. currency, and is therefore required under applicable securities laws to disclose the above compensation information in U.S. currency. For the purpose of reporting the salary in the Compensation Table, the salary paid to each Named Executive Officer was converted from Canadian currency to U.S. currency at the Bank of Canada noon buying rate for the years ended December 31.

- (2) Xin Song was appointed as Chief Executive Officer on October 9, 2009. Xin Song does not receive any compensation from the Company for his role as Chief Executive Officer.
- (3) Derrick Zhang was appointed as interim Chief Financial Officer on February 28, 2011 and as Chief Financial Officer on August 10, 2011. Prior to this appointment, Derrick Zhang served as the Controller of the Company from January 4, 2010.
- (4) Derrick Zhang's salary was increased to Cdn\$140,000 per annum effective June 1, 2011 and to Cdn\$170,000 per annum effective August 14, 2011.
- (5) Xiangdong Jiang's salary was increased to Cdn\$180,000 per annum effective January 1, 2010.
- (6) Jerry Xie was appointed as Vice President and Secretary to the Board on March 24, 2009 and was promoted to Executive Vice President on October 9, 2009 and Corporate Secretary on March 11, 2010.
- (7) Jerry Xie's salary was increased to Cdn\$180,000 per annum effective January 1, 2010.
- (8) The value of perquisites for each Named Executive Officer did not exceed the lesser of C\$50,000 and 10% of the total salary of such Named Executive Officer for the years ended December 31, and are therefore not included in "All Other Compensation" as permitted under Canadian securities laws.
- (9) Consists of Chinese tax payments by the Company on behalf of the Named Executive Officer and converted from foreign currency to U.S. currency at the Bank of Canada noon buying rate for the years ended December 31.

Long-term Incentive Plan ("LTIP") Awards

The Company does not have a LTIP pursuant to which cash or non-cash compensation intended to serve as an incentive for performance (whereby performance is measured by reference to financial performance or the price of the Company's securities) was paid or distributed to any Named Executive Officers during the financial year ended December 31, 2012.

Defined Benefit and Pension Plans

The Company does not presently provide any defined benefit, pension plan or deferred compensation to its directors, executive officers or employees.

Outstanding share-based awards and option-based awards

The following table presents all outstanding share-based awards and option-based awards held by each of the Named Executive Officers of the Company as of December 31, 2012 and includes former executive officers of the Company who would otherwise be considered Named Executive Officers but for the fact that such individuals were no longer executive officers of the Company as of December 31, 2012:

Name	Option-based Awards					Share-based Awards		
	Date of Grant	Number of Securities Underlying Unexercised Options	Option Exercise Price (Cdn\$/Option) ⁽¹⁾	Option Expiration Date	Market Value of Unexercised in-the-Money Options (US\$) ⁽²⁾	Number of Shares or Units of Shares that have not Vested	Market or Payout Value of Share-based Awards that have not Vested (US\$)	Market or Payout Value of Vested Share-based Awards not paid out or distributed (US\$)
Xin Song	n/a	nil	nil	n/a	nil	nil	nil	nil
Derrick Zhang	n/a	nil	nil	n/a	nil	nil	nil	nil
George Law	n/a	nil	nil	n/a	nil	nil	nil	nil
Xiangdong Jiang	July 20, 2007	80,000	\$2.20	July 20, 2013	\$96,000	nil	nil	nil
Jerry Xie	n/a	nil	nil	n/a	nil	nil	nil	nil

Notes:

- (1) All stock options were granted in and are exercisable in Canadian dollars.
- (2) The "Value of Unexercised in-the-Money Options" is calculated on the basis of the difference between the closing price of Cdn\$3.41 of the Company's common shares on the Toronto Stock Exchange on December 31, 2012 and the exercise price of the stock options and is converted from Canadian currency to U.S. currency based on the Bank of Canada noon buying rate on December 31, 2012. Any actual gains will depend on value of our common shares on the date the options are exercised.

Incentive Plan Awards – value vested or earned during 2012

Name	Option-based Awards – Value Vested During the Year (US\$) ⁽¹⁾	Share-based Awards – Value Vested During the Year (US\$)	Non-Equity Incentive Plan Compensation – Value earned During the Year (US\$)
Xin Song	nil	nil	nil
Derrick Zhang	nil	nil	nil
George Law	nil	nil	nil
Xiangdong Jiang	\$17,997.68	nil	nil
Jerry Xie	nil	nil	nil

Note:

- (1) The value vested during the year represents the aggregate dollar value that would have been realized if a Named Executive Officer had exercised each of his options that vested in 2012 on the date of such vesting. The value vested during the year is converted from Canadian currency to U.S. currency based on the Bank of Canada noon buying rate at the date of vesting of each option. Any actual gains will depend on value of our common shares on the date the options are exercised.

Termination of Employment, Change in Responsibilities and Employment Contracts

The Company has employment contracts with each of its Named Executive Officers with the exception of Xin Song, who does not receive any compensation for acting as Chief Executive Officer. Under employment contracts with the Named Executive Officers, the Named Executive Officers may terminate their employment on notice to the Company. In the case of Derrick Zhang and Jerry Xie, one month's notice is required, and in the case of Xiangdong Jiang, three months' notice is required.

Under employment contracts with the Named Executive Officers, the Company may terminate Xiangdong Jiang's employment for cause, or without cause upon three months' notice or lump sum payment equivalent, and may terminate Derrick Zhang and Jerry Xie's employment for cause, or without cause upon one month's notice or lump sum payment equivalent. In the event of a change of control of the Company and if the employment contract of Xiangdong Jiang or Jerry Xie is terminated within twelve months of such change of control, Xiangdong Jiang and Jerry Xie will be entitled to a lump sum payment equivalent to 18 months' of their respective salaries and to a continuation of benefits during such period until alternate employment is commenced.

COMPENSATION OF DIRECTORS

Compensation of Directors Table

The Company paid the following compensation to its directors during the financial year ended December 31, 2012:

Name ⁽¹⁾	Fees Earned (US\$) ⁽²⁾⁽⁴⁾	Share-based awards (US\$)	Option-based awards (US\$)	Non-equity incentive plan compensation (US\$)	Pension value (US\$)	All other compensation (US\$)	Total (US\$)
Zhaoxue Sun	nil	nil	nil	nil	nil	nil	nil
Bing Liu	nil	nil	nil	nil	nil	nil	nil
Zhanming Wu	nil	nil	nil	nil	nil	\$115,626 ⁽³⁾	\$115,626
Ian He	\$18,175	nil	nil	nil	nil	nil	\$18,175
Yunfei Chen	\$12,012	nil	nil	nil	nil	nil	\$12,012
Gregory Hall	\$12,031	nil	nil	nil	nil	\$34,437 ⁽⁵⁾	\$46,468
John King Burns	\$12,005	nil	nil	nil	nil	nil	\$12,005

Notes:

- (1) Information for Xin Song and Xiangdong Jiang is included in the Summary Compensation Table for Named Executive Officers and is not reported in the Director Compensation section of this information circular.
- (2) The Company pays each of the directors in Canadian currency. Notwithstanding this fact, the Company reports its financial results in U.S. currency, and is therefore required under applicable securities laws to disclose the above compensation information in U.S. currency. For the purpose of reporting fees earned in the table above, the amount of fees paid or payable to each director was converted from Canadian currency to U.S. currency at the Bank of Canada noon buying rate on December 31, 2012.
- (3) The Company paid cash compensation of US\$115,626 to Zhanming Wu for his role as Vice President of Business Development pursuant to an employment agreement dated January 1, 2011.
- (4) The Company pays its independent directors a cash retainer of Cdn\$1,000 per month for acting as a director and for their roles on various committees of the Board. The Company pays the Chairman of its committees a cash retainer of Cdn\$1,500 per month. Except as set out in note 5 below, no other fixed compensation is paid to directors of the Company for acting as such, although the independent directors may be granted stock options from time to time. The directors are reimbursed for actual expenses reasonably incurred in connection with the performance of their duties as directors. The Company does not have service contracts with its directors.
- (5) The Company paid fee of US\$34,437 to Gregory Hall for services provided in his capacity as an independent director for geological advice on planning exploration programs and project generation activity.

Compensation of Directors - Outstanding share-based awards and option-based awards

The following table presents all outstanding share-based awards and option-based awards held by each of the directors of the Company as of December 31, 2012:

Name ⁽¹⁾	Option-based Awards					Share-based Awards		
	Date of Grant	Number of Securities Underlying Unexercised Options	Option Exercise Price (Cdn\$/Option) ⁽²⁾	Option Expiration Date	Market Value of Unexercised in-the-Money Options (US\$)	Number of Shares or Units of Shares that have not Vested	Market or Payout Value of Share-based Awards that have not Vested (US\$)	Market or Payout Value of Vested Share-based Awards not paid out or distributed (US\$)
Zhaoxue Sun	n/a	nil	nil	n/a	nil	nil	nil	nil
Bing Liu	n/a	nil	nil	n/a	nil	nil	nil	nil
Zhanming Wu	n/a	nil	nil	n/a	nil	nil	nil	nil
Ian He	June 1, 2010	100,000	\$4.35 ⁽³⁾ to \$6.09	June 1, 2015	--	nil	nil	nil
Yunfei Chen	June 1, 2010	100,000	\$4.35 ⁽³⁾ to \$6.09	June 1, 2015	--	nil	nil	nil
Gregory Hall	June 1, 2010	100,000	\$4.35 ⁽³⁾ to \$6.09	June 1, 2015	--	nil	nil	nil
John King Burns	June 1, 2010	100,000	\$4.35 ⁽³⁾ to \$6.09	June 1, 2015	--	nil	nil	nil

Notes:

- (1) Information for Xin Song and Xiangdong Jiang is included in the outstanding share-based awards and option-based awards table for Named Executive Officers and is not reported in the Director Compensation section of this information circular.
- (2) All stock options were granted in and are exercisable in Canadian dollars.
- (3) Consists of 100,000 stock options granted on June 1, 2010 and expiring on June 1, 2015 at an exercise price of Cdn\$4.35 from June 1, 2010 until June 1, 2011; Cdn\$4.78 from June 2, 2011 until June 1, 2012; Cdn\$5.21 from June 2, 2012 until June 1, 2013; Cdn\$5.64 from June 2, 2013 until June 1, 2014 and Cdn\$6.09 from June 2, 2014 until June 1, 2015 with 20% vesting immediately and an additional 20% vesting on June 2, 2011, June 2, 2012, June 2, 2013 and June 2, 2014, respectively.

Compensation of Directors - Incentive Plan Awards – value vested or earned during 2012

Name ⁽¹⁾	Option-based Awards – Value Vested During the Year (US\$) ⁽²⁾	Share-based Awards – Value Vested During the Year (US\$)	Non-Equity Incentive Plan Compensation – Value earned During the Year (US\$)
Zhaoxue Sun	nil	nil	nil
Xin Song	nil	nil	nil
Bing Liu	nil	nil	nil
Zhanming Wu	nil	nil	nil
Ian He	\$17,997.68	nil	nil
Yunfei Chen	nil	nil	nil
Gregory Hall	nil	nil	nil
John King Burns	nil	nil	nil

Notes:

- (1) Information for Xiangdong Jiang is included in the Incentive Plan Awards table for Named Executive Officers and is not reported in the Director Compensation section of this Information Circular.
- (2) The value vested during the year represents the aggregate dollar value that would have been realized if a Director had exercised each of his options that vested in 2012 on the date of such vesting. The value vested during the year is converted from Canadian currency to U.S. currency based on the Bank of Canada noon buying rate at the date of vesting of each option.

Composition of the Compensation and Benefits Committee

During the year ended December 31, 2012, the Compensation and Benefits Committee was comprised of Ian He, Yunfei Chen, Gregory Hall and John King Burns. Ian He serves as Chairman of the Compensation and Benefits Committee. The members of the Compensation and Benefits Committee are all independent non-executive directors and each member has had previous experience working with the compensation practices and policies of other listed issuers in addition to their work on the Company's Compensation and Benefits Committee. For information regarding the responsibilities, powers and operation of the Compensation and Benefits Committee, see "Schedule A – Corporate Governance Disclosure – Compensation."

None of the Company's executive officers serve as a member of the Compensation and Benefits Committee or the board of directors of any entity that has an executive officer serving as a member of the Compensation and Benefits Committee or board of directors of the Company.

Compensation Discussion and Analysis

Compensation Committee and Compensation Philosophy

The Company's executive compensation program is administered by the Compensation and Benefits Committee. Following review and approval by the Compensation and Benefits Committee, decisions relating to executive compensation are reported to and approved by the full board of directors.

The basic philosophy underlying the Company's executive compensation program is that the interests of the Company's executive officers should be aligned as closely as possible with the interests of the Company and its Shareholders as a whole. The Company has its operations in China and the Company's principal shareholder China National Gold is a Chinese state owned enterprise. The Company attempts to bridge its compensation practices with the norms for listed issuers in North America and the norms for Chinese state owned enterprises. At the same time, the Company recognizes that competition in the mining industry for highly skilled employees is intense and that the levels of compensation offered by the Company

must be comparable to those offered by its competitors in order to attract, retain and motivate executive personnel of the highest caliber.

The Compensation and Benefits Committee assesses the individual performance of the Company's executive officers and makes recommendations to the board of directors. Based on these recommendations, the board of directors makes decisions concerning the nature and scope of compensation to be paid to the Company's executive officers.

Compensation for the Company's senior executive officers has been traditionally determined with regard to the following considerations in approximately equal level of importance:

- (a) the desirability of providing a strong incentive to management to work as a team to achieve the Company's corporate long term and short term business development goals;
- (b) the principle that the economic interests of management and those of the Shareholders should be aligned as closely as reasonably possible;
- (c) the competitive environment that exists in the mining industry for the recruitment and retention of qualified personnel and the resulting need to offer levels of executive compensation that are comparable to those offered by the Company's competitors; and
- (d) the present stage of development of the Company's business.

The criteria upon which these recommendations are based has, in the earlier stages of the Company's development, tended to be subjective and has reflected the Company's views as to the nature and value of the contributions made by its executive officers to the achievement of the Company's corporate plans and objectives.

The Company's compensation decisions have been largely subjective, based on the Company's compensation philosophy and in particular focusing on retention and available resources.

How the Company makes Compensation Decisions

The Compensation and Benefits Committee reviews levels of cash compensation on an ad hoc basis, and at least annually, and makes recommendations to the board of directors to adjust cash compensation in light of individual and Company performance, improvements in job proficiency, retention risks, succession requirements and compensation changes in the market. The Compensation and Benefits Committee also reviews the corporate goals and objectives relevant to the compensation of the senior executive officers as needed and at least annually based on recommendations from the Chief Executive Officer and other members of the management team. The board of directors maintains discretionary authority over all compensation awards.

The Compensation and Benefits Committee makes its determinations as to overall compensation levels on the basis of both available third party data regarding comparable compensation at similar size companies as well as their own industry experience, hiring and retention needs and other subjective factors. The Compensation and Benefits Committee has not formalized a peer comparator group for purposes of making compensation decisions although the Company's compensation practices compare favorably with other Toronto Stock Exchange listed issuers with producing and expanding mines. Compensation decisions are not currently made on the basis of the achievement of pre-determined objective benchmarks or goals for the various management positions.

Elements of Total Compensation

The compensation that the Company's Named Executive Officers receive generally consists of base salary and performance bonuses. Base salary comprises the largest component of each Named Executive

Officer's compensation. The following summarizes the primary purpose of each element of compensation and its emphasis within overall compensation for the Named Executive Officers:

- (a) Base salary – paid in cash and is a fixed amount of compensation for performing day-to-day responsibilities; and
- (b) Performance bonuses – bonus awards, paid in cash, earned for achieving short-term goals and other objectives based on the corporate, business unit and individual performance.

In making compensation decisions in respect of these reward categories, the Compensation and Benefits Committee considers the cumulative compensation granted to executives as well as internal comparisons amongst executives.

Given the Company's stage of development and its transitional stage of growth, the trend in the overall compensation paid to the Company's executive officers over the past five years has not been designed to track the performance of the market price of the Company's common shares, or the S&P/TSX Composite Index.

Salary Compensation

Salaries are reviewed upon hiring decisions and then again at least annually. Salary adjustments for the following year are considered based on a variety of factors, including the individual's performance and contributions, improvements in job proficiency, retention risks, succession requirements and compensation changes in the market and available cash resources.

Upon assuming the role of Chief Executive Officer of the Company, Xin Song has elected not to receive any compensation, salary or otherwise, from the Company for carrying out the duties of such role.

Bonus Compensation

Executive officers of the Company are eligible for annual incentive compensation in the form of a bonus in cash. Annual incentive awards are based on an assessment of performance of a combination of company, business unit and individual performance, as well as a consideration of overall compensation targets and market changes. To date, the Company has not implemented a formalized approach to bonuses, although as the Company experiences further growth, it intends to assess quantitative and qualitative economic measurement criteria and to develop a more objective approach to determining annual bonuses.

For the 2012 financial year, the Company did not award any annual incentive bonuses to any Named Executive Officers.

Other Compensation

The Company does not maintain a current stock option plan for its Named Executive Officers; however, certain stock options remain outstanding under the Company's prior equity incentive plan. For more information, see "Securities Authorized for Issuance under Equity Compensation Plans".

The Company does not maintain a pension plan or other long-term compensation plan for its Named Executive Officers.

For the 2012 financial year, the Company did not provide any other material compensation for its Named Executive Officers beyond the salaries disclosed above.

Compensation Governance

On April 2, 2012 the Compensation and Benefits Committee engaged Towers Watson of 29/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong, China as an independent compensation advisor to provide a report on the prevalence of equity incentive plans among listed issuers which are owned in whole or in part by a Chinese state owned enterprise. The aggregate fees billed by the compensation advisor were US\$11,500. The Compensation and Benefits Committee must approve all services provided by the compensation advisor to the Company. For each of the two most recently completed financial years ended December 31, 2012 and December 31, 2011 no fees were billed by any consultant or advisor for services related to determining compensation for any of the Company's directors and executive officers.

Future Compensation Program

The Company does not expect to change its compensation program in any significant way for the 2013 year.

Compensation Risk Management

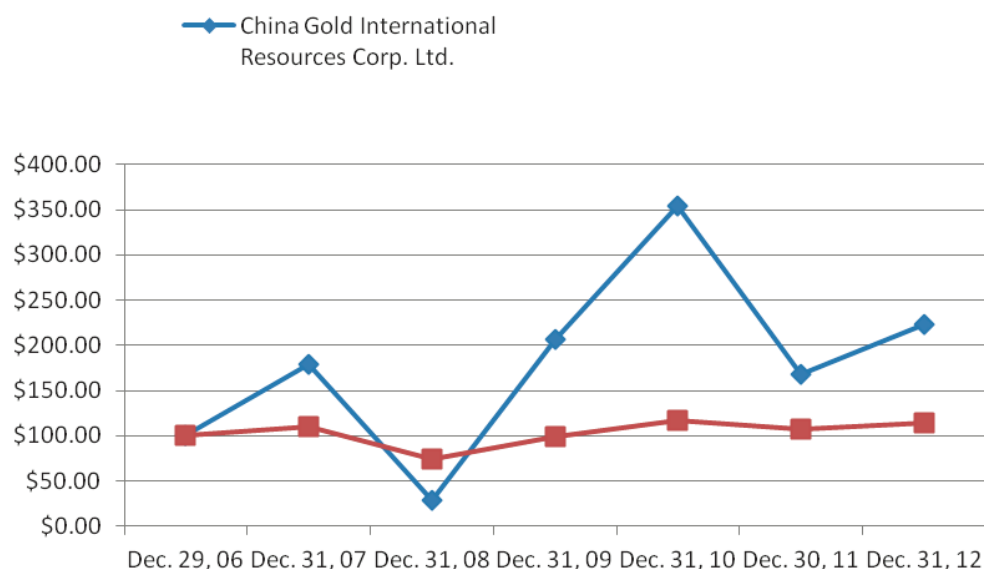
The board has considered the implications of the risks associated with the Company's compensation policies and practices. The board has ultimate oversight of the risks associated with the Company's compensation policies and practices, and carefully reviews the risks associated with the Company's compensation structure. The Company's current compensation structure consists of cash compensation in the form of salary and bonus compensation. The Company does not currently maintain an equity incentive plan nor does it maintain a long term incentive plan. The Company will adopt a more formalized approach to compensation risk management as its compensation practices evolve. The Company uses the following practices to identify and mitigate compensation policies and practices that could encourage an individual to take inappropriate or excessive risks: (i) the Compensation and Benefits Committee completes an annual review of all forms of compensation provided to the Named Executive Officers, directors and top paid employees; (ii) the board completes an annual review of the Company's compensation philosophy and components and (iii) independent advisors are engaged from time to time at the recommendation of the Compensation and Benefits Committee. There are no identified risks arising from the Company's compensation policies and practices that are reasonably likely to have a material adverse effect on the Company.

Financial Instruments

The Company does not have a written policy which restricts its executive officers and directors from purchasing financial instruments that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the executive officers or directors.

Performance Graph

The following graph and table compares the cumulative total shareholder return on a Cdn\$100 investment in common shares of the Company on December 31, 2008 against the cumulative total shareholder return of the S&P/TSX Composite Index for the five most recently completed financial periods of the Company, assuming the reinvestment of all dividends. For a discussion of the relationship between compensation paid to executive officers and shareholder returns, see “Compensation Discussion and Analysis – Elements of Total Compensation”.



	Cdn\$				
	Dec. 2008	Dec. 2009	Dec. 2010	Dec. 2011	Dec. 2012
China Gold International Resources Corp. Ltd. ⁽¹⁾	28.76	207.19	354.90	167.32	222.88
S&P/TSX Composite Index	73.58	99.38	116.87	106.69	114.46

Note:

- (1) The common shares of the Company began trading on the TSX Venture Exchange (formerly the Canadian Venture Exchange) on May 30, 2001. In 2006, the Company graduated to the Toronto Stock Exchange and the common shares of the Company began trading on the Toronto Stock Exchange on October 6, 2006.

The trend in overall compensation paid to the Company’s executive officers over the past five years has not tracked the performance of the market price of the Company’s common shares or the S&P/TSX Composite Index.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Equity Compensation Plan Information

The following table sets out information on the Company's prior equity compensation plan under which common shares were authorized for issuance as at December 31, 2012:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders	540,000 ⁽¹⁾	Cdn\$4.62	nil
Equity compensation plans not approved by securityholders	nil	nil	nil
Total	540,000		nil

Note:

- (1) Consists of stock options granted pursuant to a prior equity incentive plan approved by the Shareholders on May 9, 2007.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the Company's directors or executive officers, proposed nominees for election as directors, or associates of any of them, is or has been indebted to the Company or its subsidiaries, or to another entity where such indebtedness is or has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries at any time since the beginning of the most recently completed financial year, and none of the foregoing persons, nor any current or former employees or former directors and executive officers, are indebted to the Company or any of its subsidiaries as at the date of this information circular, other than routine indebtedness.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as disclosed herein, no informed person of the Company, no proposed nominee for election as a director of the Company, and no associate or affiliate of any of these persons has any material interest, direct or indirect, in any transaction since the commencement of the Company's last financial year or in any proposed transaction which, in either case, has materially affected or will materially affect the Company or any of its subsidiaries.

An "informed person" means:

- (a) a director or executive officer of the Company;
- (b) a director or executive officer of a person or company that is itself an informed person or subsidiary of the Company;
- (c) any person or company who beneficially owns, or controls or directs, directly or indirectly, voting securities of the Company or a combination of both carrying more than 10 percent of the voting rights attached to all outstanding voting securities of the Company, other than voting securities held by an underwriter as such in the course of a distribution; and

(d) the Company if it has acquired any of its securities, for so long as it holds any of its securities.

COMPETING INTERESTS

As of the Latest Practicable Date, other than the directorships and management roles of the proposed directors of the Company in other gold and other mineral mining companies as disclosed in “Schedule A – Corporate Governance Disclosure – Board of Directors”, none of the proposed directors of the Company or their associates was considered by the Company to have interests in businesses which compete with, or might compete with, either directly or indirectly, the businesses of the Group, other than those businesses where such proposed directors had been appointed to represent the interests of the Company and/or other members of the Group.

DIRECTORS’ INTEREST IN THE GROUP’S ASSETS

As of the Latest Practicable Date, none of the Directors had any interests, either directly or indirectly, in any assets which had been, since December 31, 2012 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of or leased to any member of the Group, or were proposed to be acquired or disposed of or leased to any member of the Group.

OTHER ARRANGEMENTS INVOLVING DIRECTORS

As of the Latest Practicable Date, other than as previously disclosed, there was no contract or arrangement subsisting at the date of this information circular in which any of the Directors was materially interested and which was significant in relation to the business of the Group.

MATERIAL ADVERSE CHANGE

On March 29, 2013 a landslide occurred in Ze Ri Mountain, Pu Lang Valley, Si Bu Village, Zha Xi Gang Town, Mozhugongka County, Lhasa City, Tibet Autonomous Region of the People's Republic of China approximately 10 km from the Company's Jiama Mine. An estimated two million cubic meters of rock and debris covered an area measuring about three kilometers in length. Although there was no substantial impact and no damage to the Jiama Mine's production facilities, 83 employees from external contractors of the Company were buried in the natural disaster. Operations are ongoing at the Jiama Mine and the Company continues to review the impact of the natural disaster on the Company's operations.

Other than as disclosed above, as of the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since December 31, 2012 (being the date to which the latest published audited financial statements of the Group were made).

LITIGATION

As of the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and, so far as the Directors were aware, no litigation or claim of material importance was pending or threatened by or against any member of the Group.

SERVICE CONTRACTS

As of the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with the Company or any of its subsidiaries (excluding contracts expiring or determinable by the employer within one year without payment of compensation, other than statutory compensation).

DISCLOSURE OF INTERESTS

Other than as disclosed below, the Directors and chief executive of the Company are not aware of any other person who, as of the Latest Practicable Date, had an interest or short position in the Shares,

convertible securities, warrants, options or derivatives of the Company, the underlying shares of the Company which would fail to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name	Nature of interest	Number of Shares held	Approximate percentage of outstanding Shares
China National Gold Group Corporation ⁽¹⁾	Indirect	155,794,830 ⁽¹⁾	39.3%
China National Gold Group Hong Kong Limited	Registered Owner	155,794,830	39.3%

Note:

1. China National Gold Group Corporation directly and wholly owns China National Gold Group Hong Kong Limited therefore the interest attributable to China National Gold Group Corporation represents its indirect interest in the Shares through its equity interest in China National Gold Group Hong Kong Limited.

OTHER DISCLOSURE

Save as disclosed herein, each of the proposed directors and the chief executive of the Company does not have any other interest or short position in the Shares, convertibles securities, warrants, options or derivatives, underlying shares and debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO in Hong Kong, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (Appendix 10 to the Hong Kong Listing Rules) to be notified to the Company and the Hong Kong Stock Exchange.

Save as disclosed herein, each of the proposed directors does not hold any other position with the Company or its subsidiaries, nor has any other directorships in other listed public companies and no director has any other relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company (as defined in the Hong Kong Listing Rules). For information regarding the other public company directorships of the proposed directors, see "Schedule A – Corporate Governance Disclosure – Board of Directors." For information regarding the relationship between certain proposed directors and China National Gold see "Schedule A – Corporate Governance Disclosure – Board of Directors."

Save as disclosed herein, there is no information for each of the proposed directors of the Company which is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Hong Kong Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders.

APPOINTMENT OF AUDITORS

Deloitte Touche Tohmatsu will be nominated at the Meeting for re-appointment as auditors of the Company to hold office until the next annual general meeting of Shareholders with their remuneration to be fixed by the board of directors. Deloitte Touche Tohmatsu were first appointed as auditors of the Company on April 1, 2010.

MANAGEMENT CONTRACTS

The management functions of the Company and its subsidiaries are not performed by a person or persons other than the directors or executive officers of the Company.

EXPERT

The following is the qualification of the expert who has given its opinion or advice which is contained in this information circular:

<u>Name</u>	<u>Qualification</u>
TC Capital Asia Limited	Independent financial adviser and a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulatory activities under the SFO.

As of the Latest Practicable Date, TC Capital had no shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As of the Latest Practicable Date, TC Capital had no direct or indirect interest in any assets which had been, since December 31, 2012 (the date to which the latest published audited financial statements of the Company were made), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group.

TC Capital has given and has not withdrawn its written consent to the issue of this information circular with the inclusion of its letter and the reference to its name included herein in the form and context in which it appears.

PARTICULARS OF MATTERS TO BE ACTED UPON

In addition to the election of the directors and other matters disclosed elsewhere in this information circular, the board of directors is proposing that the Shareholders consider and vote upon the following matters at the Meeting:

Share Repurchase Mandate

The existing general mandate to repurchase common shares of the Company granted to the Board at the annual general meeting held on June 18, 2012 will expire upon the conclusion of this Meeting.

An ordinary resolution will be proposed at the Meeting to seek the approval of the Shareholders to grant a general and unconditional mandate to the board of directors of the Company to repurchase Shares up to a maximum of 10% of the aggregate issued and outstanding share capital of the Company as at the date of the passing of the ordinary resolution set out as resolution B below (the "Share Repurchase Mandate"). If the resolution is passed, in the event that the Share Repurchase Mandate is exercised in full (on the basis of 396,358,753 Shares outstanding as of the Latest Practicable Date), up to 39,635,875 Shares may be repurchased by the Company as a result during the Relevant Period (as defined below).

An explanatory statement as required by the Hong Kong Listing Rules, providing the requisite information regarding the grant of the Share Repurchase Mandate is set out in Schedule B to this information circular.

Share Issue Mandate

The existing general mandate to allot, issue or otherwise deal with new Shares granted to the Board at the annual general meeting held on June 18, 2012 will expire upon the conclusion of this Meeting.

An ordinary resolution will be proposed at the Meeting to seek the approval of the Shareholders to grant a general and unconditional mandate to the board of directors of the Company to allot, issue and otherwise deal with additional Shares up to a maximum of 20% of the aggregate issued and outstanding share capital as at the date of passing of the ordinary resolution set out as resolution A below (the "Share Issue Mandate"), in order to increase the flexibility for the Company to raise new capital as and when the board of directors consider appropriate. If the resolution is passed, in the event that the Share Issue Mandate is exercised in full (on the basis of 396,358,753 Shares outstanding as of the Latest Practicable Date), up to 79,271,750 new Shares may be allotted, issued and dealt with by the Company during the Relevant Period (as defined below).

Additional Share Allotment Mandate

In addition, if the Share Repurchase Mandate is granted, an ordinary resolution will be proposed at the Meeting providing that any Shares repurchased under the Share Repurchase Mandate will be added to the total number of Shares which may be allotted and issued under the Share Issue Mandate (the "Additional Share Allotment Mandate").

Accordingly, at the Meeting, the Shareholders will be asked to consider and if thought fit, pass with or without amendments, the following as an ordinary resolution:

RESOLVED, as an ordinary resolution:

A. "THAT:

- (a) subject to paragraph (c) of this resolution, the exercise by the board of directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and otherwise deal with additional Shares in the share capital of the Company or securities convertible into such Shares or options, warrants, or similar rights to subscribe for any such Shares or such convertible securities and to make or grant offers, agreements and options which would or might require the exercise of such powers, subject to and in accordance with all applicable laws be and is hereby generally and unconditionally approved;
- (b) the approval of paragraph (a) of this resolution shall authorize the board of directors of the Company during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such powers at any time during or after the end of the Relevant Period;
- (c) the aggregate nominal amount of the share capital of the Company which may be allotted or conditionally or unconditionally agreed to be allotted (whether pursuant to an option or otherwise), issued or otherwise dealt with by the board of directors of the Company pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined) or (ii) the exercise of the subscription or conversion rights attaching to any securities or warrants which may be issued by the Company or any securities which are convertible into common shares of the Company from time to time or (iii) the exercise of options granted under the stock option plan of the Company or similar arrangement from the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of common shares or rights to acquire common shares of the Company or (iv) any issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of the Company in force from

time to time, shall not exceed 20% of the aggregate issued and outstanding share capital of the Company as at the date of the passing of this resolution and the said approval shall be limited accordingly; and

(d) for the purpose of this resolution:

“Relevant Period” means the period from the time of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Articles of the Company to be held; and
- (iii) the time of the passing of an ordinary resolution of the Company in a general meeting revoking or varying the authority set out in this resolution; and

“Rights Issue” means an offer of Shares open for a period fixed by the Board to holders of Shares whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusions or other arrangements as the board of directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory applicable to the Company).”

B. “THAT:

(a) subject to paragraph (b) of this resolution, the exercise by the board of directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase securities of the Company on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”), the Toronto Stock Exchange, or on any other stock exchange on which the securities of the Company may be listed and which is recognized by the Securities and Futures Commission of Hong Kong and the Hong Kong Stock Exchange for this purpose (the “Recognized Stock Exchange”), subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange or on the Toronto Stock Exchange or any other Recognized Stock Exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of the Shares authorized to be repurchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10% of the aggregate issued and outstanding share capital of the Company as at the date of the passing of this resolution and the said approval shall be limited accordingly; and

(c) for the purpose of this resolution:

“Relevant Period” means the period from the time of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the

Company is required by any applicable laws or the Articles of the Company to be held; and

- (iii) the time of the passing of an ordinary resolution of the Company in a general meeting revoking or varying the authority set out in this resolution.”

C. “**THAT** conditional upon the resolutions set out in paragraphs A and B above, the general mandate granted to the board of directors of the Company and for the time being in force to exercise the powers of the Company to allot, issue and otherwise deal with additional Shares in the share capital of the Company pursuant to the resolution set out in paragraph A above be and is hereby extended by the addition of an amount representing the aggregate issued and outstanding share capital of the Company repurchased by the Company under the authority granted pursuant to the resolution set out in paragraph B above, provided that such extended amount shall not exceed 10% of the aggregate issued and outstanding share capital of the Company as at the date of passing of this resolution.”

The Proposed Matters

Revisions to Existing Continuing Connected Transactions

Having considered the current development and expansion plan at the Jiama Mine and work schedule for mining development services under the Jiama Framework Agreement, the Board anticipates that the relevant amounts payable for services rendered under the Jiama Framework Agreement will exceed the existing annual caps for the two years ending December 31, 2013 and 2014. Therefore, the Board proposes to revise such annual caps and proposes an annual cap for the year ending December 31, 2015. The Company and China National Gold entered into the Supplemental Jiama Framework Agreement dated April 26, 2013, pursuant to which the expiry date of the Jiama Framework Agreement will be extended to December 31, 2015. Except for the extension of the expiry date and the Proposed Annual Caps, no material changes have been made to the terms and conditions under the Jiama Framework Agreement.

On April 26, 2013, Inner Mongolia Pacific entered into the Supplemental Contract for Purchase and Sale of Dore with China National Gold to revise the original payment terms of the Contract for Purchase and Sale of Dore, pursuant to which Inner Mongolia Pacific will deliver to China National Gold an invoice for the resulting settlement weight, and China National Gold will have 30 calendar days to effect payment. Except for such revision, no material changes have been made to the terms and conditions under the Contract for Purchase and Sale of Dore.

New Continuing Connected Transactions

The Company and China National Gold entered into the Product and Service Framework Agreement dated April 26, 2013, pursuant to which China National Gold will provide mining related services, which are not covered under the Jiama Framework Agreement, to the Company, including (i) stripping and related services, (ii) mining research, development and design and related services, (iii) environmental, safety and occupational health management, (iv) tendering agency service, (v) office lease, and (vi) auxiliary equipment, in order to facilitate the Group's operations in the PRC.

Huatailong and CNGG entered into the Contract for Purchase and Sale of Copper Concentrate dated April 26, 2013, for the purpose of governing the sale and purchase of copper sulphide concentrates produced at the Jiama Mine from time to time from July 1, 2013 until December 31, 2014.

Implications under the Hong Kong Listing Rules

China National Gold is the controlling shareholder of the Company. The Company, Inner Mongolia Pacific, Huatailong and CNGG are ultimately controlled by China National Gold. As such, China National Gold and CNGG are connected persons of the Company under Chapter 14A of the Hong Kong Listing Rules. The transactions contemplated under the Continuing Connected Transaction Contracts are aggregated pursuant to Rule 14A.25 of the Hong Kong Listing Rules on the basis that such transactions have been entered into by the Group with China National Gold or CNGG (where applicable) which are connected or otherwise associated with one another. As one or more of the relevant percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules), when calculated on aggregated basis, for the transactions contemplated under the Continuing Connected Transaction Contracts exceed 5%, such transactions constitute non-exempt continuing connected transactions of the Company, which are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

In addition, as (1) the extension of the expiry date as contemplated under the Supplemental Jiama Framework Agreement and the Proposed Annual Caps, and (2) the Proposed Amendment as contemplated under the Supplemental Contract for Purchase and Sale of Dore constitute material changes to the terms of the Jiama Framework Agreement and the Contract for Purchase and Sale of Dore, respectively. Pursuant to Rule 14A.36(2) of the Hong Kong Listing Rules, the Company is required to re-comply with the reporting, announcement and Independent Shareholders' approval requirements under the Hong Kong Listing Rules.

China National Gold indirectly holds approximately 39.3% of the outstanding voting shares of the Company and Zhaoxue Sun, Xin Song, Bing Liu and Zhanming Wu are considered to have a conflict of interest in the transactions contemplated under the Continuing Connected Transaction Contracts due to their senior management positions in China National Gold. They had abstained from voting on the Board resolutions on April 26, 2013, in relation to, among other things, the Continuing Connected Transaction Contracts and the transactions contemplated thereunder, the Proposed Annual Caps and the respective annual monetary caps for the Product and Service Framework Agreement and the Contract for Purchase and Sale of Copper Concentrate.

A letter from the Independent Board Committee established to advise the Independent Shareholders on the Proposed Matters is set out in Schedule E to this information circular. The Independent Board Committee, having taken into account the advice of TC Capital Asia Limited, considers that (i) the terms of the Continuing Connected Transaction Contracts (including the Proposed Annual Caps and the respective annual monetary caps for the Product and Service Framework Agreement and the Contract for Purchase and Sale of Copper Concentrate) are fair and reasonable; (ii) the transactions contemplated thereunder will be conducted on normal commercial terms in the ordinary and usual course of business of the Group; and (iii) such transactions are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions in respect of the Proposed Matters at the Meeting.

Ordinary Resolutions

The Independent Shareholders will be asked to consider and, if thought fit, pass the following:

“RESOLVED, as an ordinary resolution that:

1. the Supplemental Jiama Framework Agreement and the transactions contemplated thereunder, as more particularly described in this information circular, are hereby approved;

2. the Proposed Annual Caps for the transactions contemplated under the Supplemental Jiama Framework Agreement, as more particularly described in this information circular, are hereby approved;
3. the Supplemental Contract for Purchase and Sale of Dore and the transactions contemplated thereunder, as more particularly described in this information circular, are hereby approved;
4. the Product and Service Framework Agreement and the transactions contemplated thereunder, as more particularly described in this information circular, are hereby approved;
5. the annual monetary caps for the transactions contemplated under the Product and Service Framework Agreement for the three years ending December 31, 2013, 2014, and 2015, as more particularly described in this information circular, are hereby approved;
6. the Contract for Purchase and Sale of Copper Concentrate and the transactions contemplated thereunder, as more particularly described in this information circular, is hereby approved;
7. the annual monetary caps for the transactions contemplated under the Contract for Purchase and Sale of Copper Concentrate for the two years ending December 31, 2013 and 2014, as more particularly described in this information circular, are hereby approved; and
8. to authorize any one director of the Company to do such further acts and things and to execute or cause to be executed, and to deliver or cause to be delivered, such other documents and instruments, and to take all such steps which in the opinion of such director of the Company do or cause to be done all such other acts and things, necessary or desirable to implement and/or carry out and/or give effect to the terms of the foregoing resolutions.”

OTHER BUSINESS

Management of the Company is not aware of any additional matters to come before the Meeting other than the matters referred to in the notice of the Meeting.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours up to and including June 14, 2013 Vancouver time and at 8/F., Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong and at the Company's office, One Bentall Centre, Suite 1030, 505 Burrard Street, Box 31, Vancouver, British Columbia, Canada V7X 1M5:

1. the letter from the Independent Board Committee, the text of which is set out in Schedule E to this information circular;
2. the letter from TC Capital Asia Limited, the text of which is set out in Schedule F to this information circular;
3. the written consent of TC Capital Asia Limited;
4. the Supplemental Jiama Framework Agreement;
5. the Supplemental Contract for Sale and Purchase of Dore;

6. the Product and Service Framework Agreement;
7. the Contract for Purchase and Sale of Copper Concentrate;
8. the written resolutions of the Board dated April 26, 2013 approving, among other things, the Continuing Connected Transaction Contracts and the transactions contemplated thereunder, the Proposed Annual Caps and the respective annual monetary caps for the Product and Service Framework Agreement and the Contract for Purchase and Sale of Copper Concentrate; and
9. an announcement of the Company dated April 26, 2013 in respect of the Proposed Matters.

ADDITIONAL INFORMATION

Additional information about the Company is located on SEDAR at www.sedar.com. Financial information is provided in the Company's comparative annual financial statements and Management's Discussion and Analysis for the most recently completed financial year ended December 31, 2012. Shareholders may contact the Company to request copies of the annual financial statements and Management's Discussion and Analysis by writing to the Company's Executive Vice President and Corporate Secretary, Jerry Xie at the following address:

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.
One Bentall Centre
Suite 1030, 505 Burrard Street, Box 31
Vancouver, British Columbia V7X 1M5

DIRECTORS' APPROVAL

The contents of this information circular and its distribution to Shareholders have been approved by the Board.

The Board considers that the ordinary resolutions to set the number of directors of the Company at nine (9), to elect each of the nominated directors, to appoint Deloitte Touche Tomatsu as auditors of the Company for the ensuing year with their remuneration to be fixed by the Board, to approve the Share Issue Mandate, to approve the Share Repurchase Mandate, to approve the Additional Share Allotment Mandate, and to approve the Proposed Matters are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Board recommends all Shareholders to vote in favor of the relevant resolutions at the Meeting.

RESPONSIBILITY STATEMENT

This information circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this information circular is accurate and complete in all material respects and is not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

DATED at Vancouver, British Columbia, this 21st day of May, 2013.

**BY ORDER OF THE BOARD OF DIRECTORS
OF CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.**

Jerry Xie
Executive Vice President and Corporate Secretary

As of the date of this information circular the executive directors are Zhaoxue Sun, Xin Song, Zhanming Wu and Xiangdong Jiang, the non-executive director is Bing Liu and the independent non-executive directors are Ian He, Yunfei Chen, Gregory Hall and John King Burns.

SCHEDULE A
FORM 58-101F1
CORPORATE GOVERNANCE DISCLOSURE

1. Board of Directors

- (a) Disclose the identity of directors who are independent.

The Board has reviewed the independence of each director on the basis of the definitions in section 1.4 of National Instrument 52-110 (“NI 52-110”), as amended. A director is “independent” if he or she has no direct or indirect material relationship with the Company. A “material relationship” is one that would, or in the view of the Board could, be reasonably expected to interfere with the exercise of a director’s independent judgment. The Board has determined, after reviewing the roles and relationships of each of the directors that, at the date of this Information Circular, four of the nine nominees as members of the Board are “independent” for the purposes of NI 52-110. The Company has determined that Ian He, Yunfei Chen, Gregory Hall and John King Burns are independent non-executive directors and have no material connection to the Company, other than as directors.

- (b) Disclose the identity of directors who are not independent, and describe the basis for that determination.

The Board has determined that Zhaoxue Sun, Xin Song, Bing Liu, Zhanming Wu and Xiangdong Jiang are not independent of the Company. Zhaoxue Sun is not considered independent of the Company because of his role as an officer of China National Gold, the Company’s controlling shareholder and his role as a former senior officer of the Company within the previous three years. Xin Song and Zhanming Wu are not considered independent of the Company because of their roles as officers of China National Gold and as senior officers of the Company. Bing Liu is not considered independent of the Company because of his role as an officer of China National Gold. Xiangdong Jiang is not considered independent of the Company because of his role as a senior officer of the Company.

- (c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the Board does to facilitate its exercise of independent judgment in carrying out its responsibilities.

The Board has determined that four of its nine directors are independent. The Board believes that its current size and composition results in balanced representation among management and non-management directors and enables the independent non-executive directors to adequately facilitate the exercise of independent supervision over management. The Company’s Nominating and Corporate Governance Committee is composed entirely of independent non-executive directors and monitors the disclosure of conflicts of interest by the directors and ensures that no director votes on a matter in respect of which he has a material interest. The Company’s Nominating and Corporate Governance Committee will continue to examine the size and composition of the Board and recommend adjustments from time to time to ensure that the Board continues to be of a size that facilitates effective decision-making.

- (d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.

<u>Name of Director</u>	<u>Other reporting issuer (or equivalent in a foreign jurisdiction)</u>
Zhaoxue Sun	Zhongjin Gold Co., Ltd. (Shanghai Stock Exchange)
Xin Song	Zhongjin Gold Co., Ltd. (Shanghai Stock Exchange)

<u>Name of Director</u>	<u>Other reporting issuer (or equivalent in a foreign jurisdiction)</u>
Bing Liu	Zhongjin Gold Co., Ltd. (Shanghai Stock Exchange)
Zhanming Wu	---
Ian He	Tri-River Ventures Inc. (TSX Venture Exchange) Jiulian Resources Inc. (TSX Venture Exchange) Zhongrun Resources Investment Corporation (Shenzhen Stock Exchange) Huaxing Machinery Corp. (TSX Venture Exchange)
Yunfei Chen⁽¹⁾	---
Gregory Hall⁽²⁾	Laurentian Goldfields Ltd. (TSX Venture Exchange) Colossus Minerals Inc. (Toronto Stock Exchange) Montero Mining and Exploration Limited (TSX Venture Exchange) Zeus Uranium Ltd. (Australian Securities Exchange)
John King Burns⁽³⁾	Simba Energy Inc. (TSX Venture Exchange) Dolly Varden Silver Corporation (TSX Venture Exchange) Corazon Gold Corp. (TSX Venture Exchange) Titan Goldworx Resources Inc. (CNSX)
Xiangdong Jiang	---

Notes:

- (1) Yunfei Chen was a former director of Asia Coal Limited (Hong Kong Stock Exchange) in the previous three years.
 - (2) Gregory Hall was a former director of Triton Gold Limited (Australian Securities Exchange) in the previous three years.
 - (3) John King Burns was former director of NovaDx Ventures Corp. (TSX Venture Exchange) in the previous three years.
- (e) Disclose whether or not the independent non-executive directors hold regularly scheduled meetings at which members of management are not in attendance. If the independent non-executive directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent non-executive directors do not hold such meetings, describe what the Board does to facilitate open and candid discussion among its independent non-executive directors.

Although the independent non-executive directors do not hold regularly scheduled meetings, they may meet without management being present at the request of any director. The independent non-executive directors held three (3) meetings in 2012. In addition, each of the Board committees is composed entirely of independent non-executive directors and the independent non-executive directors and Board committee members attended four (4) meetings of the Audit Committee, one (1) meeting of the Nominating and Corporate Governance Committee, one (1) meeting of the Compensation and Benefits Committee and two (2) meeting of the Health, Safety and Environmental Committee in 2012. Since the end of the most recently completed financial year the independent non-executive directors have held an in-camera session at each Board meeting during which session non-independent directors and members of management do not attend.

The Chairman of the Audit Committee acts as the de facto lead independent non-executive director and facilitates and chairs discussions among the Company's independent directors and facilitates communication between the independent directors and the Company's management. The de facto lead independent director considers any comments or requests made by an independent director or during an in-camera session of the independent directors and determines the most appropriate action or response which may include a request for additional information or action by the Chief Executive Officer or other members of the Company's management, seeking independent legal or other advice, or any other action that the de facto lead independent director deems appropriate or advisable under the circumstances to address the comments or requests raised.

- (f) Disclose whether or not the chair of the Board is an independent non-executive director. If the Board has a chair or lead director who is an independent non-executive director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the Board has neither a chair that is independent nor a lead director that is independent, describe what the Board does to provide leadership for its independent directors.

Mr. Sun currently serves as Chairman of the Board and is not an independent non-executive director. At present, the Chairman of the Audit Committee acts as the de facto lead independent director and liaises with management and non-independent directors regarding relevant matters. The de facto lead independent director is also responsible for chairing discussions among the Company's independent directors and ensuring that the Board is able to function independently of management.

- (g) Disclose the attendance record of each director for all Board meetings held since the beginning of the issuer's most recently completed financial year.

The following table discloses the attendance record of each director at meetings of the Board for which that director was eligible to attend during the financial year ended December 31, 2012:

<u>Name of Director</u>	<u>Number of Board Meetings Attended</u>	<u>Number of Board Meetings Held</u>
Zhaoxue Sun	3	4
Xin Song	4	4
Bing Liu	4	4
Zhanming Wu	4	4
Ian He	4	4
Yunfei Chen	4	4
Gregory Hall	4	4
John King Burns	4	4
Xiangdong Jiang	4	4

2. Board Mandate

Disclose the text of the Board's written mandate. If the Board does not have a written mandate, describe how the Board delineates its role and responsibilities.

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

BOARD MANDATE

The Board of Directors (the “Board”) of China Gold International Resources Corp. Ltd. (the “Company”) shall have the oversight responsibility, authority and specific duties as described below.

Under the *Business Corporations Act* (British Columbia), the directors of the Company are required to manage the Company’s business and affairs, and in doing so to act honestly and in good faith with a view to the best interests of the Company. In addition, each director must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The Board of Directors is responsible for supervising the conduct of the Company’s affairs and the management of its business. This includes setting long term goals and objectives for the Company, formulating the plans and strategies necessary to achieve those objectives and supervising senior management in their implementation. Although the Board delegates the responsibility for managing the day to day affairs of the Company to senior management personnel, the Board retains a supervisory role in respect of, and ultimate responsibility for, all matters relating to the Company and its business.

The Board needs to be satisfied that the Company’s senior management will manage the affairs of the Company in the best interest of the Shareholders, and that the arrangements made for the management of the Company’s business and affairs are consistent with the Board’s duties described above. The Board is responsible for protecting shareholder interests and ensuring that the interests of the Shareholders and of management are aligned. The obligations of the Board must be performed continuously, and not merely from time to time, and in times of crisis or emergency the Board may have to assume a more direct role in managing the affairs of the Company.

In discharging this responsibility, the Board oversees and monitors significant corporate plans and strategic initiatives. The Board’s strategic planning process includes annual and quarterly budget reviews and approvals, and discussions with management relating to strategic and budgetary issues. At least one meeting per year is to be devoted substantially to a review of strategic plans proposed by management.

The Board reviews the principal risks inherent in the Company’s business, including financial risks, through periodic reports from management of such risks. This review takes place in conjunction with the Board’s review of operations and risk issues at each Board meeting, at which time the Board assesses the systems established to manage those risks. Directly and through the Audit Committee, the Board also assesses the integrity of the internal financial control and management information systems.

In addition to those matters that must, by law, be approved by the Board, the Board is required to approve annual operating and capital budgets, any material dispositions, acquisitions and investments outside of the ordinary course of business or not provided for in the approved budgets, long-term strategy, organizational development plans and the appointment of senior executive officers. Management is authorized to act, without Board approval, on all ordinary course matters relating to the Company’s business.

The Board also expects management to provide the directors on a timely basis with information concerning the business and affairs of the Company, including financial and operating information and information concerning industry developments as they occur, all with a view to enabling the Board to discharge its stewardship obligations effectively. The Board expects management to efficiently implement its strategic plans for the Company, to keep the Board fully apprised of its progress in doing so and to be fully accountable to the Board in respect to all matters for which it has been assigned responsibility.

The Board has instructed management to maintain procedures to monitor and promptly address shareholder concerns and has directed and will continue to direct management to apprise the Board of any major concerns expressed by Shareholders.

Each Committee of the Board is empowered to engage external advisors as it sees fit. Any individual director is entitled to engage an outsider advisor at the expense of the Company provided such director has obtained the approval of the Nominating and Corporate Governance Committee to do so.

The roles of Chairman, Chief Executive Officer and Lead Director (if any) will be as set forth in position statements as may be established by the Board from time to time.

This Mandate will be reviewed periodically by the Board of Directors of the Company and supplemented as required from time to time.

The Roles of the Board of Directors

The Board fulfills its mandate through direct oversight, setting policy, appointing committees and appointing management. Specific responsibilities include the following:

1. Approving the issuance of any securities of the Company.
2. Approving the incurrence of any debt by the Company outside the ordinary course of business.
3. Reviewing and approving the annual and quarterly capital and operating budgets.
4. Reviewing and approving major deviations from the capital and operating budgets.
5. Approving the annual financial statements and quarterly financial statements, including the Management Discussion & Analysis, information circulars, annual information forms, annual reports, offering memorandums and prospectuses.
6. Approving material investments, dispositions and joint ventures, and approving any other major initiatives outside the scope of approved budgets.
7. Reviewing and approving the Company's strategic plans, adopting a strategic planning process and monitoring the Company's performance.
8. Reviewing and approving the Company's incentive compensation plans.
9. Determining the composition, structure, processes, and characteristics of the Board and the terms of reference of committees of the Board, and establishing a process for monitoring the Board and its directors on an ongoing basis.
10. Appointing a Nominating and Corporate Governance Committee, an Audit Committee, a Compensation and Benefits Committee and other Board Committees and delegating to any such committees powers of the Board as appropriate and legally permissible.
11. Nominating the candidates for the Board to the Shareholders, based on recommendations from the Nominating and Corporate Governance Committee.
12. Ensuring an appropriate orientation and education program for new directors is provided.
13. Determining whether individual directors meet the requirements for independence under applicable regulatory requirements.
14. Monitoring the ethical conduct of the Company and ensuring that it complies with applicable legal and regulatory requirements.

15. Ensuring that the directors that are independent of management have the opportunity to meet regularly.
16. Reviewing this Mandate and other Board policies and terms of reference for Committees in place from time to time and propose modifications as applicable.
17. Appointing and monitoring the performance of senior management, formulating succession plans for senior management and, with the advice of the Compensation and Benefits Committee, approving the compensation of senior management.
18. Ensuring policies and processes are in place for identifying principal business risks and opportunities for the Company, addressing the extent to which such risks are acceptable to the Company, and ensuring that appropriate systems are in place to manage risks.
19. Ensuring policies and processes are in place to ensure the integrity of the Company's internal control, financial reporting and management information systems.
20. Ensuring appropriate policies and processes are in place to ensure the Company's compliance with applicable laws and regulations, including timely disclosure of relevant corporate information and regulatory reporting.
21. Exercising direct control during periods of crisis.
22. Serving as a source of advice to senior management, based on directors' particular backgrounds and experience.

Organization of the Board of Directors

Independence: The Company intends to monitor best practices recommendations and to fully comply with the corporate governance requirements relating to the composition and independence of board and committee members under applicable legislation and stock exchange rules by the date of the effectiveness of such legislation and rules or earlier and, through the Nominating and Corporate Governance Committee, to identify additional qualified board candidates where required to meet such requirements.

Committees: The Company has an Audit Committee, a Nominating and Corporate Governance Committee, a Compensation and Benefits Committee and a Health, Safety and Environmental Committee. The Company will have such other committees of the Board as may be required from time to time.

Meetings

The Board holds regular annual and quarterly meetings. Between the quarterly meetings, the Board meets on an ad hoc basis as required, generally by means of telephone conferencing facilities. As part of the annual and quarterly meetings, the independent non-executive directors also have the opportunity to meet separate from management. Management also communicates informally with members of the Board on a regular basis, and solicits the advice of Board members falling within their specific knowledge and experience. Each director shall review all Board meeting materials in advance of each meeting and shall make all reasonable efforts for attendance at all Board and Board Committee meetings.

3. Position Descriptions

- (a) Disclose whether or not the Board has developed written position descriptions for the chair and the chair of each Board committee. If the Board has not developed written position descriptions for the chair and/or the chair of each Board committee, briefly describe how the Board delineates the role and responsibilities of each such position.

The Board does not have written position descriptions for the Chair of the Board or of the committees. For each such position, the Chair assumes a leadership role over the relevant organization (Board or committee, as applicable) within the bounds of authority identified in the applicable board mandate or committee charter, as applicable, including the setting of agenda items at meetings and chairing of those meetings.

- (b) Disclose whether or not the Board and CEO have developed a written position description for the CEO. If the Board and CEO have not developed such a position description, briefly describe how the Board delineates the role and responsibilities of the CEO.

The Board has developed position descriptions for both the CEO and the CFO. Such position descriptions were reviewed by the Nominating and Corporate Governance Committee and approved by the Board and are subject to annual review by the Nominating and Corporate Governance Committee.

4. Orientation and Continuing Education

- (a) Briefly describe what measures the Board takes to orient new directors regarding (i) the role of the Board, its committees and its directors; and (ii) the nature of the operation of the Company's business.

The Board takes steps to ensure that prospective directors fully understand the role of the Board and its committees and the contribution individual directors are expected to make, including, in particular, the commitment of time and energy that the Company expects of its directors. New directors receive a detailed briefing with the Chair of the Board and of its committees and a comprehensive information package, including pertinent corporate documents and a director's manual containing information on the duties, responsibilities and liabilities of directors. New directors are also briefed by management as to the status of the Company's business. The Nominating and Corporate Governance Committee reviews the orientation program in connection with new appointments.

To facilitate ongoing education of the Company's directors, the Nominating and Corporate Governance Committee: (i) periodically canvasses the directors to determine their training and education needs and interests; (ii) arranges ongoing visitation by the directors to the Company's facilities and operations; (iii) arranges funding for the attendance of directors at seminars or conferences of interest and relevance to their position as a director of the Company and (iv) encourages and facilitates presentations by outside experts to the Board and its committees on matters of importance.

- (b) Briefly describe what measures, if any, the Board takes to provide continuing education for its directors. If the Board does not provide continuing education, describe how the Board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.

To facilitate ongoing education of the Company's directors, the Nominating and Corporate Governance Committee: (i) periodically canvasses the directors to determine their training and education needs and interests; (ii) arranges ongoing visitation by the directors to the Company's facilities and operations; (iii) arranges funding for the attendance of directors at seminars or

conferences of interest and relevance to their position as a director of the Company and (iv) encourages and facilitates presentations by outside experts to the Board and its committees on matters of importance.

Directors have the opportunity to take courses relevant to the Company and its business, particularly with respect to corporate governance and the mining industry. As a means of facilitating continuing education opportunities for Directors, each Director is enrolled as a member of the Institute of Corporate Directors.

5. Ethical Business Conduct

- (a) Disclose whether or not the Board has adopted a written code for its directors, officers and employees. If the Board has adopted a written code:
- (i) disclose how a person or company may obtain a copy of the code;
 - (ii) describe how the Board monitors compliance with its code, or if the Board does not monitor compliance, explain whether and how the Board satisfies itself regarding compliance with its code; and disclose how a person or company may obtain a copy of the code; and
 - (iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.

The Company has adopted a Code of Business Conduct and Ethics applicable to its directors, officers and employees. The Audit Committee of the Board is responsible for monitoring compliance with the Code. The Code of Business Conduct and Ethics provides that the Company's employees, consultants, officers and directors will uphold its commitment to a culture of honesty, integrity and accountability and the Company requires the highest standards of professional and ethical conduct from its employees, consultants, officers and directors. No material change reports have been filed since the beginning of the Company's most recently completed financial year that pertain to any conduct of a director or executive officer that constitutes a departure from the Code.

A copy of the Company's Code of Business Conduct and Ethics is located on SEDAR at www.sedar.com and is available on the Company's website at www.chinagoldintl.com. Shareholders may contact the Company to request a copy of the Code of Business Conduct and Ethics, without charge, by writing to the Company's Executive Vice President and Corporate Secretary, Jerry Xie at China Gold International Resources Corp. Ltd., One Bentall Centre, Suite 1030, 505 Burrard Street, Box 31, Vancouver, British Columbia V7X 1M5.

- (b) Describe any steps the Board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.

The Nominating and Corporate Governance Committee monitors the disclosure of conflicts of interest to the Board and ensures that no director will vote nor participate in a discussion on a matter in respect of which such a director has a material interest. Committee Chairs perform the same function with respect to meetings of the committees of the Board.

- (c) Describe any other steps the Board takes to encourage and promote a culture of ethical business conduct.

The Company has developed a vision and mission statement as well as various corporate policies including a Corporate Disclosure, Confidentiality and Securities Trading policy and a Whistleblower Policy, administered by an independent third party.

6. *Nomination of Directors*

- (a) Describe the process by which the Board identifies new candidates for Board nomination.

The full Board determines what competencies, skills and personal qualities it should seek in new members in order to add value to the Company. Candidates for nomination to the Board are identified within the network and contacts of the Board and from various professional associations based on the competencies, skills and personal characteristics sought by the Company from time to time to advance its organizational goals as determined by the stage of development, size and complexity of the Company's business. The Nominating and Corporate Governance Committee is responsible for identifying new candidates for nomination to the Board, and for reporting to the Board on appropriate candidates. The Nominating and Corporate Governance Committee considers candidates for nomination from across the world based on the expertise of each candidate for nomination and the needs of the Company. Candidates for nomination are evaluated by the Nominating and Corporate Governance Committee based on (i) the independence of each nominee; (ii) the experience and background of each nominee; (iii) having a balance of skills for the board and its committees to meet their respective mandates; (iv) the past performance of directors being considered for re-election; (v) applicable regulatory requirements; and (vi) such other criteria as may be established by the Board or the Nominating and Corporate Governance Committee from time to time. The Nominating and Corporate Governance Committee is responsible for assessing director performance on an ongoing basis.

- (b) Disclose whether or not the Board has a nominating committee composed entirely of independent non-executive directors. If the Board does not have a nominating committee composed entirely of independent non-executive directors, describe what steps the Board takes to encourage an objective nomination process.

The Nominating and Corporate Governance Committee of the Board is composed entirely of independent non-executive directors, being Ian He, Yunfei Chen, Gregory Hall and John King Burns.

- (c) If the Board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.

The responsibilities of the Nominating and Corporate Governance Committee include developing the Company's approach to corporate governance, making recommendations to the Board with respect to corporate governance developments and practices, reporting to the Board on

appropriate candidates for nomination to the Board and its committees and overseeing the evaluation process of the Board and its committees.

7. Compensation

- (a) Describe the process by which the Board determines the compensation for the Company's directors and officers.

The Compensation and Benefits Committee presently composed entirely of independent non-executive directors has the responsibility for recommending compensation for the Company's officers and directors to the Board. The Compensation and Benefits Committee reviews and makes recommendations to the Board regarding the adequacy and form of the compensation for non-management directors to ensure that such compensation realistically reflects the responsibilities and risks involved in being an effective director, without comprising the director's independence. Currently, the Company pays a cash retainer to its independent non-executive directors for acting in such capacity. Ian He, receives Cdn\$1,500 per month for acting as independent non-executive director and Chairman of the Board committees and Yunfei Chen, Gregory Hall and John King Burns each receive Cdn\$1,000 per month for acting as independent non-executive directors. During the financial year ended December 31, 2012, the Company paid a fee of US\$34,437 to Gregory Hall for consulting services provided in his capacity as an independent non-executive director for geological advice on planning exploration programs and project generation activity. In addition to their cash compensation, the independent non-executive directors may be granted stock options from time to time. No fees or commissions are paid to those directors that are not independent and no grants of stock options are permitted to such directors. The directors are reimbursed for actual expenses reasonably incurred in connection with the performance of their duties as directors.

- (b) Disclose whether or not the Board has a compensation committee composed entirely of independent non-executive directors. If the Board does not have a compensation committee composed entirely of independent non-executive directors, describe what steps the Board takes to ensure an objective process for determining such compensation.

The Board acts through its Compensation and Benefits Committee to review the adequacy and form of compensation of the directors and senior management and to ensure that such compensation realistically reflects the responsibilities and risks of such positions. All members of the Compensation and Benefits Committee are independent non-executive directors.

- (c) If the Board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.

The responsibilities of the Company's Compensation and Benefits Committee include: (i) developing a compensation philosophy and policy; (ii) evaluating the performance of the Company's senior executive officers; (iii) reviewing the compensation of the Company's senior executive officers and top paid employees; and (iv) monitoring the Company's equity incentive arrangements. The role of the Compensation and Benefits Committee is primarily to review the adequacy and form of compensation of senior management and the directors with such compensation realistically reflecting the responsibilities and risks of such positions, to administer the equity incentive plan of the Company if any, to determine the recipients of, and the nature and size of share compensation awards granted from time to time, to determine the remuneration of executive officers and to determine any bonuses to be awarded.

8. Other Board Committees

If the board has standing committees other than the audit, compensation & benefits and nominating & corporate governance committees, identify the committees and describe their function.

Other than the Audit Committee, the Compensation and Benefits Committee, the Nominating and Corporate Governance Committee, the Board has a Health, Safety and Environmental Committee.

Audit Committee

The Audit Committee is responsible for overseeing the Company's financial reporting obligations, systems and disclosure, including monitoring the integrity of the Company's financial statements, monitoring the independence and performance of the Company's external auditors and acting as a liaison between the Board and the Company's auditors. The activities of the Audit Committee typically include reviewing interim financial statements and annual financial statements, ensuring that internal controls over accounting and financial systems are maintained and that accurate financial information is disseminated to Shareholders, reviewing the results of internal and external audits and any change in accounting procedures or policies, and evaluating the performance of the Company's auditors. The Audit Committee communicates directly with the Company's external auditors in order to discuss audit and related matters whenever appropriate.

The members of the Audit Committee are Ian He, Yunfei Chen, Gregory Hall and John King Burns. Ian He serves as Chairman of the Audit Committee.

Information concerning the Audit Committee of the Company, as required by National Instrument 52-110, is provided in the Company's Annual Information Form for the year ended December 31, 2012 located under the Company's profile on SEDAR at www.sedar.com.

Compensation and Benefits Committee

The Compensation and Benefits Committee is responsible for reviewing the adequacy and form of compensation of senior management, the directors and top paid employees with such compensation realistically reflecting the responsibilities and risks of such positions, for determining the recipients of, and the nature and size of share compensation awards granted from time to time, for determining the remuneration of executive officers and for determining any bonuses to be awarded.

The members of the Compensation and Benefits Committee are Ian He, Yunfei Chen, Gregory Hall and John King Burns. Ian He serves as Chairman of the Compensation and Benefits Committee. For more information on the Compensation and Benefits Committee see "*Compensation Discussion and Analysis*".

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee is responsible for making recommendations to the board of directors with respect to developments in the area of corporate governance and the practices of the board of directors. The Nominating and Corporate Governance Committee has expressly assumed responsibility for developing the Company's approach to governance issues. The Nominating and Corporate Governance Committee is also responsible for reporting to the board of directors with respect to appropriate candidates for nomination to the board of directors, and for overseeing the execution of an assessment process appropriate for the board of directors and its committees to evaluate the performance and effectiveness of the board of directors.

The members of the Nominating and Corporate Governance Committee are Ian He, Yunfei Chen, Gregory Hall and John King Burns. Ian He serves as Chairman of the Nominating and Corporate Governance Committee.

Health, Safety and Environmental Committee

The Health, Safety and Environmental Committee is responsible for assisting the board of directors in its oversight responsibilities relating to the development, implementation and evaluation by management of the Company's health, safety and environmental objectives and social responsibility programs and for monitoring compliance with applicable health, safety and environmental laws and regulations.

The members of the Health, Safety and Environmental Committee are Ian He, Yunfei Chen, Gregory Hall and John King Burns. Ian He serves as Chairman of the Health, Safety and Environmental Committee.

9. Assessments

Disclose whether or not the Board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board satisfies itself that the Board, its committees, and its individual directors are performing effectively.

The Nominating and Corporate Governance Committee of the Board is responsible for overseeing the assessment process for the Board and its committees on an ongoing-basis. It has developed and is continuing to refine an assessment process for the Board and each of its committees.

In order to facilitate the ongoing assessment of the effectiveness of the Board and its committees, each director is required, at least annually, to assess the members of the Board and each committee of which he is member.

The Nominating and Corporate Governance Committee has initiated a process whereby it reviews and approves a board effectiveness survey that is forwarded to the members of the Board on an annual basis. The survey covers a wide range of issues and allows for comments and suggestions.

SCHEDULE B

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this document.

EXPLANATORY STATEMENT SHARE REPURCHASE MANDATE

This Schedule serves as an explanatory statement, as required by the Hong Kong Listing Rules, to provide requisite information to the Shareholders for their consideration of the Share Repurchase Mandate.

HONG KONG LISTING RULES RELATING TO THE REPURCHASE OF SHARES

The Hong Kong Listing Rules permit companies whose primary listing is on the Hong Kong Stock Exchange to repurchase their shares on the Hong Kong Stock Exchange, Toronto Stock Exchange or other stock exchange subject to certain restrictions. The Company is empowered by its Articles to repurchase its own shares.

SHARE CAPITAL

As of the Latest Practicable Date, the issued and outstanding share capital of the Company comprised of 396,358,753 fully paid up common shares. Subject to the passing of the repurchase resolution and on the basis that no further shares are issued or repurchased prior to the Meeting, the Company would be allowed to repurchase up to a maximum of 39,635,875 fully paid up common shares under the Share Repurchase Mandate during the Relevant Period, representing 10% of the issued and outstanding share capital of the Company as of the Latest Practicable Date.

REASONS FOR THE REPURCHASES

The Board believes that the flexibility afforded to them by the Share Repurchase Mandate would be in the best interests of the Company and the Shareholders. Repurchases pursuant to such mandate may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the value of the Company's shares or the net assets and/or the earnings per share and will only be made when the Board believes that such actions will benefit the Company and the Shareholders as a whole. Notwithstanding the foregoing, any repurchase of the Company's securities as contemplated in the Share Repurchase Mandate will still require compliance with Canadian securities laws, and the rules and regulations of the Toronto Stock Exchange and the Hong Kong Listing Rules.

FUNDING OF REPURCHASES

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its Articles and the *Business Corporations Act* (British Columbia). It is expected that the Company will fund any repurchase of Shares from its available internal resources.

Pursuant to the Business Corporations Act (British Columbia), a company may not redeem or repurchase any of its share capital if it is insolvent at the time of such redemption or repurchase or, if by virtue of such redemption or repurchase, would become insolvent.

IMPACT ON THE WORKING CAPITAL OR GEARING POSITION

If the Share Repurchase Mandate is exercised in full at any time during the Relevant Period, there may be a material adverse effect on the working capital requirements of the Company or its gearing levels, as

compared with the position disclosed in the Company's audited financial statements for the year ended December 31, 2012 (the most recent published audited financial statements). However, the Board does not propose to exercise such mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of the Company at the time of the relevant repurchases unless the Board determines that such repurchases are, taking into account of all relevant factors, in the best interests of the Company.

SHARE PRICES

The highest and lowest prices at which the Company's shares have been traded on the Hong Kong Stock Exchange during each of the following months preceding the issue of this information circular were as follows:

	Per Share	
	Highest HK\$	Lowest HK\$
2012		
May	35.00	23.80
June	28.60	23.80
July	25.60	18.50
August	27.80	18.68
September	34.75	26.75
October	33.85	30.10
November	32.60	29.75
December	30.70	26.50
2013		
January	29.65	26.40
February	27.30	24.05
March	30.50	23.50
April	28.35	21.00

EFFECT OF THE CODE OF TAKEOVERS AND MERGERS OF HONG KONG ("TAKEOVERS CODE")

A shareholder's proportionate interest in the voting rights of the Company will increase upon the Company's exercise of its powers to repurchase shares pursuant to the Share Repurchase Mandate, and such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. As a result, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase in his/her or their shareholding interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As of the Latest Practicable Date, China National Gold, through its wholly owned subsidiary, China National Gold Group Hong Kong Limited ("CNG HK"), held 155,794,830 Shares, representing 39.3% of the outstanding shares of the Company. On the basis that no further Shares are issued or repurchased prior to the Meeting and in the event that the Board exercises in full the power to repurchase Shares pursuant to the Share Repurchase Mandate, the shareholding interest held by China National Gold (through CNG HK) would be increased to approximately 43.67% of the issued share capital of the Company. Such increase would give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code. In such an event, the Board will take all steps necessary to comply with the Hong Kong Listing Rules and Takeovers Code.

In addition, assuming that there is no issue of Shares between the Latest Practicable Date and the date of repurchase, an exercise of the Share Repurchase Mandate whether in whole or in part will not result in less than 25% of the issued share capital of the Company being held by the public, being the prescribed minimum percentage of shares required under the Hong Kong Listing Rules. The Board has no intention to exercise the Share Repurchase Mandate to the extent that it may result in a public shareholding of less than the prescribed minimum percentage under the Hong Kong Listing Rules.

DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective associates (as defined in the Hong Kong Listing Rules), has any present intention to sell Shares to the Company in the event that the Share Repurchase Mandate is approved by the Shareholders.

The Company has not been notified by any connected person (as defined in the Hong Kong Listing Rules) of the Company that he has a present intention to sell Shares to the Company or has undertaken not to sell Shares held by him to the Company in the event that the Share Repurchase Mandate is approved by the Shareholders.

UNDERTAKING OF DIRECTORS

The Directors have undertaken to the Hong Kong Stock Exchange that they will exercise the power of the Company to make repurchases pursuant to the Share Repurchase Mandate in accordance with the Hong Kong Listing Rules, Canadian laws and the Articles of the Company.

SHARE PURCHASE MADE BY THE COMPANY

The Company has not purchased any of its Shares whether on the Hong Kong Stock Exchange or otherwise in the six months preceding the Latest Practicable Date.

SCHEDULE C

DEFINITIONS

In this information circular, unless the context otherwise requires, the following expressions have the following meanings:

“AGM” or “the Meeting”	the annual general meeting and special meeting of the Company to be held on Tuesday, June 18, 2013 at 11:00 a.m. in Vancouver, British Columbia, Canada (Wednesday, June 19, 2013 Hong Kong time), to consider and, if thought fit, approve, among other things, the Proposed Matters;
“Board”	the board of Directors;
“China Gold Construction”	China National Gold Group Corporation Construction Co. Ltd., a limited liability company established in the PRC in March 2011 which is wholly-owned by China National Gold;
“China Jinyu”	China National Jinyu Gold Materials & Equipment Corporation, a company established in the PRC in May 1992 which is wholly-owned by China National Gold;
“China National Gold”	China National Gold Group Corporation, the ultimate controlling shareholder of the Company currently holding approximately 39.3% of the issued share capital of the Company through China National Gold Hong Kong Limited, its wholly-owned subsidiary;
“CNGG”	CNGG International Trade Co., Ltd., a limited liability company established in the PRC in May 2012 which is owned as to 40% by China National Gold, 30% by China Gold Construction and 30% by China Jinyu;
“Company”	China Gold International Resources Corp. Ltd., a limited liability company incorporated under the laws of British Columbia, Canada with its Shares listed on both the Hong Kong Stock Exchange and the Toronto Stock Exchange;
“connected person(s)”	has the same meaning ascribed thereto under the Hong Kong Listing Rules;
“Continuing Connected Transaction Contracts”	collectively, (i) the Supplemental Jiama Framework Agreement, (ii) the Supplemental Contract for Purchase and Sale of Dore, (iii) the Product and Service Framework Agreement, and (iv) the Contract for Purchase and Sale of Copper Concentrate;
“Contract for Purchase and Sale of Copper Concentrate”	the purchases and sales contract of the copper sulphide concentrates dated April 26, 2013 between Huatailong and CNGG for the sale by Huatailong and the purchase by CNGG copper sulphide concentrate produced at the Jiama Mine from time to time from July 1, 2013 till December 31, 2014;

“Contract for Purchase and Sale of Dore”	the contract for purchase and sale of dore dated January 27, 2012 between Inner Mongolia Pacific and China National Gold for the sale by Inner Mongolia Pacific and the purchase by China National Gold of gold dore bars and silver by-products produced at the CSH Gold Mine from time to time for the year ended December 31, 2012 and the two years ending December 31, 2013 and 2014;
“CSH Gold Mine” or “CSH Mine”	Chang Shan Hao mine, a gold mine located in Wulate Xhong Qi in Inner Mongolia, in which the Company holds a 96.5% interest through Pacific PGM (Barbados) Inc., its wholly-owned subsidiary incorporated in Barbados;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries (as defined under the Hong Kong Listing Rules);
“Guidelines”	the tendering guidelines of the Company governing the tendering and bidding process for construction projects of the Group;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Huatailong”	Tibet Huatailong Mining Development Co., Ltd., a limited liability company incorporated in the PRC which owns and operates the Jiama Mine, in which the Company holds a 100% interest through Skyland Mining Limited and Tibet Jia Ertong Mining Development Co., Ltd., its wholly-owned subsidiaries;
“Independent Board Committee”	an independent committee of the Board comprising all of the independent non-executive Directors;
“Independent Financial Adviser” or “TC Capital”	TC Capital Asia Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulatory activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the Continuing Connected Transaction Contracts including, the Proposed Annual Caps and the respective annual monetary caps for the Product and Service Framework Agreement and the Contract for Purchase and Sale of Copper Concentrate;
“Independent Shareholders”	the Shareholders (other than China National Gold and any of its associates) which are not required to abstain from voting at the Meeting to approve the Proposed Matters;
“Inner Mongolia”	Inner Mongolia Autonomous Region of the PRC;
“Inner Mongolia Pacific”	Inner Mongolia Pacific Mining Co. Limited, a cooperative joint venture company incorporated in the PRC which owns and operates the CSH Mine and in which the Company holds a 96.5% interest through

	Pacific PGM (Barbados) Inc., its wholly-owned subsidiary incorporated in Barbados;
“Jiama Framework Agreement”	the service framework agreement entered into between the Company and China National Gold on November 6, 2012, pursuant to which China National Gold will provide mining development services to the Company at the Jiama Mine in order to implement the Phase II development plan as set out in the Pre-feasibility Study;
“Jiama Mine”	Jiama Copper-Gold Polymetallic Mine located in Tibet, China. Jiama hosts a large scale copper-gold polymetallic deposit consisting of copper, gold, molybdenum, silver, lead and zinc. It is owned and operated by the Group through the Company’s indirect wholly-owned subsidiary Huatailong;
“Latest Practicable Date”	May 21, 2013, being the latest practicable date before printing of this information circular for ascertaining information contained herein;
“PRC”	the People’s Republic of China, excluding, for the purpose of this circular only, Hong Kong, Macau Special Administrative Region of the PRC, and Taiwan;
“Pre-feasibility Study”	the pre-feasibility study report produced by Minarco-MineConsult, details of which have been disclosed in the announcement of the Company dated October 25, 2012;
“Product and Service Framework Agreement”	the product and service framework agreement dated April 26, 2013 between the Company and China National Gold, pursuant to which China National Gold will provide mining related products and services for three years until June 18, 2016 in order to facilitate the Group’s operations in the PRC;
“Proposed Matters”	has the same meaning as defined on page 5 of this information circular;
“Proposed Amendment”	the proposed amendments to the terms under the Contract for the Purchase and Sale of Dore, as more particularly described in the section headed “Letter from the Board of Directors” in this information circular;
“Record Date”	May 7, 2013 Vancouver time (being May 8, 2013 Hong Kong time), being the record date fixed for the determination of the Shareholders who are entitled to receive the notice of, and to attend and vote at, the Meeting or adjournment thereof;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong);
“Shareholder(s)”	holder(s) of Share(s);
“Share(s)”	share(s) of the Company;

“Supplemental Contract for Purchase and Sale of Dore”

a supplemental contract dated April 26, 2013 between Inner Mongolia Pacific and China National Gold to revise certain terms under the Contract for Purchase and Sale of Dore;

“Supplemental Jiama Framework Agreement”

a supplemental agreement dated April 26, 2013 between the Company and China National Gold to extend the expiry date of the Jiama Framework Agreement to December 31, 2015;

“Toronto Stock Exchange” or “TSX”

The Toronto Stock Exchange of Toronto, Canada; and

“%”

percent.

SCHEDULE D

LETTER FROM THE BOARD OF DIRECTORS

Dear Shareholders,

INTRODUCTION

Reference is made to the Company's announcement dated April 26, 2013 in relation to the Continuing Connected Transaction Contracts and the transactions contemplated thereunder, the Proposed Annual Caps and the respective annual monetary caps for the Product and Service Framework Agreement and the Contract for Purchase and Sale of Copper Concentrate.

The main purpose of this information circular is to provide you with more information and request your approval of the resolutions in respect of the Proposed Matters as set out in the accompanying notice of the Meeting.

Unless the context requires otherwise, terms and expressions defined in the accompanying information circular to the Shareholders dated May 21, 2013 shall have the same meanings in this letter.

SUPPLEMENTAL JIAMA FRAMEWORK AGREEMENT

A. Background

Reference is made to the Jiama Framework Agreement between the Company and China National Gold, the ultimate controlling shareholder of the Company, for the provision of mining development and construction services at the Jiama Mine. Details of the Jiama Framework Agreement have been disclosed in the Company's announcement dated November 6, 2012 and the Company's circular to the Shareholders dated November 20, 2012.

The Jiama Framework Agreement has an effective date of November 6, 2012 until December 31, 2014 and encompasses the following mining development services: (i) hornfels stripping and related work, (ii) construction and engineering project supervision, (iii) overall mine development and construction, including processing plant, tailings and other support services, (iv) mining research and design, and (v) auxiliary equipment.

Having considered the current development and expansion plan at the Jiama Mine and work schedule for mining development services under the Jiama Framework Agreement, the Board anticipates that the relevant amounts payable for services rendered under the Jiama Framework Agreement will exceed the existing annual caps for the two years ending December 31, 2013 and 2014. Therefore, the Board proposes to revise such annual caps and proposes an annual cap for the year ending December 31, 2015.

The Company and China National Gold entered into the Supplemental Jiama Framework Agreement dated April 26, 2013, the key terms of which are summarized below. Except for the extension of the expiry date and the proposed revised annual caps for the two years ending December 31, 2013 and 2014 and the proposed annual cap for the year ending December 31, 2015 (the "Proposed Annual Caps"), no material changes have been made to the terms and conditions under the Jiama Framework Agreement, and such terms and conditions shall remain effective.

Date: April 26, 2013

Parties: (a) the Company; and
(b) China National Gold

Subject matter: China National Gold shall provide mining development services to the Company at the Jiama Mine in order to implement the Phase II development plan as set out in the Pre-feasibility Study.

Term: Subject to the approval of the Independent Shareholders at the Meeting, effective until December 31, 2015.

Services to be provided: The mining development services encompass the following:

- (a) hornfels stripping and related work;
- (b) construction and engineering project supervision;
- (c) overall mine development and construction, including processing plant, tailings and other support services;
- (d) mining research and design; and
- (e) auxiliary equipment.

Decision of service provider: The service provider for each category of service will be determined by the Company through an arm's length negotiation process or an open market tendering process.

Pricing: The pricing of the services rendered under the Jiama Framework Agreement shall be determined based on the following:

- (1) prices as may be stipulated by the PRC government (if any);
- (2) should there be no such prices stipulated by the PRC government but there exists an active trading market, prices may be determined by an offering of tender;
- (3) should there be no such prices stipulated by the PRC government and there is no active trading market, prices will be determined by comparison to identical or similar historical prices; or
- (4) otherwise, at an agreed upon price consisting of the actual costs plus a reasonable profit margin.

B. Proposed Annual Caps and basis of determination for the Proposed Annual Caps

In arriving at the Proposed Annual Caps, the Company has taken into account the following factors:

- (a) the expected contractual fees payable for the mining developments services at the Jiama Mine;
- (b) the work schedule for mining development services under the Jiama Framework Agreement and the procurement schedule for equipment; and
- (c) the environmental, geological and socioeconomic conditions in the Tibet Autonomous Region of the PRC.

The following table sets out (1) the actual transaction amount and the existing annual cap for the year ended December 31, 2012, (2) the existing annual caps for the two years ending December 31, 2013 and 2014 under the Jiama Framework Agreement, and (3) the Proposed Annual Caps.

	Year ended December 31, 2012 <i>(RMB in thousands)</i>	Year ending December 31, 2013 <i>(RMB in thousands)</i>	Year ending December 31, 2014 <i>(RMB in thousands)</i>	Year ending December 31, 2015 <i>(RMB in thousands)</i>
Existing annual caps under the Jiama Framework Agreement	630,000	960,000	290,000	--
Actual transaction amount	317,123	--	--	--
Proposed annual caps under the Supplemental Jiama Framework Agreement	--	1,167,500	299,550	95,827

C. Reasons for and benefits of transactions

China National Gold is the largest gold production enterprise in the PRC. Its business covers survey design, resources development, production, sale and construction in relation to minerals such as gold, silver, copper and molybdenum. By leveraging upon China National Gold's expertise in mining design, centralized procurement system and technological capabilities, the Company, through its subsidiary, Huatailong, can effectively maximize productivity at the Jiama Mine.

The terms of the material transactions (with a transaction amount over RMB 2 million) contemplated under the Jiama Framework Agreement were or will be agreed, through an open market tendering process (and subsequently upon arm's-length negotiations regarding the implementation details which include the payment terms), between the Company and successful bidders (including China National Gold) in accordance with the tendering guidelines of the Company (the "Guidelines"), which are prepared in accordance with and in compliance with the Tendering and Bidding Law of the PRC, which serves to protect national and public interests as well as the legitimate rights and interests of the parties involved in tendering and bidding activities in the PRC. The tendering process under the Guidelines is as follows:

- (i) The party offering the tender, after meeting the requisite requirements for construction tenders, will study and finalize the bidding method;
- (ii) The party offering the tender will submit an application to the investment department of the Group, together with the bidding documents;
- (iii) Upon receiving the application, the investment department of the Group will scrutinize each submitted application together with the bidding documents and file the application;
- (iv) The party offering the tender will after publishing the notice of tender or sending out the invitation to tender, revise the bidding documents according to the response from the bidders;
- (v) After reviewing the pre-qualifications or post-qualifications, and inspection of the potential bidders, the party offering the tender will draft an inspection report;
- (vi) If a floor bid price is necessary, the party offering the tender will organize or commission a party to prepare such floor price;

- (vii) The party offering the tender will form the bid evaluation committee by selecting experts from a pool of qualified experts from the database of either the professional bidding company or the Company. These experts, who are nationally sanctioned senior engineers or of higher qualification, should be able to meet the requirements of the Tendering and Bidding Law of the PRC and possess at least 8 years professional experience. As the databases may contain experts including employees from China National Gold or its subsidiaries, the usage of these employees who are experts would be limited to 1 for a 5-member bid evaluation committee and 2 for a 7-member bid evaluation committee;
- (viii) A bid evaluation meeting will be conducted by the bid evaluation committee which is established in accordance with the relevant PRC laws and regulations. For projects with a total value exceeding RMB 5 million, the bids should be opened by the Group holding company or a party entrusted to do so. For other bids, the party offering the tender is authorized by the Group holding company to establish the committee. (If a project receives less than 3 tenders or when the bid evaluation committee rejects all the bids, the project will be required to be re-tendered);
- (ix) The bid evaluation committee will evaluate the bids in accordance with the the Tendering and Bidding Law of the PRC and the Tendering and Bidding Implementation Rules of the PRC, and will prepare a bid evaluation report to determine the successful candidate. Under the bid evaluation report, bids are evaluated based on their pricing, construction design or plans, and quality and past performance of the bidder, with an evaluation weighting of 60%, 30% and 10%, respectively;
- (x) The bid evaluation committee will report to the party offering the tender the progress of the bid evaluation and will report the successful bid to the party offering the tender. Upon studying the successful candidate, the party offering the tender will confirm the successful bidder (or if authorized by the party offering the tender, the bid evaluation committee will appoint the successful bidder directly);
- (xi) The party offering the tender will notify the successful bidder and the unsuccessful bidders in writing; and
- (xii) The contract being tendered will be signed between the relevant construction department of the Company with the successful bidder. If the successful bidder does not enter into the construction contract at the agreed time and location without having a valid reason, the successful bidder will be automatically disqualified.

The terms of the transactions with a transaction amount, which is equal to or less than RMB 2 million, will be agreed upon arm's length negotiations between the Company and the accepted providers (including China National Gold) of the relevant services. All transactions between the Company and the successful bidders or accepted providers (including China National Gold) will be subject to the pricing terms set out in the Jiama Framework Agreement, where such terms are determined based on and consistent with those of the historical transactions entered into between the Group and its independent third parties.

As required under the Price Law of the PRC, the relevant rules, regulations and measures formulated and promulgated thereunder and other applicable PRC laws and regulations, merchandise and services prescribed thereunder will be subject to the pricing requirements thereunder or the prices stipulated in the price catalogs issued by the central government or local governments at the provincial, autonomous regional and municipal levels of the PRC from time to time. Should the services provided for the transactions under the Jiama Framework Agreement fall within the scope of such pricing requirements or the applicable price catalogs issued by the PRC government at the relevant time, the prices of such services will be determined in accordance with the prices stipulated under such requirements or such catalogs. For transactions which are not subject to the pricing requirements under the relevant PRC laws and regulations and where there are no comparable historical prices or no active market, the prices will be determined through arm's length negotiations between the parties after taking into account the actual costs and reasonable profit margin, which will be determined after arm's length negotiations and with reference to profit margin of prevailing market for the services as contemplated under the Jiama Framework Agreement and/or the average profits margin in the related industry. Such profit margin of the prevailing market will be determined with reference to the quotations obtained from independent third parties, which provide the same or similar services.

The Jiama Mine is located in the Tibet Autonomous Region of the PRC where mining conditions are harsh. China National Gold is able to arrange experienced workforce and suitable equipment for projects under high altitude and extreme weather, and it has the capability to provide equipment maintenance services required at the Jiama Mine.

The Directors (including all independent non-executive Directors) are of the view that (i) the transactions contemplated under the Supplemental Jiama Framework Agreement will be entered into in the ordinary and usual course of business of the Group; (ii) the terms of the Supplemental Jiama Framework Agreement (including the pricing terms) are conducted on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and (iii) the Proposed Annual Caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

SUPPLEMENTAL CONTRACT FOR PURCHASE AND SALE OF DORE

A. Background

Reference is made to the Company's announcement dated January 27, 2012 and the Company's circular to the Shareholders dated February 14, 2012.

As previously disclosed, on January 27, 2012, Inner Mongolia Pacific (a joint venture company controlled by the Company) entered into the Contract for Purchase and Sale of Dore with China National Gold. The purpose of the agreement was for the sale and purchase of gold dore bars and silver by-products produced at the CSH Gold Mine owned and operated by Inner Mongolia Pacific in Inner Mongolia to be carried out for the year ended December 31, 2012 and the two years ending December 31, 2013 and 2014.

The payment terms referred to in the Contract for Purchase and Sale of Dore referenced the daily average price of Au9995 gold ingot as quoted on the Shanghai Gold Exchange on the notification date (i.e. three working days prior to delivery of shipment of gold dore bars) less RMB0.95 per gram, multiplied by the settlement weight and the daily average price of No. 2 silver at the Shanghai Huatong Platinum & Silver Exchange on the notification date less RMB0.5 per gram, multiplied by the settlement weight, which are determined based on and consistent with the terms of the historical transactions entered into between the Group and its independent third parties.

Pursuant to the terms of the Contract for Purchase and Sale of Dore, Inner Mongolia Pacific is to deliver a provisional invoice to China National Gold three working days in advance of the delivery date, and China National Gold is to effect provisional payment to Inner Mongolia Pacific two working days prior to the delivery date (the "Original Payment Term"). If samples of gold and silver delivered are sent to an umpire for analysis, the settlement date shall be two working days following the completion of the umpire analysis.

As previously disclosed, the annual monetary caps for the transactions contemplated under the Contract for Purchase and Sale of Dore are RMB1,782 million, RMB1,980 million and RMB3,168 million, for the year ended December 31, 2012 and the two years ending December 31, 2013 and 2014.

B. Basis for the proposed revision to the Original Payment Term

Owing to the various reasons set out below, Inner Mongolia Pacific and China National Gold entered into the Supplemental Contract for Purchase and Sale of Dore dated April 26, 2013 to delete the Original Payment Term, and to revise the terms, pursuant to which Inner Mongolia Pacific will deliver to China National Gold an invoice for the resulting settlement weight, and China National Gold will have 30 calendar days to effect payment (the "Proposed Amendment"). In arriving at the Proposed Amendment, the Directors have considered the following factors:

- (a) China National Gold has generally been able to comply with the Original Payment Term. However, as the period which provided for China National Gold to settle the provisional payment under the Original Payment Term is only one business day, it created some practical difficulties for China National Gold to meet the payment terms due to external factors in certain situations e.g. when the banks are closed during the public holidays period in the PRC. Any delay in bank transfer or any accidental inadvertence may result in the delay of payment. Such payment delay would in turn increase the security risk of the

Group over the storage of gold dore because such gold dore would not be delivered to China National Gold until after receipt of the payment from China National Gold under the Original Payment Term. The Directors believe that the Proposed Amendment will alleviate such security pressure of the Group over the storage of gold dore as the delivery of gold dore would not be interrupted by any delay in payment due to external factors;

- (b) China National Gold is the largest gold producer and has the largest gold refinery facility in the PRC;
- (c) China National Gold has excellent credibility in the gold industry and also has a very good payment history;
- (d) the Group has a long term cooperative relationship with China National Gold; and
- (e) the Proposed Amendment will not cause significant financial impact to the Group.

Except for the Proposed Amendment, no material changes have been made to the terms and conditions under the Contract for Purchase and Sale of Dore, and such terms and conditions shall remain effective. The annual monetary caps for the transactions contemplated thereunder for the year ended December 31, 2012 and the two years ending December 31, 2013 and 2014 shall remain unchanged.

C. Reasons for and benefits of transactions

The reasons for and benefits of the Supplemental Contract for Purchase and Sale of Dore mainly include:

- (a) the Group (including Inner Mongolia Pacific) has established a long-term cooperative relationship with China National Gold and therefore, the Group (including Inner Mongolia Pacific) is able to execute the transactions with China National Gold with more flexibility and on more favourable terms;
- (b) China National Gold, being the largest gold producer in China, has good credibility in the industry. This lends assurance to the Group (including Inner Mongolia Pacific) that risks it may face conducting business with China National Gold would be low; and
- (c) the pricing term under the Supplemental Contract for Purchase and Sale of Dore is fair, reasonable and beneficial to Inner Mongolia Pacific.

The Directors (including the independent non-executive Directors) consider that (i) the transactions contemplated under the Supplemental Contract for Purchase and Sale of Dore will be entered into in the ordinary and usual course of business of the Group; (ii) the terms of the Supplemental Contract for Purchase and Sale of Dore are conducted on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and (iii) the annual monetary caps for the transactions contemplated under the Contract for Purchase and Sale of Dore for the year ended December 31, 2012 and the two years ending December 31, 2013 and 2014 are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

NEW CONTINUING CONNECTED TRANSACTIONS

On April 26, 2013, the Company entered into two new continuing connected transactions: (i) the Product and Service Framework Agreement and (ii) the Contract for the Purchase and Sale of Copper Concentrate.

PRODUCT AND SERVICE FRAMEWORK AGREEMENT

A. Key terms

- Date:** April 26, 2013
- Parties:** (a) the Company; and
(b) China National Gold
- Subject matter:** China National Gold shall provide mining related services and products to the Company in order to facilitate the overall Group's operations in the PRC.
- Term:** Subject to the approval of the Independent Shareholders at the Meeting, effective until June 18, 2016.
- Products and services to be provided:** The mining related services and products encompass the following which are not covered under the Jiama Framework Agreement:
- (a) stripping and related services;
 - (b) mining research, development and design and related services;
 - (c) environmental, safety and occupational health management;
 - (d) tendering agency service;
 - (e) office lease; and
 - (f) auxilliary equipment.
- Decision of service provider:** The provider for each category of services and products will be determined by the Company through an arm's length negotiation process or an open market tendering process.
- Pricing:** The pricing of the services rendered under the Product and Service Framework Agreement shall be determined based on the following:
- (1) prices as may be stipulated by the PRC government (if any);
 - (2) should there be no such prices stipulated by the PRC government but there exists an active trading market, prices may be determined by an offering of tender;
 - (3) should there be no such prices stipulated by the PRC government and there is no active trading market, prices will be determined by comparison to identical or similar historical prices; or
 - (4) otherwise, at an agreed upon price consisting of the actual costs plus a reasonable profit margin.

B. Proposed annual caps and basis of determination for annual caps under the Product and Service Framework Agreement

The annual cap amounts for the transactions contemplated under the Product and Service Framework Agreement and the basis of determination for such annual cap amounts are set out as follows:

	Annual cap for the year ending December 31,			Basis for the annual caps
	2013 (RMB in thousands)	2014 (RMB in thousands)	2015 (RMB in thousands)	
Aggregate amount payable by the Company to China National Gold for mining related services and products	870,000	780,000	650,000	Based on (i) the expected contractual fees payable for the mining related services and products; (ii) the work schedule for mining development services under the Product and Service Framework Agreement and the procurement schedule for equipment; and (iii) the environmental, geological and socioeconomic conditions in the mines operated by the Group in the PRC.

The Directors currently anticipates that the approval from the Company's independent shareholders for the annual cap for 2016 will be sought in its Shareholders' meeting in 2015.

C. Reasons for and benefits of transactions

China National Gold is the largest gold production enterprise in the PRC and is engaged in survey design, resources development, production, sale and construction in relation to minerals such as gold, silver, copper and molybdenum. The Group can leverage on China National Gold's expertise in mining design, its centralized procurement system and its technological capabilities to maximize productivity at the CSH Mine and the Jiama Mine.

The Directors are of the view that the Product and Service Framework Agreement will effectively facilitate the Group's operations in the PRC.

The terms of the material transactions (with a transaction amount over RMB 2 million) contemplated under the Product and Service Framework Agreement were or will be agreed, through an open market tendering process (and subsequently upon arm's-length negotiations regarding the implementation details which include the payment terms), between the Company and successful bidders (including China National Gold) in accordance with the Guidelines. The terms of the transactions with a transaction amount, which is equal to or less than RMB 2 million, will be agreed upon arm's length negotiations between the Company and the accepted providers (including China National Gold) of the relevant services or products. All transactions between the Company and the successful bidders or accepted providers (including China National Gold) will be subject to the pricing terms set out in the Product and Service Framework Agreement, where such terms are determined based on and consistent with those of the historical transactions entered into between the Group and its independent third parties.

As required under the Price Law of the PRC, the relevant rules, regulations and measures formulated and promulgated thereunder and other applicable PRC laws and regulations, merchandise and services prescribed thereunder will be subject to the pricing requirements thereunder or the prices stipulated in the price catalogs issued by the central government or local governments at the provincial, autonomous regional and municipal levels of the PRC from time to time. Should the services or products provided for the transactions under the Product and Service Framework Agreement fall within the scope of such pricing requirements or the applicable price catalogs issued by the PRC government at the relevant time, the prices of such services or products will be determined in accordance with the prices stipulated under such requirements or such catalogs. For transactions which are not subject to the pricing requirements under the relevant PRC laws and regulations and where there are no comparable historical prices or no active market, the prices will be determined through arm's length negotiations between the parties after taking into account the actual costs and reasonable profit margin, which will be determined after arm's length negotiations and with reference to profit margin of prevailing market for the services and products as contemplated under the Product and Service Framework Agreement and/or the average profits margin in the related industry. Such profit margin of the prevailing market will be determined with reference to the quotations obtained from independent third parties, which provide the same or similar services or products.

The Directors (including all independent non-executive Directors) are of the view that (i) the transactions contemplated under the Product and Service Framework Agreement will be entered into in the ordinary and usual course of business of the Group; (ii) the terms (including the pricing terms) of the Product and Service Framework Agreement are conducted on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and (iii) the annual monetary caps for the transactions contemplated under the Product and Service Framework Agreement for the three years ending December 31, 2013, 2014 and 2015 are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

CONTRACT FOR PURCHASE AND SALE OF COPPER CONCENTRATE

A. Key terms

Date:	April 26, 2013
Parties:	(a) Huatailong (as the seller); and (b) CNGG (as the purchaser)
Subject matter:	The sale and purchase of copper sulphide concentrates, which mainly contain copper with a small amount of gold and silver, produced at the Jiama Mine owned and operated by Huatailong in Tibet Autonomous Region of the PRC
Term:	Subject to the approval of the Independent Shareholders at the Meeting, effective until December 31, 2014
Payment terms:	Settlement price for copper sulphide concentrates is to be determined based on the monthly average bench mark price of copper, gold and silver as follows: The average bench mark price for copper is determined by the monthly arithmetic average price settled in each trading day of the month in which the goods are delivered under the spot contract of the standard cathode copper in Shanghai Futures Exchange. If the bench mark price is more than RMB 20,000 a ton or is equal to or below RMB 75,000 a ton, the settlement price shall be the bench mark price, multiplied by the corresponding coefficient for pricing (with a range of 0.684 to 0.863), which increases with the bench mark price and is disclosed in the agreement. If the market situation significantly changes, such that the bench mark price is equal to or below RMB 20,000 a ton or more than RMB 75,000 a ton, both parties will determine the coefficient for pricing for the calculation of the settlement price through friendly negotiations.

The average bench mark price for gold (with gold content less than one gram per dry metric ton) is based on the trading days from 1st to 31st of the month in which the goods are delivered, to be calculated by the monthly arithmetic average of the weighted (settlement) price of Au9995 gold ingot of each trading day in the Shanghai Gold Exchange. If the gold content is equal to or more than one gram per dry metric ton, the settlement price shall be the bench mark price, multiplied by the corresponding coefficient for pricing, which increases with the gold content and is disclosed in the agreement.

The average bench mark price for silver (with silver content less than 20 grams per dry metric ton) is based on the trading days from the 1st to 31st of the month in which the goods are delivered, and calculated using the monthly arithmetic average of No.3 GB silver in the Shanghai White Platinum & Silver Exchange. If the silver content is equal to or more than 20 grams per dry metric ton, the settlement price shall be the bench mark price multiplied by the corresponding coefficient for pricing, which increases with the silver content and is disclosed in the agreement.

Delivery of goods shall be made by Huatailong within 30 days after receiving advance payment by CNGG according to the quantity to be delivered. Settlement shall be conducted within five working days of the next month. Huatailong shall timely provide the invoice for settlement according to the settlement amount (issue 17% value added tax special invoice for copper and silver; and issue plain invoice for gold). If there is a difference between the amount of the advance payment and the settlement amount, the amount overpaid shall be refunded by Huatailong while the amount deficient shall be supplemented by CNGG.

The terms of the Contract for Purchase and Sale of Copper Concentrate are (i) determined based on, and consistent with, the historical transactions between the Group and independent third parties, and (ii) agreed upon through arm's-length negotiations between Huatailong and CNGG. The settlement price of the copper sulphide concentrates and the coefficients for pricing are determined after taking into account the smelting cost, which remains almost constant irrespective of the bench mark price. Such determination of the settlement price is consistent with that used for historical transactions entered into between the Group and its independent third parties. If the market situation significantly changes, such that the bench mark price is equal to or below RMB 20,000 a ton or more than RMB75,000 a ton, the coefficient for pricing for the calculation of the settlement price will be determined through friendly negotiations on an arm's-length basis between the parties. Such price will be subject to the approval of the Independent Board Committee on the basis that such price is no less favourable to the Group than the price available to independent third parties after taking into account the prevailing market prices for comparable settlement price with reference to the quotations obtained from different independent third parties in the same industry. There has been no occasion where the market situation significantly changes under which the settlement price is determined through friendly negotiations since the commencement of operations of the Jiama Mine.

B. Proposed annual caps and basis of determination for annual caps under the Contract for Purchase and Sale of Copper Concentrate

The Directors estimate that the annual aggregate sales amount in respect of the transactions contemplated under the Contract for Purchase and Sale of Copper Concentrate will not exceed RMB510 million and RMB3,400 million for the two years ending December 31, 2013 and 2014, respectively.

In arriving at such annual caps, the Directors have considered the following factors:

- (a) Such caps are determined with reference to the amount of previous transactions during the three years ended December 31, 2010, 2011 and 2012. For the three years ended December 31, 2010, 2011 and 2012, the total production of copper sulphide concentrates at the Jiama Mine was approximately 1,177.41 tons, 46,521 tons and 52,795 tons, respectively, and the aggregate sales to an independent third party of the Group was approximately RMB 39,622,940, approximately RMB 664,752,271 and approximately RMB 702,773,750, respectively, for the three years ended December 31, 2010, 2011 and 2012.

- (b) The price of copper sulphide concentrates to be purchased by CNGG will be referenced to (i) the monthly arithmetic average price settled in each trading day of the month in which the goods are delivered under the spot contract of the standard cathode copper in Shanghai Futures Exchange, (ii) the monthly arithmetic average of the weighted (settlement) price of Au9995 gold ingot of each trading day in the Shanghai Gold Exchange, and (iii) the monthly arithmetic average of No.3 GB silver in the Shanghai White Platinum & Silver Exchange prevailing at the time of each purchase order. Taking into account the steadily increasing prices of copper, gold and silver from 2010 to 2012, the Directors estimate that the selling price for the Group's copper sulphide concentrates to CNGG will remain relatively stable with possible upward adjustments for the two years ending December 31, 2013 and 2014.
- (c) The Directors expect that the sales volume to CNGG for the two years ending December 31, 2013 and 2014 is expected to increase in line with the continued growth in the production of copper sulphide concentrates at the Jiama Mine pursuant to the expansion plan of the Jiama Mine, details of which are set out in the Pre-feasibility Study. Copper produced in 2013 is expected to reach 26.5 million pounds, which is slightly more than 26 million pounds produced in 2012. Following the completion of the expansion plan by end of 2014, the Directors estimate that the total copper sulphide concentrates salable to CNGG will increase by approximately 4 times in 2014 as compared with 2013.

C. Reasons for and benefits of transactions

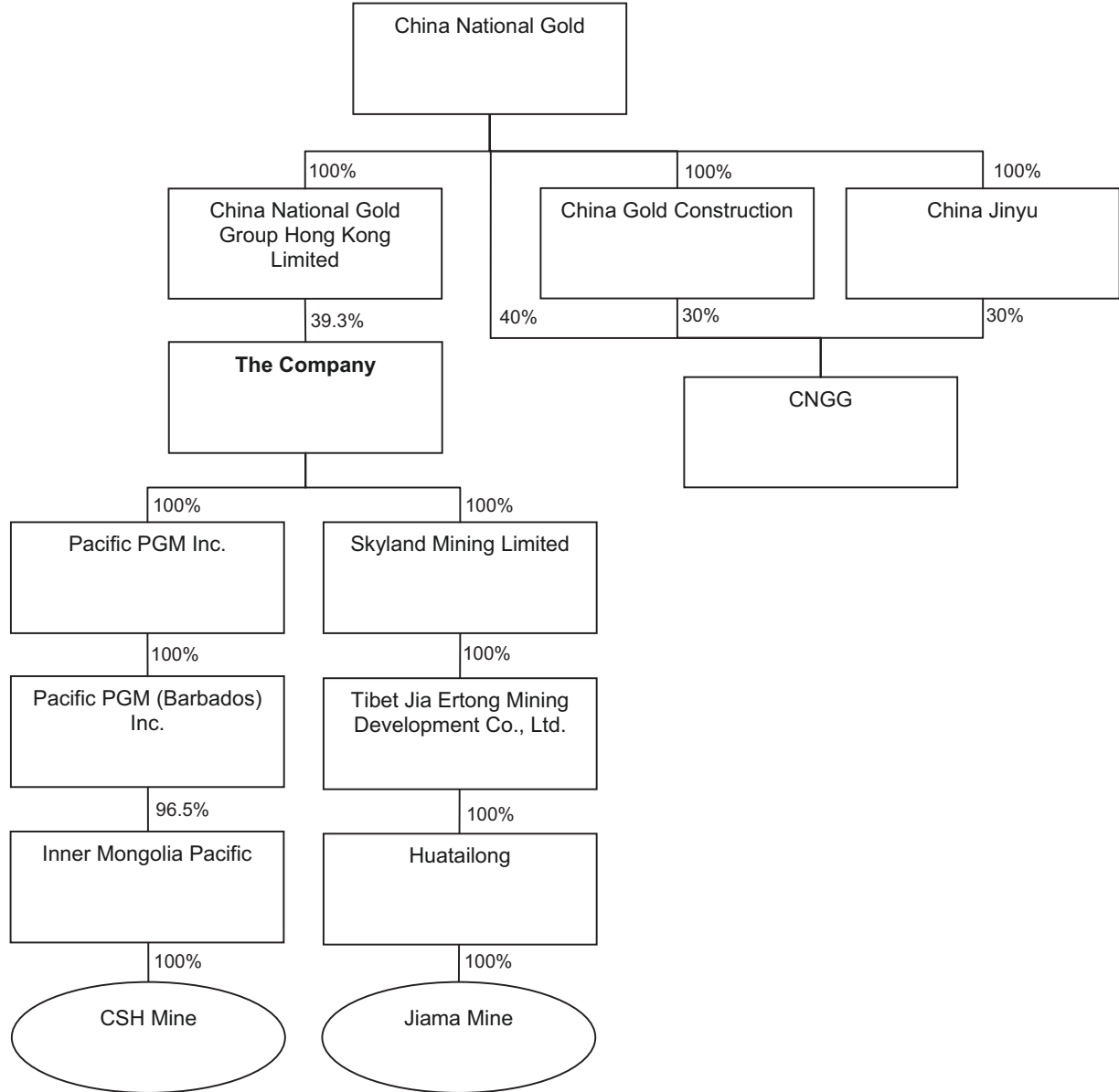
The reasons for and benefits of the Contract for Purchase and Sale of Copper Concentrate mainly include:

- (a) the Group (including Huatailong) has established a long-term cooperative relationship with China National Gold and therefore, the Group (including Huatailong) is able to execute the transactions with CNGG, which is ultimately controlled by China National Gold, with more flexibility and on more favourable terms;
- (b) China National Gold, being the largest gold producer in China, has good credibility in the industry. This lends assurance to the Group (including Huatailong) that risks it may face conducting business with CNGG, which is ultimately controlled by China National Gold, would be low;
- (c) the pricing term under the Contract for Purchase and Sale of Copper Concentrate is fair, reasonable and beneficial to Huatailong; and
- (d) the sales volume to CNGG for the two years ending December 31, 2013 and 2014 is expected to increase in line with the continued growth in the production of copper sulphide concentrates at the Jiama Mine pursuant to the expansion plan of the Jiama Mine.

The Directors (including all independent non-executive Directors) are of the view that (i) the transactions contemplated under the Contract for Purchase and Sale of Copper Concentrate will be entered into in the ordinary and usual course of business of the Group; (ii) the terms of the Contract for Purchase and Sale of Copper Concentrate are conducted on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and (iii) the annual monetary caps for the transactions contemplated under the Contract for Purchase and Sale of Copper Concentrate for the two years ending December 31, 2013 and 2014 are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

IMPLICATION UNDER THE HONG KONG LISTING RULES

The following diagram sets out the current shareholding relationship among China National Gold, the Company and CNGG.



As shown above, the Company, Inner Mongolia Pacific, Huatailong and CNGG are ultimately controlled by China National Gold. As such, China National Gold and CNGG are connected persons of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

The transactions contemplated under the Continuing Connected Transaction Contracts are aggregated pursuant to Rule 14A.25 of the Hong Kong Listing Rules on the basis that such transactions have been entered into by the Group with China National Gold or CNGG (where applicable) which are connected or otherwise associated with one another. As one or more of the relevant percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules), when calculated on aggregated basis, for the transactions contemplated under the Continuing

Connected Transaction Contracts exceeds 5%, such transactions constitute non-exempt continuing connected transactions that are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

In addition, as (1) the extension of the expiry date as contemplated under the Supplemental Jiama Framework Agreement and the Proposed Annual Caps, and (2) the Proposed Amendment as contemplated under the Supplemental Contract for Purchase and Sale of Dore constitute material changes to the terms of the Jiama Framework Agreement and the Contract for Purchase and Sale of Dore, respectively. Therefore, pursuant to Rule 14A.36(2) of the Hong Kong Listing Rules, the Company is required to re-comply with the reporting, announcement and Independent Shareholders' approval requirements under the Hong Kong Listing Rules.

Each of Mr. Zhaoxue Sun, Mr. Xin Song, Mr. Bing Liu and Mr. Zhanming Wu is considered to have a conflict of interest in the transactions contemplated under the Continuing Connected Transaction Contracts due to their senior management positions in China National Gold. They abstained from voting on the Board resolutions in relation to such transactions.

FURTHER INFORMATION OF THE PARTIES

China National Gold is the only enterprise directly supervised by the State Council of the PRC that focuses on the exploration, mining, processing, smelting, refining and sales of gold. It also operates other nonferrous mineral assets related businesses. The predecessor of China National Gold was China National Gold Corporation, which was established in 1979 and headquartered in Beijing. China National Gold was the largest gold producer in China in 2012 by gold output, according to the China Gold Association. It is also the only enterprise in the gold industry in China that explores, produces and processes gold with a grade of Au99999.

The Company is a gold and base metal mining company based in Vancouver, Canada. Its principal properties are the CSH Mine located in Inner Mongolia, China and the Jiama Mine, located in the Tibet Autonomous Region, China. The Company commenced gold production at the CSH Mine in July 2007 and commenced commercial production on July 1, 2008. The Company acquired 100% ownership of the Jiama Mine which hosts a large scale copper-gold polymetallic deposit consisting of copper, molybdenum, gold, silver, lead and zinc on December 1, 2010. The mine commenced commercial production in September 2010.

Inner Mongolia Pacific is a co-operative joint venture company controlled by the Company whose major asset is the CSH Mine. Since its establishment in April 2002, it has been primarily engaged in exploration and mining activities. The Company has been in control of 96.5% of the equity interest of Inner Mongolia Pacific through its wholly-owned subsidiary Pacific PGM (Barbados) Inc., since April 2005.

Huatailong owns and operates the Jiama Mine. Since its establishment on January 11, 2007, it has been primarily engaged in exploration and mining activities. It is ultimately controlled by the Company.

CNGG is ultimately controlled by China National Gold directly through itself and indirectly through its wholly-owned subsidiaries, China Gold Construction and China Jinyu. CNGG primarily focuses on import and export of non-ferrous metals, such as copper, aluminum, lead and zinc, and related technology, sales of mineral products and steel, warehousing and investment advisory service.

RECOMMENDATION

Based on its views set out above, the Board recommends that the Independent Shareholders vote in favour of the resolutions concerning the Proposed Matters.

Furthermore, your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out in Schedule E to the accompanying information circular.

Having taken into account the advice of TC Capital Asia Limited, the Independent Board Committee considers that (i) the terms of the Continuing Connected Transaction Contracts (including the Proposed Annual Caps and the respective annual monetary caps for the transactions contemplated under the Product and Service Framework Agreement and the Contract for Purchase and Sale of Copper Concentrate) are fair

and reasonable; (ii) the transactions contemplated thereunder will be conducted on normal commercial terms in the ordinary and usual course of business of the Group; and (iii) such transactions are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions in respect of the Proposed Matters at the Meeting.

THE MEETING

The Meeting will be held at 11:00 am on Tuesday, June 18, 2013 Vancouver time (i.e. Wednesday, June 19, 2013 Hong Kong time) in the Walker Room of the Terminal City Club located at 837 West Hastings Street, Vancouver, British Columbia, Canada V6C 1B6.

At the Meeting, ordinary resolutions will be proposed to, among other things, approve the Proposed Matters. Voting on such ordinary resolutions at the Meeting will be conducted by way of poll in accordance with the requirements of the Hong Kong Listing Rules.

As of the Latest Practicable Date, China National Gold was interested in and entitled to exercise control over approximately 39.3% of the total number of the issued shares of the Company. As such, China National Gold and its associates will abstain from voting with regards to the ordinary resolutions to be proposed at the Meeting in connection with the Proposed Matters.

Yours faithfully,

**FOR AND ON BEHALF OF THE BOARD
OF CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.**

Zhaoxue Sun
Chairman

SCHEDULE E

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

May 21, 2013

Dear Independent Shareholders,

We refer to the information circular dated May 21, 2013, of which this letter forms part. Unless the context requires otherwise, terms and expressions defined in the accompanying information circular shall have the same meanings in this letter.

We have been appointed to as members of the Independent Board Committee, which has been established to advise the Independent Shareholders on whether (i) the terms of the Continuing Connected Transaction Contracts (including the Proposed Annual Caps and the respective annual monetary caps for the transactions contemplated under the Product and Service Framework Agreement and the Contract for Purchase and Sale of Copper Concentrate) are fair and reasonable; (ii) the transactions contemplated thereunder will be conducted on normal commercial terms in the ordinary and usual course of business of the Group; and (iii) such transactions are in the best interests of the Company and its Shareholders as a whole.

TC Capital Asia Limited has been appointed as the independent financial adviser to advise us and the Independent Shareholders in respect of the transactions contemplated under the Continuing Connected Transaction Contracts (including the Proposed Annual Caps and the respective annual monetary caps for the transactions contemplated under the Product and Service Framework Agreement and the Contract for Purchase and Sale of Copper Concentrate). We wish to draw your attention to the letter from TC Capital Asia Limited set out in Schedule F to the accompanying information circular.

As members of the Independent Board Committee, we have discussed with the management of the Company in relation to (i) the Continuing Connected Transaction Contracts, (ii) the basis upon which the terms of the Continuing Connected Transaction Contracts have been determined, and (iii) the basis upon which the Proposed Annual Caps and the respective annual caps for transactions contemplated under the Product and Service Framework Agreement and the Contract for Purchase and Sale of Copper Concentrate have been calculated. We have also taken into account the principal factors and reasons considered by TC Capital Asia Limited in forming its opinion in relation to the Proposed Matters, and have discussed with TC Capital Asia Limited its letter of advice.

On the basis of the above, we consider, and agree with the view of TC Capital Asia Limited, that (i) the terms of the Continuing Connected Transaction Contracts (including the Proposed Annual Caps and the respective annual monetary caps for the transactions contemplated under the Product and Service Framework Agreement and the Contract for Purchase and Sale of Copper Concentrate) are fair and reasonable; (ii) the transactions contemplated thereunder will be conducted on normal commercial terms in the ordinary and usual course of business of the Group; and (iii) the such transactions are in the best interests of the Company and its Shareholders as a whole.

Accordingly, we recommend you to vote in favour of the ordinary resolutions in respect of the Proposed Matters at the Meeting.

Yours faithfully,

FOR AND ON BEHALF OF THE INDEPENDENT BOARD COMMITTEE OF CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

Ian He
Yunfei Chen
Gregory Hall
John King Burns
Independent Non-executive Directors

SCHEDULE F

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



TC Capital Asia Limited
天財資本亞洲有限公司

May 21, 2013

The Independent Board Committee and the Independent Shareholders
China Gold International Resources Corp. Ltd. (the “**Company**”)

Dear Sirs,

REVISIONS TO EXISTING CONTINUING CONNECTED TRANSACTIONS AND NEW CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the revision of the existing annual caps for the two years ending December 31, 2014, the extension of the expiry date of the Jiama Framework Agreement to December 31, 2015 and the proposed annual cap for the year ending December 31, 2015 under the Supplemental Jiama Framework Agreement; (ii) the revision of the payment terms of the Contract for Purchase and Sale of Dore under the Supplemental Contract for Purchase and Sale of Dore; (iii) the Product and Services Agreement entered into between the Company and China National Gold; and (iv) the Contract for Purchase and Sale of Copper Concentrate entered into between Huatailong and CNGG, which constitutes connected transactions of the Company. Details of the aforesaid Proposed Transactions (as defined below) are set out in Schedule D - Letter from the Board of Directors (the “**Board Letter**”) of the information circular of the Company dated May 21, 2013 issued to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular, unless otherwise specified.

References are made to the Company’s announcement dated November 6, 2012, and the circular to the Shareholders dated November 20, 2012. The Company entered into the Jiama Framework Agreement with China National Gold pursuant to which China National Gold would provide mining development and construction services to the Company at the Jiama Mine in order to implement the Phase II development plan for the Jiama Mine. References are also made to the Company’s announcement dated January 27, 2012, and the circular dated February 14, 2012. On January 27, 2012, China National Gold and Inner Mongolia Pacific entered into the Contract for Purchase and Sale of Dore for the purpose of regulating the sale and purchase of gold dore bars and silver by-products produced at the CSH Mine owned and operated by Inner Mongolia Pacific in

Inner Mongolia to be carried out between them for the year ended December 31, 2012 and the two years ending December 31, 2013 and 2014.

Mr. He, Ying Bin Ian, Mr. Chen, Yunfei, Mr. Hall, Gregory Clifton and Mr. Burns, John King, the independent non-executive Directors, have been appointed as the members of the Independent Board Committee to advise the Independent Shareholders as to whether (i) the terms of the Continuing Connected Transaction Contracts; (ii) the basis upon which the terms of the Continuing Connected Transaction Contracts have been determined; (iii) the basis upon which the Proposed Annual Caps and the respective annual caps for transactions contemplated under the Product and Service Framework Agreement and the Contract for Purchase and Sale of Copper Concentrate have been calculated (items (i) to (iii) above are collectively referred to as the “**Proposed Transactions**”), are in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole; and to vote in favour of or against the resolutions to be proposed at the Meeting for approving the aforesaid matters. As the independent financial adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in this regard.

By virtue of China National Gold being the ultimate controlling shareholder of the Company, Huatailong and CNGG, China National Gold and its associates are connected persons of the Company under the Listing Rules. The transactions contemplated under the Supplemental Jiama Framework Agreement, the Contract for Purchase and Sale of Dore and the New Continuing Connected Transactions constitute non-exempted continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Hong Kong Listing Rules when calculated on aggregated basis, for the transactions contemplated under the New Continuing Connected Transactions, exceed 5%, the transactions contemplated under New Continuing Connected Transactions constitute non-exempt continuing connected transactions that are subject to, inter alia, the Independent Shareholders’ approval, reporting, annual review and announcement requirements under Chapter 14A of the Hong Kong Listing Rules.

Pursuant to Rule 14A.36(2) of the Hong Kong Listing Rules, the extension of expiry date and the Proposed Annual Caps under the Supplemental Jiama Framework Agreement constitute material changes to the Jiama Framework Agreement, the Company is therefore required to re-comply with the reporting, announcement and Independent Shareholders’ approval requirements under the Hong Kong Listing Rules.

In formulating our opinion and recommendation, we have considered and reviewed, among other things, (i) the Supplemental Jiama Framework Agreement, the Supplemental Contract for Purchase and Sale of Dore, Supplemental Contract for Purchase and Sale of Dore, the Product and Service Agreement and the Contract for Purchase and Sale of Copper Concentrate; (ii) the Company’s 2012 annual report; (iii) the Prefeasibility Study (iv) the prospectus of the Company dated November 17, 2010 (the “**Prospectus**”) and (v) other information as set out in the Circular. We have also relied on all relevant information, opinions and facts supplied and represented by the Company, the Directors and the management of the Company. We have assumed that all such

information, opinions, facts and representations contained or referred to in the Circular, for which the Company is fully responsible, were true and accurate in all respects as at the date hereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, and the Company has confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out independent verification of the information, nor have we conducted any form of in-depth investigation into the businesses, affairs, operations, financial position or future prospects of each of the Company, China National Gold and any of their respective subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED IN RELATION TO THE PROPOSED TRANSACTIONS

In arriving at our recommendation, we have taken into consideration the following principal factors and reasons:

Background of and reasons for the connected transactions

A. Supplemental Jiama Framework Agreement

The Jiama Framework Agreement has an effective date of November 6, 2012 until December 31, 2014 and encompasses the following mining services: (i) hornfels stripping and related work; (ii) construction and engineering project supervision; (iii) overall mine development and construction, including processing plant, tailings and other support services; (iv) mining research and design; and (v) auxiliary equipment. The service provider for each category of service will be determined by China National Gold through an open market tendering process.

The Directors anticipate that the existing annual caps for the two years ending December 31, 2013 and 2014 for the transactions under the Jiama Framework Agreement will not be sufficient for the Group's current development and expansion plan and the service fees payable under the transactions will be extended to 2015, which is also not covered by the Jiama Framework Agreement. Therefore, the Company entered into the Supplemental Jiama Framework Agreement with China National Gold to extend the expiry date and revise the annual caps therein. Other terms and conditions under the Jiama Framework Agreement shall remain unchanged.

China National Gold is the largest gold production enterprise in the PRC. Its business covers survey design, resources development, production, sale and construction in relation to minerals such as gold, silver, copper and molybdenum. China Gold Construction possesses expertise in mining projects involving refractory minerals, high altitude and extreme cold weather.

The Jiama Mine is located in the Tibet Autonomous Region where the mining conditions are harsh. China National Gold is able to arrange an experienced workforce and suitable equipment to complete projects at high altitude and in extreme weather and it has the capability to provide equipment maintenance services required at the Jiama Mine. By leveraging upon China National Gold's expertise in mining design, centralized procurement system and technological capabilities, the Company, through its subsidiary, Huatailong, can effectively maximize productivity at the Jiama Mine. The terms of the Jiama Framework Agreement have been agreed upon based on open market tendering process and arm's length negotiations between the Company and China National Gold as approved by the Independent Shareholders on December 20, 2012.

Having considered the principal businesses of each of the Group and China National Gold and that the reasons for entering into the Supplemental Jiama Framework Agreement are to extend the expiry date of the Jiama Framework Agreement, to revise the annual caps for the two years ending December 31, 2014 and to introduce the proposed annual cap for the year ending December 31, 2015, we are of the view that the entering into of the Supplemental Jiama Framework Agreement falls within the ordinary and usual course of business of the Group and is fair and reasonable so far as the Independent Shareholders are concerned.

B. Supplemental Contract for Purchase and Sale of Dore

The Contract for Purchase and Sale of Dore was entered into between Inner Mongolia Pacific and China National Gold for the sale and purchase of gold dore bars and silver by-products produced at the CSH Mine. As disclosed in the Board Letter, according to the Original Payment Term, China National Gold is to effect provisional payment to Inner Mongolia Pacific two working days prior to the delivery date, on which day Inner Mongolia Pacific is to deliver a provisional invoice three working days in advance. If samples of gold and silver delivered are sent to an umpire for analysis, the settlement date shall be two working days following the completion of the umpire analysis. Owing to the various reasons as disclosed in the Board Letter, Inner Mongolia Pacific and China National Gold entered into the Supplemental Contract for Purchase and Sale of Dore to delete the Original Payment Term and to revise the terms, pursuant to which Inner Mongolia Pacific will deliver to China National Gold an invoice for the resulting settlement weight, and China National Gold will have 30 calendars days to effect payment.

We have discussed with the management of the Company and understand that although China National Gold has always been able to comply with the Original Payment Term, there are practical difficulties in meeting the stringent payment term because the actual number of preparation day for the making the provisional payment is only one working day. Any delay in bank transferring or any accidental negligence may result in the delay of payment, which in turn causes a breach of the Original Payment Term. Moreover, taking into account the Contract for Purchase and Sale of Dore is a result of a long-term cooperative relationship between the Group and China National Gold and both parties aim at achieving mutual benefits, we therefore concur with the Directors that the Supplemental Contract for Purchase and Sale of Dore is able to execute the transactions with more flexibility and on more favourable terms to avoid any unnecessary breach of the terms which may undermine cooperation relationship. Pursuant to the Contract for Purchase and Sale of Dore, no delivery or shipment will occur unless and until the Company confirms the receipt of the

provisional payment. This would potentially increase the risk of storage of gold materials when China National Gold is unable to effect payment on bank holidays, such risk would be exaggerated during long holiday such as the Chinese New Year and golden week in May. We are advised that the Supplemental Contract for Purchase and Sale of Dore will also alleviate the security pressure of the Group over the storage of gold as the delivery of gold would not be interrupted by any late payment caused by the stringent payment term. Further, we are advised that the change in payment term will not cause significant financial impact to the Group, having considered also China National Gold's excellent credibility in the gold industry as the largest gold producer in the PRC, and good payment history and the long term cooperative relationship between the Group and China National Gold, we agree that the Supplemental Contract for Purchase and Sale of Dore is entered into within the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

C. Product and Service Framework Agreement

On April 26, 2013, the Company entered into the Product and Service Framework Agreement with China National Gold to encompass (i) stripping and related services; (ii) mining research, development and design; (iii) environmental, safety and occupational health management; (iv) tendering agency service; (v) office lease; and (vi) auxiliary equipment. As advised by the management of the Company, the products and services to be provided by China National Gold are not covered by the Jiama Framework Agreement. As China National Gold is the largest gold production enterprise in the PRC and is engaged in survey design, resources development, production, sale and construction in relation to minerals such as gold, silver, copper and molybdenum, the Group can rely on China National Gold's expertise in mining design, its centralized procurement system and its technological capabilities to maximize productivity at the CSH Mine and the Jiama Mine. Having considered the above reasons and that the Company has similar arrangement with China National Gold under the Jiama Framework Agreement, we agree that the Product and Service Framework Agreement is entered into within the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

D. Contract for Purchase and Sale of Copper Concentrate

On April 26, 2013, Huatailong and CNGG entered into the Contract for Purchase and Sale of Copper Concentrate for the purpose of regulating the sale and purchase of copper concentrates produced from the Jiama Mine for the years ending December 31, 2013 and 2014. Pursuant to the Contract for Purchase and Sale of Copper Concentrate, Huatailong shall sell and CNGG shall purchase copper concentrates from time to time through to December 31, 2014, with pricing referenced to the prescribed figures disclosed in the agreement, based on the monthly average bench mark prices of copper, gold and silver.

CNGG is ultimately controlled by China National Gold directly through itself and indirectly through its wholly-owned subsidiaries. CNGG primarily focuses on import and export of non-ferrous metals, such as copper, aluminum, lead and zinc, and related technology, sales of mineral products and steel, warehousing and investment advisory service.

The Jiama Mine is a large scale polymetallic deposit with three types of copper-polymetallic mineralization observed. These include skarn, hornfels and porphyry hosted mineralization. The end products include copper, moly, lead and zinc concentrates, with other metals as by-products. Copper is the most abundant metal among all end products. Having considered that (i) China National Gold, which ultimately controls CNGG, has established long term relationship with the Group, thereby minimizing counterparty credit risk; (ii) China National Gold is the largest gold producer in the PRC and is capable to undertake copper concentrates from Huatailong given the expected growth in production capacity of copper sulphide concentrates at the Jiama Mine pursuant to the expansion plan of the Jiama Mine; and (iii) the pricing term under the Contract for Purchase and Sale of Copper Concentrate is fair, reasonable and beneficial to Huatailong, we are of the view that the entering into of the Contract for Purchase and Sale of Copper Concentrate falls within the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

Principal terms of the continuing connected transactions

A. Supplemental Jiama Framework Agreement

According to the Board Letter, except for the extension of the expiry date and the proposed revised annual caps for the two years ending December 31, 2013 and 2014 and the proposed annual cap for the year ending December 31, 2015, no material changes have been made to the terms and conditions under the Jiama Framework Agreement. Please refer to the Board Letter for details of the terms of the Supplemental Jiama Framework Agreement.

We have reviewed the principal terms of the Jiama Framework Agreement and the Supplemental Jiama Framework Agreement and noted that the pricing basis under the Supplemental Jiama Framework Agreement shall be the same as Jiama Framework Agreement and as follows:

- (i) prices as may be stipulated by the PRC Government (if any); if there are no such stipulated prices,
- (ii) prices as may be determined by offering of tender, if an active market exists; if there is no active market;
- (iii) prices as with reference to identical or similar transacted prices as observed from the market; otherwise
- (iv) an agreed price consisting of the actual costs plus a reasonable profit margin.

Having considered that (i) the pricing basis of the services under the Supplemental Jiama Framework Agreement is in line with either price stipulated by the PRC Government or market rate; (ii) China National Gold represented and warranted in the Jiama Framework Agreement that the terms offered to the Company are not less favourable than those offered to independent third parties; and (iii) the bidding and tender process of the Group requires all bids and tenders to adhere to strict rules and procedures and are scrutinized by professionals and experts in the field, we are of

the opinion that the terms of the Supplemental Jiama Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

We note that the amendments in the Supplemental Jiama Framework Agreement were made with reference to the actual construction progress and the expected completion program according to the revised development plan of the Jiama Mine, we therefore are of the opinion that the terms of the Supplemental Jiama Framework Agreement are on normal commercial terms, fair and reasonable, and in the interests of the Company and Shareholders as a whole.

B. Supplemental Contract for Purchase and Sale of Dore

The Supplemental Contract for Purchase and Sale of Dore concerns only Original Payment Term of the Contract for Purchase and Sale of Dore, pursuant to which Inner Mongolia Pacific is to deliver a provisional invoice to China National Gold three working days in advance of the delivery date, and China National Gold is to effect provisional payment to Inner Mongolia Pacific two working days prior to the delivery date. If samples of gold and silver delivered are sent to an umpire for analysis, the settlement date shall be two working days following the completion of the umpire analysis. The Supplemental Contract for Purchase and Sale of Dore is entered to delete the Original Payment Term and to revise the terms, pursuant to which Inner Mongolia Pacific will deliver to China National Gold an invoice for the resulting settlement weight, and China National Gold will have 30 calendars days to effect payment.

Having considered the practicality factor discussed in point B of Supplemental Contract for Purchase and Sale of Dore under the paragraphs headed “Background of and reasons for the connected transactions” above, the Supplemental Contract for Purchase and Sale of Dore will enable the execution of the transactions with more flexibility and on more favourable terms, and other payment and delivery terms remain unchanged. Having also considered that the long established relationship between China National Gold and the Group, the practical difficulties in complying with the Original Payment Term, the excellent credibility of China National Gold, although the Proposed Amendment is less favourable than the Original Payment Term as to the payment possibly being effected in a later time, the Company advised to us that there would not be adverse financial effect to the Group due to the Proposed Amendment and we are of the view that the terms of the Supplemental Contract for Purchase and Sale of Dore are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

C. Product and Service Framework Agreement

Principal terms of the Product and Service Framework Agreement are set out below:

Date : April 26, 2013

Parties : (a) The Company (as the recipient of products and services);
and

	(b) China National Gold (as the provider of products and services)
Subject matter	: China National Gold shall provide mining related services and products to the Company to facilitate the Group's operations in the PRC.
Term	: Subject to the approval of the Independent Shareholders at the Meeting, effective until June 18, 2016
Products and services to be provided	: The mining related services and products encompass the following: <ul style="list-style-type: none"> (i) stripping and related services; (ii) mining research, development and design and related services; (iii) environmental, safety and occupational health management; (iv) tendering agency service; (v) office lease; and (vi) auxiliary equipment.
Decision of service provider	: The provider for each category of service and products will be determined by the Company through an arm's length negotiation process or an open market tendering process. The material transactions contemplated under the Product and Service Framework Agreement will be agreed, through an open market tendering process between the Company and China National Gold in accordance with the tendering guidelines of the Group and the relevant PRC laws and regulations. The Company will enter into the respective agreements if China National Gold successfully bids for them through the open market tendering process.

As disclosed in the Prospectus, it is the industry practice to outsource all of the mining and exploration work (such as drilling) and most of the Company's mine construction work to reputable contractors such as China Railway 19 Bureau Group Co., Ltd. and China Metallurgical Chenggong Construction Co., Ltd. The Company believes that these outsourcing arrangements, if managed properly, can lower operational costs and reduce capital expenditures for equipment and machinery. The Company has also reaffirmed that they select contractors through a tendering process taking into account the contractors' skills and experience, as stated in the Prospectus. Contractors must possess the requisite qualifications for undertaking the work for which they are commissioned, while the Company retain control over project design, production planning, on-site work monitoring and quality inspection.

We have requested and obtained the latest Guidelines from the Company. The Guidelines have been prepared in accordance with the Tendering and Bidding Law of the PRC (<<中華人民共和國招投標法>>) (the “**Bidding Law**”), which serves to protect national and public interests as well as the legitimate rights and interests of the parties involved in tendering and bidding activities, to improve benefits and to ensure the quality of projects. The Company has confirmed to us that they will apply the Guidelines to the tenders of the services and products providers. Major features of the Guidelines are disclosed in the Board Letter.

We have reviewed the principal terms of the Product and Service Framework Agreement and noted that the pricing basis of the services and products under the Product Service Framework Agreement shall be:

- (i) prices as may be stipulated by the PRC Government (if any); if there are no such stipulated price,
- (ii) prices as may be determined by offering of tender, if an active market exists; if there is no active market;
- (iii) prices as with reference to identical or similar transacted prices as observed from the market; otherwise
- (iv) an agreed price consisting of the actual costs plus a reasonable profit margin.

As advised by the Company, in case where the pricing is determined based on item (iv) above, i.e. agreed price consisting of actual costs plus a reasonable profit margin, the margin will be determined after arm’s length negotiations and with reference to profits margin of prevailing market for the services and products as contemplated thereunder and/or the average profit margin in the related industry. The Company has also confirmed to us that if the Company requires services or products under the Product and Service Framework Agreement whose pricing is determined in accordance with item (iv) above, the Company shall obtain quotations from different service providers or suppliers and whenever the service fees or product prices offered by China National Gold are equal to or better than those offered by other independent service providers or suppliers who provided quotations, China National Gold is eligible to be selected. In determining whether the profit margin is reasonable or not, the Company shall compare the service fee or product price offered by China National Gold with those quoted by independent third parties and when such service fee or product price offered by China National Gold is equal to or less than those provided in the quotations obtained from those independent third parties, the Company would consider the profit margin reasonable.

Having considered that (i) the pricing basis of the services under the Product and Service Framework Agreement is in line with either price stipulated by the PRC Government or market rate; (ii) China National Gold represented and warranted in the Product and Service Framework Agreement that the terms offered to the Company are not less favourable than those offered to independent third parties; and (iii) the bidding and tender process of the Group requires all bids and tenders to adhere to strict rules and procedures and are scrutinized by professionals and experts in the field, we are of the opinion that the terms of the Product and Service Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

D. Contract for Purchase and Sale of Copper Concentrate

Principal terms of the Contract for Purchase and Sale of Copper Concentrate are set out below:

- Date : April 26, 2013
- Parties : (a) Huatailong (as the seller); and
(b) CNGG (as the purchaser)
- Subject matter : The purchase and sale of copper sulphide concentrates produced at the Jiama Mine owned and operated by Huatailong in Tibet Autonomous Region of the PRC
- Term : Subject to the approval of the Independent Shareholders at the Meeting, effective until December 31, 2014
- Payment terms : Settlement price for copper sulphide concentrates is to be determined through prescribed figures disclosed in the agreement, based on the monthly average bench mark price of copper, gold and silver, whichever is/are applicable.

The average bench mark price for copper is determined by the monthly arithmetic average price settled in each trading day of the month in which the goods are delivered under the spot contract of the standard cathode copper in Shanghai Futures Exchange. If the bench mark price is equal to or below RMB20,000 a ton or more than RMB75,000 a ton, both parties will use friendly negotiation in an arm's length basis to determine the settlement price.

We have examined the Contract for Purchase and Sale of Copper Concentrate and discussed the settlement price with the management of the Company. In particular, we understand that the settlement price is a factor (with a range of 0.684 to 0.863 which is negotiated at arm's length and is identical to that agreed with independent third parties) of the bench mark price and such factor would increase with the bench mark price. As advised by the Company, the reason for the difference between the settlement price and the bench mark price is the cost incurred for refinery by CNGG and the refinery cost should remain almost constant irrespective of the bench mark price. We therefore consider it reasonable that the above factor should increase with the bench mark price such that the difference between the bench mark price and the settlement price is kept at

a narrow range. As advised by the Company, due to the differences in copper contents and the presence of other minerals in copper concentrates, it is difficult for the parties to agree a fixed refinery cost nor determine a refinery cost batch by batch on site and it is industry practice to determine the settlement price using the above method. On the other hand, if the bench mark price is equal to or below RMB20,000 a ton or more than RMB75,000 a ton, both parties will friendly negotiate in an arm's length basis to determine the copper bearing settlement price. We consider this arrangement appropriate as it is impractical to list out all possible bench mark prices which only have remote chances to appear in the agreement. We have reviewed the copper bench mark prices in 2012 and 2011 and noted that none of them fell outside the above ranges and the Company confirmed to us that there has been no occasion which required friendly negotiation to determine the settlement price since the Jiama Mine commenced production. Further, the Company has confirmed to us that for the settlement price that is determined through friendly negotiation in an arm's length basis will be subject to the approval of the Independent Board Committee on the basis that such price is no less favourable to the Group than the price available to independent third parties after taking into account the prevailing market prices for comparable settlement price and quotations obtained from different independent third parties in the same industry. We have been provided with contracts for purchase and sale of copper concentrates entered into between the Company and independent third parties and we note that all material terms therein, including the method and factors of determining settlement prices, are identical to the Contract for Sale and Purchase of Copper Concentrate. Accordingly, we consider that the method for determining the settlement prices, including the range of factors, is fair and reasonable so far as the Independent Shareholders are concerned.

The average bench mark price for gold (with gold content less than one gram per dry metric ton) is based on the trading days from 1st to 31st of the month in which the goods are delivered, to be calculated by the monthly arithmetic average of the weighted (settlement) price of Au9995 gold ingot of each trading day in the Shanghai Gold Exchange. If the gold content is equal to or more than one gram per dry metric ton, the settlement price shall be the bench mark price multiplied by the corresponding coefficient for pricing, which is determined by

gold content as stipulated in the Contract for Purchase and Sale of Copper Concentrate. As advised by the Company, it is costly to smelt gold if the gold content is less than one gram per dry metric ton and the parties agree that the gold bearing price for these copper concentrates is made reference to the weighted (settlement) price of Au9995 gold ingot of each trading day in the Shanghai Gold Exchange (i.e. the gold bench mark price) to reflect the additional smelting cost. For gold content being more than one gram per dry metric ton, the mark up price will be a coefficient (with a range of 80% to 87% which is negotiated at arm's length and is identical to that agreed with independent third parties) of the gold bench mark price and such coefficient would increase with the gold content as the mark up price should increase when gold content increases. As advised by the Company, the arrangement is an industry practice.

The average bench mark price for silver is disclosed in the Board Letter. The treatment for silver settlement price with respect to the silver bench mark price is similar to that of gold as discussed above. After reviewing contracts for purchase and sale of copper concentrates entered into between the Company and independent third parties which contain material terms, including the method for determining the gold and silver settlement prices and the respective pricing coefficient, we consider that the method determining the settlement prices, including the range of coefficients, is fair and reasonable so far as the Independent Shareholders are concerned.

Delivery of goods shall be made by Huatailong within 30 days after receiving advance payment by CNGG according to the quantity to be delivered. Settlement shall be conducted within five working days of the next month. Huatailong shall timely provide the invoice for settlement according to the settlement amount (issue 17% valued added tax special invoice for copper and silver, and issue plain invoice for gold). If the settlement amount is different from the advance payment, the amount overpaid should be refunded while the amount deficient should be supplemented.

Taking into account that (i) the selling price of the copper sulphide concentrates is determined based on the bench mark prices of gold, silver and copper, which are determined with reference to average daily prices quoted on Shanghai Gold Exchange, Shanghai White Platinum & Silver Exchange and the Shanghai Futures Exchange, respectively; (ii) the Contract for Purchase and Sale of Copper Concentrate will provide the Group with a ready buyer of the copper sulphide

concentrates produced at the Jiama Mine; (iii) CNGG is required to make all payment in advance for goods according to the quantity to be delivered, we concur with the view of the Directors that the terms of the Contract for Purchase and Sale of Copper Concentrate are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Proposed annual caps

A. Supplemental Jiama Framework Agreement

Set out below are (1) the actual transaction amount for the year ended December 31, 2012; (2) the existing annual caps for the three years ending December 31, 2012, 2013 and 2014 under the Jiama Framework Agreements; (3) the Proposed Annual Caps for each of the two years ending December 31, 2013 and 2014; and (4) the additional Proposed Annual Cap for the year ending December 31, 2015 under the Supplemental Jiama Framework Agreement:

	For the financial year ended December 31, 2012	For the financial year ending December 31,		
	<i>RMB' million</i>	2013	2014	2015
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
The existing annual caps	630	960	290	-
The actual transaction amounts	317.123	-	-	-
The Proposed Revised Annual Caps	-	1,167.5	299.55	95.827

As stated in the Board Letter, the Proposed Revised Annual Caps for the two years ending December 31, 2015 have been determined with reference to:

- (i) the expected contractual fees payable for the mining development services at the Jiama Mine;
- (ii) the work schedule for mining development services under the Jiama Framework Agreement and the procurement schedule for equipment; and
- (iii) the environmental, geological and socio-economic conditions in the Tibet Autonomous Region of the PRC.

In assessing the fairness and reasonableness of the Proposed Annual Caps and the extension of the expiry date under the Jiama Framework Agreement, we have discussed with the management of the Company the basis and assumptions underlying the aforesaid amendments and obtained the understanding that, due to the delayed start-up of the processing and engineering works at Jiama Mine after getting the approvals from the Independent Shareholders on December 20, 2012, the utilization rate of the approved annual cap for the year of 2012 reached up to approximately 50%

only. Accordingly, the Company has revised the development plan for the Jiama Mine and estimated the engineering and mining development works schedule in order to speed up the pace to take up the increased demand of relevant works which are expected to take place in the coming years after the revision of the development plan. We have obtained and reviewed the latest revised development plan in respect of the service and products provided by the Company and we are also advised that in order to speed up the development and processing works at the Jiama Mine, the Company has planned to allocate majority of the capital and resources during the year of 2013. On this basis, the approved original annual cap for the year ending December 31, 2013 is considered insufficient according to the Company's revised development plan for the Jiama Mine. As a result, there are increases of approximately 21.6% and 3.3% of the proposed revised annual caps when comparing to the original approved annual caps for the year ended December 31, 2013 and 2014, respectively, but without any amendment of the total amount of existing annual caps for the three years ending December 31, 2014 (i.e. RMB1,880 million), under the approved Jiama Framework Agreement.

In order to cope with the schedule under the revised development plan for the Jiama Mine, the management of the Company considers extending the expiry date of the Jiama Framework Agreement and obtaining the proposed annual cap for the year ending December 31, 2015. Such extension will be required in order to allow the Company to have the flexibility in the practical allocation of remaining engineering works at the Jiama Mine and the expected contractual and procurement fees under the corresponding transactions.

As the basis of the Proposed Annual Caps was mainly determined based on the scope and amount of works required to be done at the Jiama Mine according to the revised development plan and the total amount of the proposed annual caps for the three years ending December 31, 2015 remain the same as the annual caps approved under the Jiama Framework Agreement (i.e. RMB1,880 million), we are of the opinion that this basis is fair and reasonable. Consequently, we are of the view that the Proposed Annual Caps and the extension of the expiry date of the Jiama Framework Agreement under the Supplemental Jiama Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

B. Product and Service Framework Agreement

The table below sets out the proposed annual caps under the Product and Service Framework Agreement for the three financial years ending December 31, 2015:

	For the year ending December 31,		
	2013	2014	2015
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Aggregate amount payable by the Company to China National Gold for mining related services and products	870	780	650

As disclosed in the Board Letter, the proposed annual caps under the Product and Service Framework Agreement have been determined with reference to:

- (i) the expected contractual fees payable for the mining related services and products;
- (ii) the work schedule for mining development services under the Product and Service Agreement and the procurement schedule for equipment; and
- (iii) the environmental, geological and socio-economic conditions in the mines operated by the Group in the PRC.

In assessing the fairness and reasonableness of the proposed annual caps under the Product and Service Framework Agreement, we have discussed with the management of the Company on the basis and assumptions. We have also obtained details of the proposed development of the Jiama Mine with the cost of different scopes of works allocated over the three years. Based on the sum of project costs for all scope of works for each year, having observed the possible delay in progress as that occurred under the Jiama Framework Agreement, the Company has added a buffer of 40%. The buffer, according to the Company, is to ensure there is sufficient amount to cater for accelerated developments, delays, cost overruns, variation orders, inflationary pressure on raw materials and labour costs. We are also advised that the estimated annual transaction amounts before the application of such buffer would be based on the existing processing capacity of the Jiama Mine, which would underestimate the ore processing capacity when the Phase II development plan as set out in the Pre-feasibility Study produced by Minarco-MineConsult is effectively implemented, thereby greatly expanding the ore processing capacity. As discussed in the Company's management discussion and analysis of financial condition and results of operations for the year ended December 31, 2012 announced on March 26, 2013 (the "**2012 MD&A Announcement**"), the Phase II expansion is aimed to increase the mining and processing capacity from 6,000 tonnes per day ("**tpd**") to 40,000 tpd, and to increase mine life of close to 31 years. The Company expected that Jiama Mine's production capacity expansion will be done in two stages, the first of which was expected to be completed in 2013 to have a new 20,000 tpd mill while the second of which was expected to complete by 2014. Given (i) the utilization of the annual caps will depend on the progress of the planned expansion and a delay will possibly result in large extent of variation in the annual transaction amount; (ii) delay in engineering projects is not uncommon in practice due to in situ conditions nearly always being different from expected, we are of the opinion that the buffer is fair and reasonable.

Based on our analysis above, we are of the opinion that the annual caps under the Product and Service Framework Agreement for the 3 years ending December 31, 2013, 2014 and 2015, when taken as a whole, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

C. Contract for Purchase and Sale of Copper Concentrate

The table below sets out the proposed annual caps under the Contract for Purchase and Sale of Copper Concentrate for the two financial years ending December 31, 2014:

	For the year ending 31 December	
	2013	2014
	<i>RMB' million</i>	<i>RMB' million</i>
Aggregate sales amount	510	3,400

As disclosed in the Board Letter, the proposed annual caps under the Purchase and Sale of Copper Concentrate have been determined with reference to:

- (i) Such caps are determined with reference to the amount of previous transactions during the three years ended December 31, 2010, 2011 and 2012. For the three years ended December 31, 2010, 2011 and 2012, the total production of copper sulphide concentrates at the Jiama Mine was approximately 1,177.41 ounces, 46,521 ounces and 52,795 ounces, respectively. The aggregate sales amounts for the three years ended December 31, 2010, 2011 and 2012 were approximately RMB39,622,940, RMB664,752,271 and RMB702,773,750, respectively;
- (ii) The price of copper sulphide concentrates to be purchased by CNGG will be referenced to (i) the monthly arithmetic average price settled in each trading day of the month in which the goods are delivered under the spot contract of the standard cathode copper in Shanghai Futures Exchange, (ii) the monthly arithmetic average of the weighted (settlement) price of Au9995 gold ingot of each trading day in the Shanghai Gold Exchange, and (iii) the monthly arithmetic average of No.3 GB silver in the Shanghai White Platinum & Silver Exchange prevailing at the time of each purchase order. Taking into account the steadily increasing prices of copper, gold and silver from 2010 to 2012, the Directors estimate that the selling price for the Group's copper concentrates to CNGG will remain relatively stable with possible upward adjustments for the two years ending December 31, 2013 and 2014; and
- (iii) The Directors expect that the sales volume to CNGG for the two years ending December 31, 2013 and 2014 is expected to increase in line with the continued growth in the production of copper sulphide concentrates at the Jiama Mine pursuant to the expansion plan of the Jiama Mine.

In determining the fairness and the reasonableness of the proposed annual caps, we have considered the following factors:

- Historical transactions

As the Jiama Mine has commenced commercial production since September 2010 as disclosed in the Board Letter, the calculated compound annual growth rate of the total historical transaction amounts between September 2010 and December 2012 was approximately 243%. However, taking into account that the Jiama Mine did not run in full capacity in 2010 because at the stage of commencement, the growth rate between 2012 and 2011 was approximately 6% without the consideration of the actual transaction amount for the four months ended December 2010. We have discussed with the management of the Company the basis and method in determining the proposed annual caps for the year ending December 31, 2013, and understood that the transaction for the year of 2013 will last for about six months only as the Contract for Purchase and Sale of Copper Concentrate will become effective after obtaining the Independent Shareholders approval of the relevant resolution at the Meeting on June 18, 2013. Accordingly, the Company expects the transaction amount for the year of 2013 will increase by 6% based on the 2012 actual transaction amounts and then divided by two as the transactions will be expected to commence after getting the approval of the Independent Shareholders in June 2013, and the calculated transaction amount for the two years ending December 31, 2013 and 2014 will be approximately RMB372 million and RMB790 million, respectively.

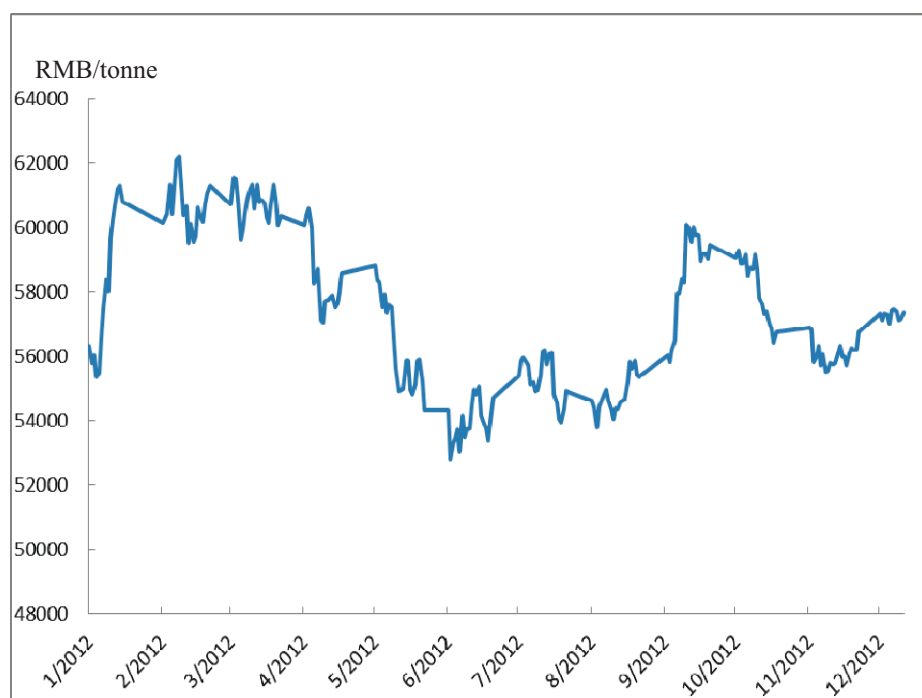
- Copper production capacity

As discussed by the Company in the 2012 MD&A Announcement, the Phase II expansion is aimed to increase the mining and processing capacity from 6,000 tpd to 40,000 tpd and the Company expected that the Jiama Mine's production capacity expansion will be done in two stages, the first of which was expected to be completed in fourth quarter of 2013 and to have capacity of 20,000 tpd while the second of which was expected to complete by 2014. We have discussed with the management of the Company the expansion schedule and the Company is optimistic that the production capacity expansion will meet the expected timetable. We also understand that this capacity expansion is consistent with the Prefeasibility Study. Copper metal produced in 2013 is expected to reach 26.5 million pounds, which is slightly more than 26 million pounds produced in 2012. Following the first stage of the Phase II expansion, the Company advised copper metal produced will increase by 233%, due to the expansion of production capacity, to 88.3 million pounds. Accordingly, the Company assumed that total copper metal salable to CNGG will increase by 467% in 2014 as compared with 2013 given that the effective period of the Contract for Purchase and Sale of Copper Concentrate in 2014 is almost doubled that of 2013. We are advised by the Company that the Group does not have copper smelting facility and therefore all copper concentrates will have to be sold for refinery. Although the Contract for Purchase and Sale of Copper Concentrate does not provide that the copper sulphide concentrates produced at the Jiama Mine have to be sold exclusively to CNGG, we consider that it is favourable for Huatailong to be enabled to choose the best purchaser among copper trading companies or smelters and it is reasonable in the course of determining the annual caps to assume all the copper concentrates to be

sold to CNGG, given that China National Gold is the largest gold producer in the PRC and has good credibility in the industry.

- Change in copper prices

As advised by the Company, the Company has prudently taken into account the fluctuation in copper and other metal prices in determining the annual caps. According to the Company, the expected sales amount is assumed to be contributed by copper product as to 70% and gold and silver products as to 30%. We have reviewed the standard cathode copper futures settlement price of the Shanghai Futures Exchange and the following chart illustrates the historical trend of settlement price of a futures contract of standard cathode copper as obtained from the Shanghai Futures Exchange for 2012.



(Source: Shanghai Futures Exchange)

As shown in the chart above, futures settlement price of standard cathode copper varied between approximately RMB52,000/tonne and RMB62,000/tonne in 2012 and demonstrated considerable fluctuation. The highest settlement price in 2012, RMB62,200/tonne, is about 18% higher than the lowest settlement price of RMB52,800/tonne. Given the volatility of standard cathode copper settlement price, we are advised by the Company that the annual caps have incorporated a buffer to allow for price fluctuation and despite that with such a buffer the annual cap in 2014 is more than 6 times than that of 2013, we agree that a buffer is necessary.

We also understand that copper and other metal prices will be determined by a number of factors, including but not limited to supply, demand and current stockpiles in place. As predicted by a report published on March 20, 2013 by the International Copper Study Group, which is an

intergovernmental organization consisting of 23 member governments plus the European Union representing copper producing and using countries, China will continue to increase its smelting capacity through expansions and new projects until 2016, and such continuing expansion of copper refined production in China may support the demand of copper in the future, and in turns may strengthen the copper price. We consider the incorporation of volatility of the historical copper price, the expansion of production capacity at the Jiama Mine and the expected expansion of smelting capacity in China as bases for the inclusion of a buffer for the proposed annual caps for the two years ending December 31, 2014 being fair and reasonable.

Having considered the factors discussed above, in particular (i) the historical growth rates and the transaction amounts; (ii) the expected development plan of the Jiama Mine; and (iii) the volatility of settlement price of copper futures contract, we are of the view that the proposed annual caps contemplated under the Contract for Purchase and Sale of Copper Concentrate are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and Shareholders as a whole.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the opinion that the Proposed Transactions are entered into in the ordinary course of business of the Company, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders vote, and that the Independent Board Committee advise the Independent Shareholders to vote, in favour the ordinary resolutions to approve the Proposed Revised Annual Caps under the Jiama Framework Agreement, the Proposed Amendment under the Contract for Purchase and Sale of Dore and the proposed annual caps under the Product and Service Agreement and the Contract for Purchase and Sale of Copper Concentrate, and the transactions contemplated thereunder in the Meeting.

Yours faithfully,
For and on behalf of
TC Capital Asia Limited
Edward Wu
Managing Director