CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

(FORMERLY KNOWN AS JINSHAN GOLD MINES INC.)

(incorporated in British Columbia, Canada with limited liability)

Condensed Consolidated Financial Statements

For the three months ended March 31, 2011

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.
(FORMERLY KNOWN AS JINSHAN GOLD MINES INC.)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2011

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CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.
(FORMERLY KNOWN AS JINSHAN GOLD MINES INC.)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2011

	NOTES	Three months period ended March 31, 2011 US$	2010 US$
Revenues	17	35,423,497	10,498,968
Cost of sales		23,586,755	5,307,968
Mine operating earnings		11,836,742	5,191,000
Expenses			
General and administrative		3,936,515	945,733
Exploration and evaluation expenditure		63,982	23,444
		4,000,497	969,177
Income from operations		7,836,245	4,221,823
Other income			
Foreign exchange gain		34,412	618,297
Interest income		84,309	-
Listing expenses		-	(351,022)
Finance costs	4	(2,511,374)	(739,522)
Fair value change on warrant liabilities		-	(6,282,657)
		(2,392,653)	(6,754,904)
Income (loss) before income tax		5,443,592	(2,533,081)
Income tax expense	5	(1,940,657)	(1,651,899)
Net income (loss) for the period		3,502,935	(4,184,980)
Other comprehensive income for the period			
Exchange difference arising on translation		458,826	-
Total comprehensive income (expense) for the period		3,961,761	(4,184,980)
Profit (loss) for the period attributable to			
Non-controlling interests		274,249	181,685
Owners of the Company		3,228,686	(4,366,665)
		3,502,935	(4,184,980)
Total comprehensive income (expense) for the period attributable to			
Non-controlling interests		274,249	181,685
Owners of the Company		3,687,512	(4,366,665)
		3,961,761	(4,184,980)
Basic earnings (loss) per share	6	0.82 cents	(2.60) cents
Diluted earnings (loss) per share	6	0.81 cents	(2.60) cents
Basic weighted average number of common shares outstanding		396,135,981	167,943,108
Diluted weighted average number of common shares outstanding		396,365,829	167,943,108

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.
(FORMERLY KNOWN AS JINSHAN GOLD MINES INC.)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT MARCH 31, 2011

	NOTES	March 31, 2011 US$	December 31, 2010 US$
Current assets			
Cash and cash equivalents		290,548,348	301,608,717
Restricted cash		6,788,782	6,725,129
Accounts receivable	7	9,901,112	9,050,490
Prepaid expenses and deposits	8	2,821,063	3,418,499
Prepaid lease payments		138,571	137,808
Inventory	9	39,954,765	34,154,278
		350,152,641	355,094,921
Assets classified as held for sale	10	55,086	54,696
		350,207,727	355,149,617
Non-current assets			
Prepaid expense and deposits	8	6,138,962	2,395,882
Prepaid lease payments		6,654,764	6,634,081
Amount due from a non-controlling shareholder		576,536	419,768
Inventory	9	16,318,480	17,838,819
Property, plant and equipment	10	315,642,648	297,901,855
Intangible assets	11	973,536,378	975,282,711
		1,318,867,768	1,300,473,116
Total assets		1,669,075,495	1,655,622,733
Current liabilities			
Accounts payable and accrued expenses	12	72,950,163	90,836,277
Borrowings	13	32,036,103	31,861,146
Tax liabilities		1,584,274	7,631,847
		106,570,540	130,329,270
Liabilities classified as held for sale	10	535	24,189
		106,571,075	130,353,459
Net current assets		243,636,652	224,796,158
Total assets less current liabilities		1,562,504,420	1,525,269,274

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.
(FORMERLY KNOWN AS JINSHAN GOLD MINES INC.)

	NOTES	March 31, 2011 US$	December 31, 2010 US$
Non-current liabilities			
Deferred lease inducement		134,586	143,213
Borrowings	13	213,702,739	180,785,118
Deferred tax liabilities		138,519,383	138,310,971
Deferred income		672,375	712,610
Environmental rehabilitation	14	1,974,381	1,887,923
		355,003,464	321,839,835
Total liabilities		461,574,539	452,193,294
Owners' equity			
Share capital	15	1,228,140,638	1,228,098,150
Equity reserves		11,923,124	11,397,030
Deficits		(36,017,814)	(39,246,500)
		1,204,045,948	1,200,248,680
Non-controlling interests		3,455,008	3,180,759
Total owners' equity		1,207,500,956	1,203,429,439
Total liabilities and owners' equity		1,669,075,495	1,655,622,733

The condensed consolidated financial statements on pages 1 to 31 were approved and authorized for issue by the Board of Directors on May 15, 2011 and are signed on its behalf by:

(Signed by) Zhanming Wu
Zhanming Wu
Director

(Signed by) Bing Liu
Bing Liu
Director

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.
(FORMERLY KNOWN AS JINSHAN GOLD MINES INC.)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED MARCH 31, 2011

	Notes	Number of shares	Share capital US$	Equity reserve US$	Exchange reserve US$	Deficits US$	Subtotal US$	Non-controlling interests US$	Total owners' equity US$
At January 1, 2010		167,629,459	99,186,918	3,125,447	-	(65,473,203)	36,839,162	1,272,212	38,111,374
Profit for the year		-	-	-	-	26,226,703	26,226,703	913,296	27,139,999
Exchange difference arising on translation		-	-	-	237,244	-	237,244	-	237,244
Total comprehensive income for the year		-	-	-	237,244	26,226,703	26,463,947	913,296	27,377,243
Shares issued for:									
Cash		53,660,000	309,081,600	-	-	-	309,081,600	-	309,081,600
Acquisition of subsidiaries		170,252,294	810,926,039	-	-	-	810,926,039	995,251	811,921,290
Deemed contribution from shareholders (note a)		-	-	8,383,914	-	-	8,383,914	-	8,383,914
Transaction costs attributable to issue of shares		-	(13,606,903)	-	-	-	(13,606,903)	-	(13,606,903)
Exercise of warrants		4,060,000	21,008,571	-	-	-	21,008,571	-	21,008,571
Exercise of stock options (note b)		525,000	1,501,925	(554,814)	-	-	947,111	-	947,111
Stock-based compensation (note b)		-	-	205,239	-	-	205,239	-	205,239
At December 31, 2010		396,126,753	1,228,098,150	11,159,786	237,244	(39,246,500)	1,200,248,680	3,180,759	1,203,429,439
Profit for the period		-	-	-	-	3,228,686	3,228,686	274,249	3,502,935
Exchange difference arising on translation		-	-	-	458,826	-	458,826	-	458,826
Total comprehensive income for the period		-	-	-	458,826	3,228,686	3,687,512	274,249	3,961,761
Exercise of stock options (note b)		12,000	42,488	(15,782)	-	-	26,706	-	26,706
Share based compensation (note b)		-	-	83,050	-	-	83,050	-	83,050
At March 31, 2011		396,138,753	1,228,140,638	11,227,054	696,070	(36,017,814)	1,204,045,948	3,455,008	1,207,500,956
At January 1, 2010		167,629,459	99,186,918	3,125,447	-	(65,473,203)	36,839,162	1,272,212	38,111,374
Loss and comprehensive loss for the period		-	-	-	-	(4,366,665)	(4,366,665)	181,685	(4,184,980)
Shares issued for:									
Exercise of warrants		1,000,000	4,158,644	-	-	-	4,158,644	-	4,158,644
Exercise of stock options (note b)		105,000	300,531	(118,853)	-	-	181,678	-	181,678
Stock-based compensation (note b)		-	-	(170,251)	-	-	(170,251)	-	(170,251)
At March 31, 2010		168,734,459	103,646,093	2,836,343	-	(69,839,868)	36,642,568	1,453,897	38,096,465

Notes:

(a) In December 2010, the shareholders of the Company, also the former shareholders of Skyland Mining Limited ("Skyland") and its subsidiaries (hereinafter collectively referred to as the "Skyland Group"), agreed to bear the payment obligation of Skyland of US$8,383,914, being the listing expense payable to the Company by Skyland prior to the completion of the acquisition of Skyland. Such amount was recorded in equity reserve as deemed contribution from shareholders.

(b) Amounts represent equity reserve arising from stock-based compensation provided to employees during the period ended March 31, 2011 and the year ended December 31, 2010.

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.
(FORMERLY KNOWN AS JINSHAN GOLD MINES INC.)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2011

	NOTES	Three months period ended March 31, 2011 US$	2010 US$
Operating activities			
Net income (loss) before income tax		5,443,592	(2,533,081)
Items not requiring use of cash and cash equivalents:			
Depreciation		4,654,797	1,389,226
Amortization of intangible assets		2,218,978	-
Release of prepaid lease payment		39,966	-
Release of deferred lease inducement		(8,627)	-
Fair value change on warrant liabilities		-	6,282,657
Finance costs	4	2,511,374	739,522
Stock-based compensation		83,050	(170,251)
Foreign exchange gain		(143,963)	(479,190)
Change in non-cash operating working capital items:			
Accounts receivable		(850,476)	726,010
Prepaid expenses and deposits		573,740	(703,758)
Inventory		(4,280,148)	(10,572,733)
Accounts payable and accrued liabilities		(17,909,768)	(5,590,910)
Cash used in operations		(7,667,485)	(10,912,508)
Interest paid		(2,466,811)	(1,263,524)
Income taxes paid		(7,779,818)	(306,868)
Net cash flows used in operating activities		(17,914,114)	(12,482,900)
Investing activities			
Deposit paid for acquisition of property, plant and equipment		(3,719,384)	-
Payment for acquisition of property, plant and equipment		(20,271,361)	(1,482,579)
Advance to a non-controlling shareholder		(152,523)	-
Net cash used in investing activities		(24,143,268)	(1,482,579)
Financing activities			
Issuance of common shares		26,706	1,976,345
Proceeds from borrowing		30,969,740	-
Repayments of borrowings		-	(3,931,026)
Net cash flows used in financing activities		30,996,446	(1,954,681)
Effect of foreign exchange rate changes on cash and cash equivalents		567	(139,107)
Net decrease in cash and cash equivalents		(11,060,369)	(16,059,267)
Cash and cash equivalents, beginning of period		301,608,717	23,984,660
Cash and cash equivalents, end of period		290,548,348	7,925,393
Cash and cash equivalents are comprised of			
Cash in bank		290,548,348	7,925,393
Supplemental cash flow information	18		

See accompanying notes to the consolidated financial statements.

1. GENERAL

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

The head office, principal address and registered and records office of the Company are located at Suite 1030, One Bentall Centre, 505 Burrard Street, Vancouver, British Columbia, Canada, V7X 1M5.

The condensed consolidated financial statements are presented in United States Dollars ("US$") which is the functional currency of the Company and its subsidiaries, except for Skyland Group, whose functional currency is Renminbi.

2. ACCOUNTING POLICIES AND NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The condensed consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the Group's annual consolidated financial statements for the year ended December 31, 2010.

In the current interim period, the Group has applied for the first time the following new and revised standard, interpretation and amendments to standards issued by the International Accounting Standard Board and International Financial Reporting Interpretations Committee ("IFRIC") which are effective for the financial year beginning January 1, 2011:

IFRSs (Amendments)	Improvements to IFRSs issued in 2010
IAS 24 (as revised in 2009)	Related Party Disclosures
IAS 32 (Amendments)	Classification of Rights Issues
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the new and revised IFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognized.

2. ACCOUNTING POLICIES AND NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") - continued

The Group has not early applied the following new standards or amendments that have been issued but not yet effective:

IFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets[1]
IFRS 9	Financial Instruments[2]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[3]
IAS 27 (as revised in 2011)	Separate Financial Statements[2]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]

[1] Effective for annual periods beginning on or after July 1, 2011.
[2] Effective for annual periods beginning on or after January 1, 2013.
[3] Effective for annual periods beginning on or after January 1, 2012.

The Group anticipates that the application of these new standards or amendments would have no material impact on the condensed consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING ESTIMATES

In the current interim period, the Group has the following changes in significant accounting estimates:

The assumptions used in the valuation of gold-in-process inventories particularly the assumptions of the amount of gold that is expected to be recovered from the ore placed on leach pads has been reconsidered by the management of the Group (the "Management"). As a result, the Management has increased the recovery rate used in its inventory model from 43% to 48.8% during the three months period ended March 31, 2011. The inventory balance was increased by approximately US$204,000 as at March 31, 2011.

4. FINANCE COSTS

The finance costs for the Group are as follows:

	Three months period ended March 31,	
	2011	2010
	US$	US$
Effective interest	2,466,811	1,604,065
Accretion on environmental rehabilitation (Note 12)	44,563	44,942
	2,511,374	1,649,007
Less: Amount capitalized	-	(909,485)
Total finance costs	2,511,374	739,522

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

5. INCOME TAX EXPENSE

The Company and its subsidiaries in Canada are subject to Canadian federal and provincial tax which is calculated at 26.5% of the estimated assessable profit for the three months ended March 31, 2011 (28.5% for the three months ended March 31, 2010). The Company and its subsidiaries in Canada had no assessable profit for the three months ended March 31, 2011 (three months ended March 31, 2010: nil).

PRC Enterprise Income Tax is calculated at the prevailing tax rate on taxable income determined in accordance with the relevant laws and regulations in the PRC.

For the three months ended March 31, 2011, the Company's subsidiaries operating in the PRC are subject to PRC Enterprise Income Tax at 25% (25% for the three months ended March 31, 2010) except for 墨竹工卡縣甲瑪工貿有限公司 ("Jiama Industry and Trade") established in the westward development area of PRC and subject to preferential tax rate of 15% of taxable income. Income tax expense for the three months ended March 31, 2011 represents PRC Enterprise Income Tax of $1,732,244 and deferred tax expenses of $208,413 (PRC Enterprise Income Tax $382,868 and deferred tax expenses of $1,269,031 for the three months ended March 31, 2010).

6. EARNINGS (LOSS) PER SHARE

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

	Three months period ended March 31, 2011	2010
Income (loss) attributable to owners of the Company for the purpose of basic and diluted earnings (loss) per share (US$)	3,228,686	(4,366,665)
Weighted average number of shares, basic	396,135,981	167,943,108
Dilutive securities		
- Options	229,848	-
Weighted average number of shares, diluted	396,365,829	167,943,108
Basic earnings (loss) per share	0.82 cents	(2.60) cents
Diluted earnings (loss) per share	0.81 cents	(2.60) cents

Due to a net loss for the three months period ended March 31, 2010, all stock options and warrants were excluded from diluted EPS computation because their effect would have been anti-dilutive.

7. ACCOUNTS RECEIVABLE

The Group's accounts receivable arise the following sources: trade receivables, amounts due from shareholders, value added tax ("VAT") receivables and goods and services tax ("GST") receivable due from various government and taxation authorities. These are broken down as follows:

	March 31, 2011 US$	December 31, 2010 US$
Trade receivables	1,375,895	744,193
Less: allowance for doubtful debts	(42,011)	(41,590)
	1,333,884	702,603
VAT receivables	705,970	2,085,831
GST receivable	28,921	72,427
Amounts due from shareholders (note 16 (c))	5,364,416	5,364,416
Other receivables	2,467,921	825,213
Total accounts receivable	9,901,112	9,050,490

The Group's other receivables mostly represented employees' cash and travel advances as at March 31, 2011 and December 31, 2010. The other receivables are unsecured, interest free and repayable upon written notice from the Group.

8. PREPAID EXPENSES AND DEPOSITS

	March 31, 2011 US$	December 31, 2010 US$
Deposits paid for acquisition of property, plant and equipment (note a)	3,719,384	-
Deposits for mine supplies and services	1,254,696	2,006,484
Deposits for environmental protection (note b)	1,656,964	1,640,902
Deposits for spare parts	763,530	881,343
Prepayment for the land use rights (note c)	762,614	754,979
Prepayment on VAT	398,205	-
Insurance	223,969	331,621
Rent deposits	21,429	19,272
Other	159,234	179,780
Total prepaid expenses and deposits	8,960,025	5,814,381
Less: Amounts that are utilized within one year shown under current assets	(2,821,063)	(3,418,499)
Amounts that are utilized for more than one year shown under non-current assets	6,138,962	2,395,882

8. PREPAID EXPENSES AND DEPOSITS - continued

Notes:

a. The amount represents deposits paid to third party contractors for the acquisition of property, plant and equipment to expand its mining capacity in Tibet, the PRC. The amount is shown as non-current asset.

b. The amount represents deposits paid to the PRC local land administration bureau for undertaking the restoration of land to its present condition when the lease term is expired that are expected to be utilized after one year and therefore shown as a non-current asset.

c. The amount represents advances to PRC local land administration bureau for acquisition of properties in Tibet, the PRC. The Group is still negotiating the terms with the PRC local land administration bureau as of the date of issue of the condensed consolidated financial statements. The amount is shown as non-current asset.

9. INVENTORY

	March 31, 2011 US$	December 31, 2010 US$
Gold in process	36,829,428	34,391,977
Gold doré bars	9,869,433	9,044,958
Consumables	1,940,843	3,616,043
Copper concentrates	2,632,901	2,608,811
Spare parts	5,000,640	2,331,308
Total inventory	56,273,245	51,993,097
Less: Amounts expected to be recovered after 12 months (note) (shown under non-current assets)	(16,318,480)	(17,838,819)
Amounts shown under current assets	39,954,765	34,154,278

Note:

Management has allocated inventory, specifically, the gold in process, that are expected to be recovered more than twelve months after the end of the reporting period to take into consideration the long-term process involved in recovering gold from a heap leaching system.

Inventory totaling US$23,586,755 for the three months ended March 31, 2011 (three months ended March 31, 2010: US$5,307,968) was recognized in cost of sales.

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings US$	Crusher US$	Furniture and office equipment US$	Machinery and equipment US$	Motor vehicles US$	Leasehold improvements US$	Mineral assets US$	Construction in progress ("CIP") US$	Total US$
COST									
At December 31, 2010	91,471,061	72,479,482	1,297,351	72,848,681	4,632,598	100,458	28,653,611	46,444,727	317,927,969
At March 31, 2011	92,356,608	72,479,482	1,296,873	73,403,833	4,671,543	100,458	35,973,813	60,087,164	340,369,774
ACCUMULATED DEPRECIATION									
At December 31, 2010	(1,257,922)	(4,343,825)	(647,233)	(7,802,705)	(726,124)	(22,831)	(5,225,474)	-	(20,026,114)
At March 31, 2011	(1,790,544)	(5,525,647)	(701,724)	(9,927,885)	(889,274)	(27,398)	(5,864,654)	-	(24,727,126)
CARRYING VALUE									
At December 31, 2010	90,213,139	68,135,657	650,118	65,045,976	3,906,474	77,627	23,428,137	46,444,727	297,901,855
At March 31, 2011	90,566,064	66,953,835	595,149	63,475,948	3,782,269	73,060	30,109,159	60,087,164	315,642,648

Included in the cost above is US$15,983,922 as at March 31, 2011 (December 31, 2010: US$15,983,992) in relation to finance costs which have been capitalized as construction in progress and mineral assets. No addition finance costs have been capitalized since March 31, 2010 as the construction in progress which mainly consisted of crushing facility for the CSH Gold Mine has been completed.

The above items of property, plant and equipment, except for mineral assets and construction in progress, are depreciated using the straight-line method over the estimated useful lives of the related assets are as follows:

Buildings	Over the shorter of the term of lease, or 10 to 24 years
Crusher	14 years
Furniture and office equipment	2 to 5 years
Machinery and equipment	2 to 10 years
Motor vehicles	5 to 10 years
Leasehold improvements	5.5 years

Mineral assets are depreciated using the unit-of-production method based on the actual production volume over the estimated total proven and probable reserves of the mines when the production level intended by Management has been reached.

During the three months ended March 31, 2011, US$4,654,797 (three months ended March 31, 2010: US$1,389,226) depreciation expense has been charged for the property, plant and equipment.

10. PROPERTY, PLANT AND EQUIPMENT - continued

Mineral property interests

(a) CSH Gold Mine

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

	January 1, 2010 US$	Increased (decreased) during the year US$	December 31, 2010 US$	Increased during the period US$	March 31, 2011 US$
Exploration expenditure charged to profit or loss	9,171,176	594,453	9,765,629	21,175	9,786,804
Mineral assets	18,760,374	9,137,168[1]	27,897,542	3,685,010[1]	31,582,552
Construction in progress	75,982,945	(73,550,642)[2]	2,432,303	595,681	3,027,984

[1] During the three months ended March 31, 2011, an addition of US$23,454 was made from changes in the discount rate (three months ended March 31, 2010: an addition of US$55,528 from addition to site reclamation and additions resulted from changes in discount rate) for environmental rehabilitation.

[2] During the year ended December 31, 2010, US$71,738,433 was transferred out from construction in progress to crusher and the Group reversed US$5,719,987 accruals on construction in progress upon the completion of crushing facility construction.

(b) Jiama Mine

Jiama Mine, a large copper-gold polymetallic deposit consisting of skarn-type and hornfels-type mineralization located in Metrorkongka County in Tibet, in which the Group holds 100% interest through its wholly-owned subsidiary, Skyland. The Group acquired Skyland on December 1, 2010. Jiama Mine holds two exploration permits covering an area of approximately 76.9 km^2 and 66.4 km^2, respectively.

	Acquired on acquisition of subsidiaries US$	Increased during the year US$	December 31, 2010 US$	Increased during the period US$	March 31, 2011 US$
Exploration expenditure charged to profit or loss	-	39,111	39,111	1,194	40,305
Mineral assets	-	584,913	584,913	3,635,192	4,220,105
Construction in progress	40,041,466	3,970,958	44,012,424	13,046,756	57,059,180

10. PROPERTY, PLANT AND EQUIPMENT - continued

Mineral property interests - continued

(c) Dadiangou Gold Project

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

	January 1, 2010 US$	Increased during the year US$	December 31, 2010 US$
Exploration expenditure charged to profit or loss	6,061,911	73,167	6,135,078

The Group has decided to sell its interest in Gansu Pacific in 2009 and in December 2009, the Group entered into a letter of intent with a potential purchaser which is a subsidiary of Zhongjin Gold Corporation Limited and a subsidiary of CNG in relation to the disposal of its entire interest in Gansu Pacific. The consideration will be determined after the completion of due diligence procedures. As a result, the Group has recorded the assets and liabilities of Gansu Pacific as assets classified as held for sale and liabilities classified as held for sale since December 31, 2009. On April 28, 2010, the Company's subsidiary, Gansu Pacific, and Nuclear Industry Northwest Economic Technology Company have entered into an agreement to sell the Dadiangou Gold Project to Gansu Zhongjin Gold Mining Co. Ltd., a subsidiary of Zhongjin Gold Corporation Limited, a company listed on the Shanghai Stock Exchange and a subsidiary of CNG. The price is RMB88 million (approximately US$13.1 million), of which the Group will be entitled to 53%, or RMB46.6 million (approximately US$7 million). The transaction has not yet been completed as of the date of issue of the condensed consolidated financial statements. At March 31, 2011, the Group had received deposit from the purchaser of RMB46.6 million, and such amounts cannot be used until the completion of the disposal transaction. Hence, the amount of approximately US$6,788,782 has been included as restricted cash at March 31, 2011 (December 31, 2010: US$6,725,129).

Assets classified as held for sale and liabilities classified as held for sale are broken down as follows:

Assets classified as held for sale

	March 31, 2011 US$	December 31, 2010 US$
Cash	1,720	2,289
Accounts receivable	1,558	1,704
Property, plant and equipment	51,808	50,703
	55,086	54,696

10. PROPERTY, PLANT AND EQUIPMENT - continued

Mineral property interests - continued

(c) Dadiangou Gold Project - continued

Liabilities classified as held for sale

	March 31, 2011 US$	December 31, 2010 US$
Accounts payable	535	24,189

11. INTANGIBLE ASSETS

	Mining rights US$
COST	
At January 1, 2010	-
Acquired on acquisition of subsidiaries (Note)	976,092,004
Exchange realignment	374,486
At December 31, 2010	976,466,490
Exchange realignment	474,415
At March 31, 2011	976,940,905
ACCUMULATED AMORTIZATION	
At January 1, 2010	-
Additions	(1,182,643)
Exchange realignment	(1,136)
At December 31, 2010	(1,183,779)
Additions	(2,218,978)
Exchange realignment	(1,770)
At March 31, 2011	(3,404,527)
CARRYING VALUE	
At December 31, 2010	975,282,711
At March 31, 2011	973,536,378

Note:

In relation to the purchase price adjustment provision included in the share purchase agreement dated August 30, 2010 entered into among China National Gold Group Hong Kong Limited, Rapid Results Investments Ltd. (collectively referred to the "Vendors") and the Company as disclosed in the Group's annual consolidated financial statements for the year ended December 31, 2010, the Company and the Vendors have not reached agreement in respect of the calculation of the purchase price adjustment up to the date of issue of the condensed consolidated financial statements.

11. INTANGIBLE ASSETS - continued

Note: - *continued*

The number of consideration shares and the fair value of purchase consideration for acquisition of Skyland Group are not yet finalized. The fair value of the purchase consideration and intangible assets acquired (and related tax effect) continued to be determined provisionally and are subject to change depending on the result of the negotiation between the Company and the Vendors and the finalization of the valuation of the intangible assets.

Mining rights represent mining rights in Jiama Mine acquired through acquisition of Skyland Group. The mining rights will expire in 2013 and in the opinion of the directors of the Company, the Group will be able to renew the mining rights with the relevant government authority continuously at insignificant cost.

Amortization on mining rights acquired is provided to write off the cost of the mining rights using the unit-of-production method based on the actual production volume over the estimated total proven and probable reserves of the mines when the production level intended by Management has been reached.

12. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses of the Group are principally comprised of amounts outstanding for trade purchases relating to minerals production activities and construction activities. The average credit period taken for trade purchases is between 120 to 150 days.

Accounts payables and accrued expenses comprise the following:

	March 31, 2011 US$	December 31, 2010 US$
Accounts payable	46,168,283	49,913,680
Advances from customers (Note 16(c))	-	13,779,971
Deposit from sale of Dadiangou Gold Project (Note 16(c))	6,788,782	6,725,129
Payroll and benefit payables	4,343,892	3,185,045
Other accruals	5,215,382	10,090,922
Other tax payable	2,769,318	3,592,975
Other payables	7,664,506	3,548,555
	72,950,163	90,836,277

Included within the Group's accounts payable and accrued expenses are construction costs payable of US$ 36,963,739 as at March 31, 2011 (December 31, 2010: US$30,012,657).

13. BORROWINGS

	Effective interest rate 2011 %	Effective interest rate 2010 %	Maturity	March 31, 2011 US$	December 31, 2010 US$
Current					
Current portion of long-term loan - Agricultural Bank of China ("ABC")	5.81	5.18	September 9, 2011	1,531,558	1,517,197
Current portion of long-term loan - Bank of China ("BOC")	3.96	3.96	December 28, 2011	30,504,545	30,343,949
				32,036,103	31,861,146
Non-current					
Long-term loan - ABC	5.81	5.18	September 9, 2012 to September 9, 2014	41,352,059	40,964,331
Long-term loan - BOC	3.96	3.96	December 28, 2012 to December 28, 2014	76,261,363	75,353,123
Syndicated loan	3.96	3.96	June 4, 2013 to June 4, 2016	96,089,317	64,467,664
				213,702,739	180,785,118
				245,738,842	212,646,264

Long-term loans

(a) ABC Loan

On September 14, 2009, the Group's subsidiary, Inner Mongolia Pacific Mining Co., Ltd. ("IMP"), secured a five-year RMB290,000,000 (US$42,299,950) long-term loan ("Term Loan") from the Agricultural Bank of China ("ABC"). The purpose of the Term Loan is to satisfy the outstanding funding requirements for the capital expansion loan provided by CNG in June 2009. The Term Loan is supported by a guarantee from CNG. The loan carries interest at floating rate based on the People's Bank of China base rate (the interest rate at date of inception of loan agreement was 5.18% per annum and adjusted to 5.81% per annum at March 31, 2011. The Term Loan principal is repayable through instalments with RMB10,000,000 due in September 2011 and further instalments of RMB 30,000,000 due in successive three-month intervals starting in September 2012 through to September 2014, when the remaining outstanding balance is scheduled to be repaid in full.

(b) BOC Loan

The loan was acquired through acquisition of Skyland. Skyland raised the loan from BOC in December 2009 and the loan carries interest at floating rate based on the People's Bank of China base rate (the interest rate at date of inception of loan agreement and at the end of reporting period is 3.96% per annum) and is repayable in four annual installments starting from December 28, 2011. RMB200,000,000, RMB200,000,000, RMB150,000,000 and RMB150,000,000 will be repayable on December 28, 2011, December 28, 2012, December 28, 2013 and December 28, 2014, respectively.

13. BORROWINGS - continued

(c) Syndicated Loan

Skyland entered into a syndicated loan facility agreement with various banks on June 4, 2010 for a loan facility amounting to RMB750,000,000 (equivalent to approximately US$113,247,000) which is available for Skyland to draw on up to June 4, 2013. The syndicated loan of RMB630,000,000 (equivalent to approximately US$96,089,000) was drawn as at March 31, 2011 (December 31, 2010: RMB426,950,000 equivalent to US$64,468,000). The loan carries interest at floating rate based on the People's Bank of China base rate (the interest rate at date of inception of loan agreement and at the end of reporting period is 3.96% per annum) and is repayable in three annual installments starting from 2013. RMB100,000,000, RMB150,000,000 and RMB380,000,000 will be repayable in June 2013, June 2014 and June 2015, respectively.

The BOC and Syndicated loans are guaranteed by CNG.

14. ENVIRONMENTAL REHABILITATION

The environmental rehabilitation relates to reclamation and closure costs relating to the Group's mine operations at the CSH Gold Mine. The environmental rehabilitation is calculated as the net present value of estimated future net cash flows of the reclamation and closure costs, which total US$9,497,000 (December 31, 2010: US$9,905,000), discounted at 9.5% (December 31, 2010: 9.8%) per annum at March 31, 2011. The settlement of the obligations will occur through to 2030. No assets have been legally restricted for the purposes of settling the environmental rehabilitation.

The following is an analysis of the environmental rehabilitation:

	January 1 to March 31, 2011 US$	January 1 to December 31, 2010 US$
Balance, beginning of period	1,887,923	1,599,120
Additions to site reclamation and additions resulted from changes in discount rate during the period/year	23,454	55,528
Accretion incurred in the current period/year	44,563	164,096
Foreign exchange	18,441	69,179
	1,974,381	1,887,923

15. SHARE CAPITAL, OPTIONS AND WARRANTS

(a) Common shares

Authorized - Unlimited common shares without par value

Issued and outstanding - 396,138,753 (December 31, 2010: 396,126,753) common shares at March 31, 2011

(b) Stock options

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

The stock options have a life of up to six years from the grant date. The exercise price of option at the grant date is the weighted average price of the common shares for the five days on which the Company's shares were traded immediately preceding the date of approval by the Board of Directors. The Compensation and Benefits Committee makes recommendations to the Board of Directors as to the recipients of, and nature and size of, share compensation awards in compliance with applicable securities law, stock exchange and other regulatory requirements.

The Group is authorized to issue options to a maximum of 10% of the issued and outstanding common shares pursuant to the stock option plan. At March 31, 2011 and December 31, 2010, there were 38,853,875 and 38,832,675 options available for future grants.

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

	January 1, 2011 to March 31, 2011		January 1, 2010 to December 31, 2010	
	Number of options	Weighted average exercise price CAD	Number of options	Weighted average exercise price CAD
Balance, beginning of period	780,000	3.71	1,547,000	2.04
Options granted	-	N/A	400,000	5.12
Options exercised	(12,000)	2.20	(525,000)	1.76
Options forfeited	(8,000)	2.20	(642,000)	2.16
Options expired			-	-
Balance, end of period	760,000	3.81	780,000	3.71

15. SHARE CAPITAL, OPTIONS AND WARRANTS - continued

(b) Stock options - continued

Due to forfeitures of stock options by employees before the vesting date, the Group re-estimated the number of options that will ultimately vest in the future and recognized a compensation cost of $83,050, for the three months end March 31, 2011 (reversal of compensation cost of $170,251 for the three months ended March 31, 2010). No stock options were granted during the three months ended March 31, 2011 (Nil for the three months ended March 31, 2010).

The following table summarizes information about stock options outstanding and exercisable at March 31, 2011.

	Options outstanding			Options exercisable	
Expiring in	Number outstanding at March 31, 2011	Remaining contractual life (years)	Weighted average exercise price CAD	Number exercisable at March 31, 2011	Weighted average exercise price CAD
2011	25,000	0.25	1.05	25,000	1.05
2013	335,000	2.31	2.20	103,000	2.20
2015	400,000	4.17	5.21	80,000	4.35
	760,000		3.75	208,000	2.89

The following table summarizes information about stock options outstanding and exercisable at December 31, 2010:

	Options outstanding			Options exercisable	
Expiring in	Number outstanding at December 31, 2010	Remaining contractual life (years)	Weighted average exercise price CAD	Number exercisable at December 31, 2010	Weighted average exercise price CAD
2011	25,000	0.50	1.05	25,000	1.05
2013	355,000	2.56	2.20	111,500	2.20
2015	400,000	4.42	5.21	80,000	4.35
	780,000		3.71	216,500	2.16

15. SHARE CAPITAL, OPTIONS AND WARRANTS - continued

(c) Warrants

The following is a summary of number of warrants outstanding:

	January 1, 2011 to March 31, 2011 US$	January 1, 2010 to December 31, 2010 US$
Balance, beginning of period/year	-	4,060,000
Exercised	-	(4,060,000)
Balance, end of period/year	-	-

The following is a summary of warrants amounts outstanding:

	January 1, 2011 to March 31, 2011 US$	January 1, 2010 to December 31, 2010 US$
Balance, beginning of period/year	-	5,286,123
Exercised	-	(12,441,930)
Fair value change on warrant liabilities	-	7,155,807
Balance, end of period/year	-	-

Warrants issued with Canadian dollar exercise prices

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

No warrants were outstanding at March 31, 2011 and December 31, 2010.

16. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties during the period/year is as follows:

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

	March 31, 2011 %	December 31, 2010 %
CNG	39.0	39.0

(b) Related parties transactions

Other than those transactions disclosed in Notes 10(c) and 13, the Group had the following transactions with related parties:

	Three months ended March 31,	
	2011 US$	2010 US$
Gold doré sales	20,305,502	10,498,968
Silver sales (netted in cost of sales)	258,652	401,759

The Group's gold doré and silver sales were sold to CNG at market price under relevant agreement.

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

	Three months ended March 31,	
	2011 US$	2010 US$
Interest	-	820,696
Total related party expenses	-	820,696

16. RELATED PARTY TRANSACTIONS - continued

(c) Related parties balances

The Group has the following significant balances with related parties at the end of each reporting period:

	March 31, 2011 US$	December 31, 2010 US$
Assets		
Restricted cash received from CNG's subsidiary from sales of Dadiangou Gold Project (Note 10)	6,788,782	6,725,129
Amounts due from shareholders (included in accounts receivable):		
Listing expense receivable from China National Gold (HK) Ltd., CNG's subsidiary	2,735,852	2,735,852
Listing expense receivable from Rapid Result Investment Ltd., the shareholder of the Company	2,628,564	2,628,564
	5,364,416	5,364,416
Trade receivable from CNG	312,290	53,135
Amount due from a non-controlling shareholder	576,536	419,768
Total related party assets	13,042,024	12,562,448

Accounts receivable from CNG arose from sale of gold to CNG. There is no credit period.

	March 31, 2011 US$	December 31, 2010 US$
Liabilities		
Advances from customers	-	13,779,971
Other payable to CNG's subsidiary for deposit from sales of Dadiangou Gold Project	6,788,782	6,725,129
Account payable to CNG	30,506	30,199
Accounts payable to CNG's subsidiaries	37,504	117,569
Total related party liabilities	6,856,792	20,652,868

Accounts payable to CNG, CNG's subsidiaries are included in accounts payable and accrued expenses.

(d) The Group has the following compensation to other key management personnel during the period:

	Three months ended March 31, 2011 US$	2010 US$
Salaries and other benefits	162,678	118,329
Post employment benefits	6,599	4,156
	169,277	122,485

17. SEGMENT INFORMATION

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

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

Following to completion of acquisition of the Skyland Group in December 2010, the CODM regularly reviews the following operations, the operating segments of the Group under IFRS 8:

(i) The mine-produced gold segment - the production of gold bullion through the Group's integrated processes, i.e., mining, extraction, production and selling of gold ore to external clients through IMP.

(ii) The mine-produced copper segment - the production of copper multi products and other by-products.

Information regarding the above segments is reported below.

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results by segment.

For the three months ended March 31, 2011

	Mine-produced gold US$	Mine-produced copper US$	Segment total and consolidated US$
REVENUE - EXTERNAL	23,585,033	11,838,464	35,423,497
SEGMENT PROFIT	10,615,702	1,221,040	11,836,742
General and administrative			(3,936,515)
Exploration and evaluation expenditure			(63,982)
Foreign exchange gain			34,412
Interest income			84,309
Finance costs			(2,511,374)
Profit before income tax			5,443,592
Income tax expense			(1,940,657)
Profit for the year			3,502,935

17. SEGMENT INFORMATION - continued

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents gross profit of each segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment after the acquisition of the Skyland Group.

For the three months ended March 31, 2010, the Group had one operating segment of mine-produced gold and the relevant information was set out in the condensed consolidated statement of comprehensive income.

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by segment:

Segment assets	March 31, 2011 US$	December 31, 2010 US$
Mine-produced gold	179,010,437	174,669,469
Mine-produced copper	1,184,394,760	1,164,270,352
Total segment assets	1,363,405,197	1,338,939,821
Assets classified as held-for-sale	55,086	54,696
Cash and cash equivalents	290,548,348	301,608,717
Restricted cash	6,788,782	6,725,129
Accounts receivable	7,813,994	7,737,500
Prepaid expenses and deposits	288,034	354,089
Property, plant and equipment	176,054	202,781
Consolidated assets	1,669,075,495	1,655,622,733
Segment liabilities		
Mine-produced gold	25,568,297	33,832,667
Mine-produced copper	42,028,113	52,949,165
Total segment liabilities	67,596,410	86,781,832
Liabilities classified as held-for-sale	535	24,189
Amounts payable and accrued expenses	9,584,784	14,286,825
Borrowings	245,738,842	212,646,264
Deferred lease inducement	134,586	143,213
Deferred tax liabilities	138,519,383	138,310,971
Consolidated liabilities	461,574,539	452,193,294

17. SEGMENT INFORMATION - continued

(c) Other segment information

	3 months ended March 31, 2011				
	Mine-produced gold US$	Mine-produced copper US$	Segment total US$	Unallocated US$	Total US$
Amount included in the measure of segment profit or loss or segment assets					
Additions of property, plant and equipment	4,371,712	15,906,982	20,278,694	-	20,278,694
Depreciation of property, plant and equipment	2,990,841	1,646,607	4,637,448	17,349	4,654,797
Amortization of intangible assets	-	2,218,978	2,218,978	-	2,218,978
Release of prepaid lease payment	-	39,966	39,966	-	39,966
Loss on disposal of property, plant and equipment	1,732	-	1,732	-	1,732

For the three months ended March 31, 2010, the Group had one operating segment and relevant information was set out in the relevant notes to the condensed consolidated financial statements.

(d) Geographical information

The Group operated in two geographical areas, Canada and China. The Group's corporate division located in Canada only earns revenues that are considered incidental to the activities of the Group and therefore does not meet the definition of an operating segment as defined in IFRS 8 Operating Segments. During the 3 months ended March 31, 2011, the Group's revenue was generated from gold sales and copper multi products (3 months ended March 31, 2010: gold sales) to customers in China.

(e) Information about major customers

Revenue from major customers which accounts for 10% or more of the Group's revenue are as follows:

	Three months ended March 31,	
	2011 US$	2010 US$
Revenue from customers attributable to gold sales		
- CNG	20,305,502	10,498,968

The Group sells approximately 86.1% and 100% of its gold to one creditworthy customer, CNG who is also the Group's substantial shareholder for the three months ended March 31, 2011 and 2010, respectively. The sales to CNG do not constitute economic dependence for the Group as there are other customers in China to whom gold can be sold.

18. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash financing activities

The Group has the following non-cash financing activities:

	Three months ended March 31,	
	2011	2010
	US$	US$
Value of warrants transferred to share capital upon exercise	-	2,363,977
Transfer of share option reserve upon exercise of options	15,782	118,853

19. CAPITAL RISK MANAGEMENT

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

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

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

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

20. FINANCIAL INSTRUMENTS

The following table does not include financial assets and financial liabilities carried at amortized cost and classified as held for sale as at December 31, 2010 and March 31, 2011.

	Financial instrument classification	March 31, 2011 US$	December 31, 2010 US$
Financial assets			
Cash and cash equivalents	Loans and receivables	290,548,348	301,608,717
Restricted cash	Loans and receivables	6,788,782	6,725,129
Accounts receivable	Loans and receivables	9,901,112	9,050,490
Amount due from a non-controlling shareholder	Loans and receivables	576,536	419,768
Financial liabilities			
Accounts payable and accrued expenses*	Other financial liabilities	60,621,571	60,187,364
Long-term loans	Other financial liabilities	149,649,525	148,178,600
Syndicated loan	Other financial liabilities	96,089,317	64,467,664

* Excluded advances from customers, other tax payables and accruals.

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

The fair value of the long-term loan approximate their carrying amounts as they are interest bearing at market rates.

The Group's financial instruments are exposed to certain financial risks including market risk (currency risk and interest rate risk), credit risk and liquidity risk. The following disclosure does not include the effect of financial assets and liabilities classified as held for sale as at December 31, 2010 and March 31, 2011 as the amounts involved and the risk exposure are considered insignificant.

(a) Currency risk

The Group is exposed to the financial risk related to the fluctuation of foreign exchange rates. Certain subsidiaries of the Company operate in China and Canada and their functional currency is US$. A significant change in the currency exchange rates between CAD and RMB relative to US$ could have a significant effect on the Group's results of operations, financial position or cash flows. The Group has not hedged its exposure to currency fluctuations.

20. FINANCIAL INSTRUMENTS - continued

(a) Currency risk - continued

The Group is exposed to currency risk through the following assets and liabilities denominated in CAD and RMB against US$:

CAD monetary assets and liabilities

	March 31, 2011 US$	December 31, 2010 US$
Cash and cash equivalents	351,483	1,123,829
Accounts receivable	28,921	72,427
	380,404	1,196,256

Based on the above net exposures, and assuming that all other variables remain constant, a 5% (December 31, 2010: 5%) depreciation/appreciation of the CAD against the US$ would result in a decrease/increase in the Group's profit before tax of approximately US$60,000 for the year ended December 31, 2010, and a decrease/increase in the Group's profit before tax of approximately US$19,000 for the three months ended March 31, 2011.

RMB monetary assets and liabilities

	March 31, 2011 US$	December 31, 2010 US$
Cash and cash equivalents	30,822,247	36,034,047
Restricted cash	6,788,782	6,725,129
Accounts receivable	497,502	153,251
Accounts payable and accrued expenses	(25,076,410)	(8,557,847)
Borrowings	(42,883,617)	(42,481,528)
	(29,851,496)	(8,126,948)

Based on the above net exposures, and assuming that all other variables remain constant, a 4% (December 31, 2010: 4%) depreciation/appreciation of the RMB against the US$ would result in an increase/decrease in the Group's profit before tax of approximately US$325,000 for the year ended December 31, 2010 and an increase/decrease in the Group's profit before tax of approximately US$1,194,000 for the period ended March 31, 2011.

20. FINANCIAL INSTRUMENTS - continued

(a) Currency risk - continued

HK monetary assets

	March 31, 2011 US$	December 31, 2010 US$
Cash and cash equivalents	244,710,070	250,882,024

A linked exchange rate system is implemented in Hong Kong to stabilize the exchange rate between the US$ and HK$. As such, no sensitivity analysis on the change in the HK$ against US$ is prepared as the impact on the profit of the Group is not material.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk on the variable rate bank balances and restricted cash and interest-bearing borrowings.

Sensitivity analysis

The following analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year and all other variables were held constant. A 25 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. A positive number below indicates an increase in profit before tax of the Group for the period ended March 31, 2011 where the interest rate increases. For a decrease in the interest rate, there would be an equal and opposite impact on the Group's profit or loss.

For bank balances, the analysis below reflects the sensitivity that the interest rate may drop by 25 basis points (year ended December 31, 2010: 25 basis points) or limit to 0 %.

	Three months ended March 31, 2011 US$	Year ended December 31, 2010 US$
25 basis points higher	32,250	345,000
25 basis points lower	(120,750)	(282,000)

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

20. FINANCIAL INSTRUMENTS - continued

(c) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial asset fails to meet its contractual obligations. The Group sells approximately 86.1% (2010: 100%) of its gold to one creditworthy customer, CNG, who is also the Group's substantial shareholder for the years ended December 31, 2010 and for the three months ended March 31, 2011 and exposes the Group to concentration of credit risk. The failure of this customer to make required payments could have a negative impact on the Group's results. The Group manages this risk by demanding upfront payment from this customer. The Group's cash and short-term bank deposits are held in large Chinese and Canadian banks. These investments mature at various dates within 3 months. The Group does not have any asset backed commercial paper in its short-term bank deposits. The Group's accounts receivable consists of GST refund due from the Federal Government of Canada and VAT recoverable from the PRC tax authority, all of which are not outstanding for more than 180 days.

The Group had concentration of credit risk by geographical locations as the other receivables comprise various debtors which are located either in PRC or Canada as at December 31, 2010 and March 31, 2011.

Other than the concentration of the credit risk on bank balances, restricted cash and accounts receivable, the Group does not have any other significant concentration of credit risk.

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 17.

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

	Interest rate	Within 1 year	1 - 2 years	2 - 5 years	Total undiscounted cash flow	Carrying amount
	%	US$	US$	US$	US$	US$
At March 31, 2011						
Accounts payable and accrued expenses	-	60,621,571	-	-	60,621,571	60,621,571
ABC loan	5.81	4,014,778	15,992,616	28,943,133	48,950,527	42,883,617
BOC loan	3.96	34,732,475	33,524,495	48,474,773	116,731,743	106,765,908
Syndicated loan	3.96	3,805,137	3,805,137	105,390,364	113,001,038	96,089,317
		103,173,961	53,322,248	182,808,670	339,304,879	`306,360,413

	Interest rate	Within 1 year	1 - 2 years	2 - 5 years	Total undiscounted cash flow	Carrying amount
	%	US$	US$	US$	US$	US$
At December 31, 2010						
Accounts payable and accrued expenses	-	60,187,364	-	-	60,187,364	60,187,364
ABC loan	5.18	3,904,278	11,354,609	33,612,883	48,871,770	42,481,528
BOC loan	3.96	34,384,767	33,188,880	47,989,491	115,563,138	105,697,072
Syndicated loan	3.96	2,552,920	2,552,920	70,033,622	75,139,462	64,467,664
		101,029,329	47,096,409	151,635,996	299,761,734	272,833,628

21. COMMITMENTS AND CONTINGENCIES

Operating leases commitments

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

	March 31, 2011 US$	December 31, 2010 US$
Within one year	234,367	230,476
Between two to fifth year years	665,807	679,583
Over five years	739,769	740,485
	1,639,943	1,650,544

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

Capital commitments

	March 31, 2011 US$	December 31, 2010 US$
Capital expenditure in respect of acquisition of property, plant and equipment contracted but not provided for	30,019,163	38,552,671

Other commitments and contingencies existed at March 31, 2011

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

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

China Gold International Resources Corp. Ltd.

Management's Discussion and Analysis of Financial Condition and Results of Operations
March 31, 2011

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

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The following Management Discussion and Analysis of financial condition and results of operations ("MD&A") was prepared as of May 16, 2011. It should be read in conjunction with the condensed consolidated financial statements and the annual audited consolidated financial statements and notes thereto of China Gold International Resources Corp. Ltd. ("China Gold International" or the "Company") for the three months ended March 31, 2011 and the year ended December 31, 2010, respectively. Unless the context otherwise provides, references in this MD&A to China Gold International or the Company refer to China Gold International and each of its subsidiaries collectively on a consolidated basis.

The following discussion contains certain forward-looking statements relating to our plans, objectives, expectations and intentions, which are based on our current expectations and are subject to risks, uncertainties and changes in circumstances. Readers should carefully consider all of the information set out in this MD&A, including the risks and uncertainties outlined further in our Annual Information Form dated March 30, 2011. For further information on risks and other factors that could affect the accuracy of forward-looking statements and the result of operations of our Company, please refer to the sections entitled "Forward Looking Statements" and "Risk Factors' and to discussions elsewhere within this MD&A. China Gold International's business, financial condition or results of operations could be materially and adversely affected by any of these risks.

THE COMPANY

Overview

China Gold International Resources Corp. Ltd. ("China Gold International"), previously known as Jinshan Gold Mines Inc., is a mineral development company based in Vancouver, Canada. China Gold International is focused on acquisition, exploration, development, mining and processing of gold and other non-ferrous metals.

The Company's principal properties are the Chang Shan Hao Gold Mine ("CSH Gold Mine" or "CSH Mine" or "CSH"), located in Inner Mongolia, China and the Jiama Copper-Gold Polymetallic Mine ("Jiama Mine" or "Jiama"), located in Tibet, China. China Gold International holds a 96.5% interest in the CSH Gold Mine, while its Chinese joint venture partner holds the remaining 3.5% interest. China Gold International commenced gold production at the CSH Gold Mine in July 2007 and commenced commercial production on July 1, 2008.

The Company acquired 100% of Jiama on December 1, 2010. Jiama hosts a large scale copper-gold polymetallic deposit consisting of copper, molybdenum, gold, silver, lead and zinc. The mine commenced commercial production in September 2010.

China Gold International's common shares are listed on the Toronto Stock Exchange ("TSX") and the Stock Exchange of Hong Kong Limited ("HKSE") under the symbol CGG (formerly JIN) and the stock code 2099, respectively. Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com as well as Hong Kong Exchange News at www.hkexnews.hk.

Performance Highlights

- Gold production from the CSH Mine increased by 42.1% from 12,484 ounces in the three months ended March 31, 2010 to 17,740 ounces in the three months ended March 31, 2011.

- Gold sales from the CSH Mine increased by 124.6% from US$10.5 million in the three months ended March 31, 2010, to US$23.6 million in the three months ended March 31, 2011 with almost 16,965 ounces of gold sold at an average price of US$1,390 per ounce. Net income from the CSH Mine contributed US$6.2 million to the Company's net income of US$3.5 million.

- During the three months ended March 31, 2011, the Jiama Mine has produced 1,367 tonnes (3,013,716 pounds) of copper in copper concentrate.

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

	Three months ended March 31, 2011	Three months ended March 31, 2010
Gold production - CSH	**17,740 ounces**	12,484 ounces
Gold production - Jiama	**823 ounces**	-
Total gold production	**18,563 ounces**	12,484 ounces

Copper in copper concentrate production - Jiama	**1,367 tonnes/ 3,013,716 pounds**	-

	Three months ending March 31, 2011 (US$ except per share)	Three months ending March 31, 2010 (US$ except per share)
Net income (loss)	**3.5 Million**	(4.2) Million
Basic income (loss) per share (cents)	**0.82**	(2.60)
Net cash flows used in operations	**(17.9) Million**	(12.5) Million
Property, plant and equipment capital expenditures	**20.3 Million**	1.5 Million

	Balance, March 31, 2011 US$	Balance, March 31, 2010 US$
Cash and cash equivalents	**290.5 Million**	7.9 Million
Working capital *	**243.6 Million**	1.4 Million

*Working capital consists of current assets less current liabilities

Outlook

- For 2011, the Company has budgeted annual production of approximately 125,000 ounces of gold for the CSH Mine. At the end of the first quarter, the CSH Mine has produced 17,740 ounces of gold.

- For 2011, the Company has budgeted annual processing of 1.5 million tonnes of ore for the Jiama Mine. At the end of the first quarter, the Jiama Mine has processed 250,000 tonnes of ore.

- A three year exploration program for the CSH Mine has been planned to fully evaluate its potential for gold mineralization in response to the success of its initial diamond drilling program in 2010 with eight holes (4,187 meters), intercepting mineralization at depth for six holes and discovering anomalous gold values in the two holes drilled to test for the surface trenching intercepts.

- The Company is now conducting a feasibility study and reserve analysis on the Jiama Mine with the view to increase the scale of the Phase II expansion of its mining operations at the Jiama Mine. This process is expected to culminate in an updated feasibility study, which is expected to be completed in the second quarter of 2011.

- An aggressive three year exploration program has also been planned for the Jiama Mine to quantify the scale of a potential gold deposit, further expand and upgrade the resources, and investigate the porphyry copper-molybdenum mineralization both down depth and along the strike. The program consists of 31,200 meters of drilling with a total of 56 diamond drilling holes in three phases within a budget of US$5.6 million.

- The Company will continue to leverage upon CNG's technical and operating experience in China to improve operations at the CSH Gold Mine and the Jiama Mine. In addition, the Company continues to focus its efforts on increasing and optimizing production while minimizing costs.

- To fulfill its growth strategy, the Company is continually working with CNG to identify potential international mining opportunities, namely projects outside China, that can be readily and quickly brought into production for further expansion through exploration. The Company is seeking projects outside of China in reliance on the noncompete undertaking executed by CNG in favor of the Company, by which CNG undertook to not compete with the Company for international projects and in return, the Company undertook to restrict its pursuit of additional mining projects in China.

SIGNIFICANT ACCOUNTING ESTIMATES

In the process of applying the Company's accounting policies, the directors of the Company have identified accounting judgments and key sources of estimation uncertainty that have a significant effect on the amounts recognized in the condensed consolidated financial statements.

The key assumptions concerning the future and other key sources of estimation uncertainty, at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months, are outlined in Note 3 of our condensed consolidated financial statements.

CHANGE IN ACCOUNTING POLICIES

A summary of the new and revised IFRS standards and interpretations are outlined in Note 2 of our condensed consolidated financial statements.

FORWARD LOOKING STATEMENTS

Certain statements made herein, other than statements of historical fact relating to the Company, represent forward-looking information. In some cases, this forward-looking information can be identified by words or phrases such as "may", "will", "expect", "anticipate", "contemplates", "aim", "estimate", "intend", "plan", "believe", "potential", "continue", "is/are likely to", "should" or the negative of these terms, or other similar expressions intended to identify forward-looking information. This forward looking information includes, among other things; China Gold International's production estimates, business strategies and capital expenditure plans; the development and expansion plans and schedules for the CSH Gold Project and the Jiama Project**;** China Gold International's financial condition; the regulatory environment as well as the general industry outlook; general economic trends in China; and statements respecting anticipated business activities, planned expenditures, corporate strategies, participation in projects and financing, and other statements that are not historical facts.

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

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

HISTORICAL FINANCIAL INFORMATION

The condensed consolidated financial statements of the Company include the condensed consolidated financial statements of China Gold International and our subsidiaries (including our operating subsidiaries, namely, the Chang Shan Hao Chinese Joint Venture ("CSH CJV") and the newly acquired Jiama Mine). The assets and liabilities of the Dadiangou CJV have been segregated and held for sale. Our financial statements are presented in U.S. dollars.

Principal Income Statement Components

Revenue is derived from the principal product produced at the CSH Mine, which is the gold dore bar and the principal product at the Jiama Mine, which is copper concentrate with gold credit.

The sales price of gold dore bars is primarily determined by the spot gold prices in the market, with reference to prices on the Shanghai Gold Exchange. The sales price of copper concentrate is based on a sales contract which is primarily based on the spot copper prices in the market, with reference to prices on the Shanghai Metal Exchange. The sales price for copper concentrate is then reduced by approximately 10% to cover the smelting cost of the contained copper value in the copper concentrate. The sales price for the gold dore bar and for the copper concentrate historically correlate with international gold and copper prices, respectively.

The following table sets forth the monthly weighted average sales price for gold produced at the CSH Mine for 2010 and 2011:

	Weighted average sales price (US$ per ounce)		Weighted average sales price (US$ per ounce)
January 2010……….	1,090.6	September 2010……….	1,277.0
February 2010……….	1,115.9	October 2010…………….	1,297.9
March 2010………….	1,108.4	November 2010………….	1,343.2
April 2010……………	1,097.9	December 2010………….	1,248.1
May 2010……………..	1,178.6	January 2011…………….	1,335.6
June 2010……………..	1,215.5	February 2011…………….	1,426.9
July 2010…………….	1,156.9	March 2011……………….	1,431.9
August 2010……….	1,224.3	April 2011…………………	1,431.2

The following table sets forth the monthly weighted average sales price for the copper concentrate produced at the Jiama Mine for 2010 and 2011 (no sales were made in the month where Nil appears):

	Weighted average sales price (US$ per tonne)
December 2010……….	Nil
January 2011………….	Nil
February 2011……….	9,989.2
March 2011………….	9,794.8

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

Our production volume is primarily determined by the ore reserves, our mining and processing capacity and our recovery rates. Production volume at the CSH Mine is also affected adversely by a drop in temperature in the winter months as the leaching of the gold slows. The average monthly commercial production volume at the CSH Mine for the three months ended March 31, 2011 and 2010 was approximately 5,913 ounces and 4,161 ounces respectively while the average monthly commercial production volume at the CSH Mine for three months ended December 31, 2010 was approximately 11,861 ounces.

Production at the Jiama Mine commenced in September 2010. By December, the mine was processing 6,000 tonnes of ore per day. Since the date of acquisition on December 1, 2010, the Company has produced limited amounts of copper and molybdenum concentrates. However, the production of copper concentrate has increased month over month since the beginning of this year and is expected to represent a substantial portion of the Company's revenue in future financial periods.

Cost of sales primarily includes mining costs (primarily fees paid to third-party contractors for the provision of mine construction work and mining services), ore processing costs (primarily costs of raw materials used in the production process such as chemicals and drip meters, labor and utilities costs), other mine operating costs (primarily administrative and management staff salaries, benefits and office expenses), taxes, depreciation and depletion. Historically, mining costs have been the largest component of the costs of production. Increases in depreciation and depletion expense from additional capital expenditures increases the cost of sales.

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

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

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

Exploration and evaluation expenditures are charged to the consolidated statement of comprehensive income in the period incurred until such time when our management has determined that a mineral property has economically recoverable reserves. For the criteria our management uses when making assessment of economic recoverability, see Note 3 in our annual audited Consolidated Financial Statements. Following the establishment of economic recoverability, exploration and evaluation expenditures are capitalized and included in the carrying amount of mineral assets under property, plant and equipment.

Foreign exchange gain (loss) primarily consists of foreign exchange differences arising from the conversion of the balances of RMB denominated term loans or the syndicated loan facility to U.S. dollars, and the conversion of the books of account of the foreign subsidiaries denominated in RMB to U.S. dollars.

With the exception of the newly acquired subsidiaries in the Skyland Group, our reporting currency and the functional currency of our operations is the U.S. dollar. Transactions in currencies other than the U.S. dollar are initially recorded at the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in currencies other than the U.S. dollar are retranslated at the functional currency rate of exchange at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in a currency other than the U.S. dollar are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. All gains and losses on translation of these foreign currency transactions are included in our consolidated statements of comprehensive income.

Interest income primarily consists of interest on bank deposits. With the proceeds of the IPO deposited, interest income has increased.

Finance costs consist of effective interest accrued on our borrowings and accretion on environmental rehabilitation liabilities, net of capitalized interest. Interest expenses are capitalized if the borrowings underlying the interest expenses are for the construction or development of qualifying assets.

Effective interest consists of both interest expense and interest accretion on our borrowings. For the three months ended March 31, 2011 and 2010, our effective interest expense (which normally includes amounts capitalized) was US$2.5 million and US$1.6 million, respectively. There was no capitalized interest for the three months ended March 31, 2011 as all warrants have now been expensed, thus no interest accretion remains since the Crusher was put into use. For the three months ended March 31, 2011 and 2010, our finance costs totaled US$2.5 million and US$740,000, respectively.

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

Fair value change on warrant liabilities records the change between two consecutive reporting periods in the fair value of warrants that were granted and outstanding as of the end of the previous reporting period. The fair value of warrants is determined using the Black-Scholes option pricing model and requires the input of various subjective assumptions such as the expected volatility of our share price and the expected per share dividend. All of the outstanding warrants were exercised by the second quarter of 2010 and thus no fair value changes are expected for 2011.

Income tax for the Company is subject to Canadian federal and provincial tax rates of 26.5% and 28.5% for the three months ended March 31, 2011 and 2010, respectively. The Company and its subsidiaries incorporated in Canada however have had no assessable profit since incorporation. During the same periods, our CSH Chinese Joint Venture was subject to the PRC enterprise income tax at a rate of 25% and 25%, respectively for the three months ended March 31, 2011 and 2010. Our newly acquired subsidiary, Jiama Industry and Trade, established in the western area of the PRC, was subject to a preferential enterprise income tax of 15% due to its location in Tibet.

For the three months ended March 31, 2011 and 2010, we recognized a deferred tax expense of US$208,000 and US$1.3 million respectively and current income tax expense of US$1.7 million and US$383,000 respectively, for total tax expense of US$1.9 million and US$1.7 million, respectively.

RESULTS OF OPERATIONS

Selected Quarterly Financial Data

QUARTER ENDED	2011	2010				2009		
(US$ in thousands except per share)	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun
Revenues ($ in thousands)	**35,423**	48,886	46,631	27,181	10,499	34,009	21,048	18,304
Cost of sales	**23,587**	26,824	23,179	13,330	5,308	23,580	13,973	13,150
Mine operating earnings	**11,837**	22,063	23,452	13,850	5,191	10,429	7,075	5,155
General and administrative expenses	**3,937**	1,828	1,396	1,171	946	537	1,340	867
Exploration and evaluation expenses	**64**	559	69	70	23	907	396	280
Income from operations	**7,836**	19,675	21,987	12,610	4,222	8,985	5,339	4,008
Foreign exchange loss (gain)	**(34)**	595	631	872	(618)	447	3,311	4,913
Finance costs	**2,511**	2,164	1,450	1,489	740	2,376	1,830	1,016
Profit (loss) before income tax	**5,444**	16,923	19,405	8,205	(2,533)	7,363	(2,544)	(2,813)
Income tax expense	**1,941**	4,392	5,581	3,235	1,652	4,193	937	962
Net income (loss)	**3,503**	12,530	13,825	4,970	(4,185)	(3,457)	(3,480)	(3,775)
Basic earnings (loss) per share (US$)	**0.01**	0.06	0.08	0.03	(0.03)	(0.02)	(0.02)	(0.02)
Diluted earnings (loss) per share (US$)	**0.01**	0.06	0.08	0.03	(0.03)	(0.02)	(0.02)	(0.02)

Selected Quarterly Production Data

	CSH Mine	**Jiama Mine**	**CSH Mine and Jiama Mine**	CSH Mine
	Three months ended March 31, 2011 US$	**Three months ended March 31, 2011 US$**	**Three months ended March 31, 2011 US$**	Three months ended March 31, 2010 US$
Revenue	**23,585,033**	**11,838,464**	**35,423,497**	10,498,968
Cost of sales	**12,969,331**	**10,617,424**	**23,586,755**	5,307,968
Mine operating earnings	**10,615,702**	**1,221,040**	**11,836,742**	5,191,000
Gold produced (ounces)	**17,740**	**-**	**17,740**	12,484
Gold sold (ounces)	**16,965**	**-**	**16,965**	9,464
Copper produced (tonnes/pounds)	**-**	**1,367 / 3,013,716**	**1,367 / 3,013,716**	-
Copper sold (tonnes/pounds)	**-**	**1,105 / 2,436,105**	**1,105/ 2,436,105**	-
Total cost of gold sold per ounce	**764**	**-**	**764**	561
Total cost of copper sold per tonne/pound	**-**	**9,607 / 4.36**	**9,607 / 4.36**	-
Cash cost* per ounce of gold	**587**	**-**	**587**	416
Cash cost* per tonne/pound of copper	**-**	**5,860 / 2.66**	**5,860 / 2.66**	-

* Non-IFRS measure

Review of Quarterly Data

Revenue increased by 237.4%, or US$24.9 million, from $10.5 million for the three month period ended March 31, 2010, to US$35.4 million for the three month period ended March 31, 2011. The additional revenue from the newly acquired Jiama Mine accounted for 112.8%, or $11.8 million, of the increase. The balance relating to the revenue from the CSH Mine was due to an increase in the volume of gold sold as well as a $281 increase in the weighted average price of gold over the prior year's first quarter. For the three months ended March 31, 2011, the CSH Mine produced a total of 17,740 ounces of gold and sold 16,965 ounces of gold at a weighted average price of US$1,390 per ounce. For the three months ended March 31, 2010, the CSH Mine produced a total of 12,484 ounces of gold and sold 9,464 ounces of gold at a weighted average price of US$1,109 per ounce. Revenue decreased by 27.5%, or US$13.5 million, from revenue of US$48.8 million for the three month period ended December 31, 2010 due to the reduced leaching of gold as the weather became colder.

Cost of sales increased by 344.4% or US$18.3 million, from US$5.3 million for the three month period ended March 31, 2010 to US$23.6 million, for the three month period ended March 31, 2011. Jiama's cost of sales accounted for 200.0%, or $10.6 million, of the increase. Cost of sales as a percentage of revenue was higher for the Company at 66.6% due to the addition of Jiama's cost of sales as a percentage of revenue of 89.7%. Cost of sales as a percentage of revenue for the CSH Mine was 55.0% for the three months ended March 31, 2011 compared to 50.6% for the three month period ended March 31, 2010 and to 51.5% for the three months ended December 31, 2010. Cost of sales for Q1 is down by 13.7% from the cost of sales of US$26.8 million for the three months ended December 31, 2010 due to the addition of Jiama's cost of sales and the decrease in revenue and related cost of sales due to the reduced leaching of gold at the CSH Mine as the weather became colder.

M**ine operating earnings** for the Company increased by 128.0% , or $6.6 million, from US$5.2 million for the three month period ended March 31, 2010 to US$11.8 million for the three month period ended March 31, 2011. Mine operating earnings as a percentage of revenue decreased to 33.4% for the three month period ended March 31, 2011 compared to the three month period ended March 31, 2010 at 49.4% and the three month period ended December 31, 2010 at 45.1%. The decrease was due to the addition of Jiama and the slowing of the leaching of gold due to the colder weather.

General and administrative expenses increased by 316.2%, or US$3.0 million, from US$946,000 for the three month period ended March 31, 2010 to US$3.9 million for the three month period ended March 31, 2011. General and administrative expenses also increased by 115.3% or US$2.1 million compared to Q4 2010. The increase quarter over quarter and from Q4 2010 to Q1 2011 was primarily attributable to the addition of Jiama's general and administrative expenses totaling US$2.4 million. Of the US$2.4 million, salaries and benefits made up over half of the addition.

Exploration and evaluation expenditures increased by 172.9% or US$41,000 to US$64,000 for the three month period ended March 31, 2011 compared to US$23,000 for the three month period ended March 31, 2010. The increase is due to the new exploration plans underway for both CSH Mine and Jiama Mine for 2011. These same expenditures decreased by 88.6% or US$495,000 compared to US$559,000 incurred in the last quarter 2010.

I**ncome from operations** for Q1 increased by 85.6%, or US$3.6 million, from US$4.2 million for the three month period ended March 31, 2010 to US$7.8 million for the three month period ended March 31, 2011. Income from operations for Q1decreased by US$11.8 million from the US$19.7 million in the three months ended December 31, 2010.

Listing expenses decreased by 100.0% from US$351,000 for the three month period ended March 31, 2010 to US$ nil for the three month period ended March 31, 2011. This decrease was due to the completion of the listing on the Hong Kong Stock Exchange.

Finance costs increased by 239.6%, or US$1.8 million from US$739,000 for the three month period ended March 31, 2010 to US$2.5 million for the three month period ended March 31, 2011, primarily attributable to the addition of Jiama's finance costs of US$1.9 million. Finance costs increased by US$346,000 from the US$2.2 million incurred in the three months ended December 31, 2010. There was no capitalized interest for the three months ended March 31, 2011 as all warrants have now been expensed with no interest accretion remaining since the Crusher was put into use.

There was no **fair value change of warrant liabilities** for the three month period ended March 31, 2011, nor for the three months ended December 31, 2010 compared to the US$6.3 million expensed in the three months ended March 31, 2010 as all the warrants were exercised by the end of May 2010.

Foreign exchange gain decreased by US$584,000 from a gain of US$618,000 for the three month period ended March 31, 2010 to a gain of US$34,000 for the three month period ended March 31, 2011. The Company had a foreign exchange loss for the three months ended December 31, 2010 of US$595,000. The current year's gain relates to the conversion of the foreign subsidiaries books of account from RMB to US$, while the prior year's gain relates to the exchange on promissory notes, the conversion of foreign subsidiaries books and system revaluation of foreign exchange on cash.

Interest and other income increased 100% from US$ nil for the three month period ended March 31, 2010 to US$84,000 for the three month period ended March 31, 2011. This increase is primarily due to the addition of transportation income from Jiama Industry and Trade subsidiary of the Skyland Group. This compares to interest and other income for the three months ended December 31, 2010 of $43,000.

Income tax expense increased by 17.5%, or US$289,000, from US$1.7 million for the three months period ended March 31, 2010 to US$1.9 million for the three month period ended March 31, 2011 due to an increase in taxable income during the period. This compares to income tax expense of US$4.4 million for the three months ended December 31, 2010.

Net income (loss) attributable to owners of the Company increased by US$7.6 million from a loss of US$4.4 million for the three month period ended March 31, 2010 to income of US$3.2 million for the three months ended March 31, 2011. This compares to net income of US$12.5 million for the three months ended December 31, 2010.

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

NON-IFRS MEASURES

The following table provides certain unit costs information on the cash cost of production per ounce (non-IFRS) for the CSH Gold Mine for the three months ended March 31, 2011 and 2010:

	CSH Mine **Three months ended March 31, 2011** **US$**	CSH Mine Three months ended March 31, 2010 US$
Cost of mining per tonne of ore	**1.28**	1.12
Cost of mining waste per tonne of ore	**1.08**	1.19
Other mining costs per tonne of ore	**0.35**	0.62
Total mining costs per tonne of ore	**2.71**	2.93
Cost of reagents per tonne of ore	**0.74**	0.59
Other processing costs per tonne of ore	**1.10**	0.38
Total processing cost per tonne of ore	**1.84**	0.97

The cash cost of production is a measure that is not in accordance IFRS.

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

	CSH Mine				**Jiama Mine**	
	Three months ended March 31, 2011		Three months ended March 31, 2010		**Three months ended March 31, 2011**	
	US$	**US$ per ounce**	US$	US$ per ounce	**US$**	**US$ per tonne/pound**
Cost of sales	**12,969,331**	**764**	5,307,968	561	**10,617,424**	**9,607 / 4.36**
Adjustments	**(3,010,722)**	**(177)**	(1,368,724)	(145)	**(4,140,217)**	**(3,746) / (1.70)**
Total cash costs	**9,958,610**	**587**	3,939,244	416	**6,477,207**	**5,860 / 2.66**

The adjustments above include depreciation and depletion, amortization of intangible assets, the release of prepaid lease payments and selling expenses included in the cost of sales. The total cash costs per gold ounce above differ from the unit cash costs disclosed in the Behre Dolbear Independent Technical Report ("ITR") for the CSH Mine for two reasons. First, the Behre Dolbear ITR is prepared on a cash basis while the calculation above is prepared on an accrual basis. The cost of sales above includes an allocation of costs incurred over time while the Behre Dolbear ITR does not. Second, the Behre Dolbear ITR is prepared based on the units produced while the calculations above are based on the units sold.

MINERAL PROPERTIES

The CSH Mine

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

The CSH Mine is owned and operated by Inner Mongolia Pacific Mining Co., a CJV in which China Gold International holds a 96.5% interest and Ningxia Nuclear Industry Geological Exploration Institution (formerly known as Brigade 217) holds the remaining 3.5%.

The following table shows the exploration expenditures expensed and capitalized during the three months ended March 31, 2011 and 2010:

	CSH Mine	
	Three months ended	
	March 31, 2011	March 31, 2010
	US$	US$
Exploration expensed	**21,175**	32,093
Exploration capitalized	**-**	-
	21,175	32,093

Mineral Resources and Ore Reserves

An updated mine plan for the CSH Gold Project was developed and reported as at June 30, 2010 in the Behre Dolbear ITR dated November 17, 2010. This plan was prepared for heap leaching with a crushing plant throughput rate of 30,000 tpd which was reached as planned by the end of the first quarter of 2010. Further information can be found in the technical report filed at www.sedar.com and www.hkexnews.hk.

Mineral reserves were reported for the final pit designs at a positive net value cutoff that corresponds to a gold grade cutoff of approximately 0.3 grams per tonne ("g/t") gold as scheduled in the mine plan. The proven and probable reserves at CSH Mine as of December 31, 2009 stood at approximately 138 million tonnes of ore with an average grade of 0.67 g/t gold, representing approximately 2.8 million ounces of contained gold.

The reserves, accounting for mine depletion in 2010, are summarized in the table below:

CSH Gold Mine Total Reserves at December 31, 2010						
Classification		**Cutoff Au (g/t)**	**Ore (M tonnes)**	**Grade Au (g/t)**	**Contained Au (Kg)**	**Contained Au (Million oz)**
Proven	>+	0.3	74.6	0.70	52,227	1.679
Probable	>=	0.3	51.2	0.65	33,264	1.069
Total	**>=**	**0.30**	**125.9**	**0.68**	**85,491**	**2.749**

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

Resource Estimate

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

At the end of December 2010, the project's Measured and Indicated Gold Resources, using 0.3 g/t gold cut-off grade stood at 230 million tonnes averaging 0.64 (g/t) gold. This translates into 4.74 million ounces of contained gold (inclusive of reserves) in the deposit. In the previous March 2008 ITR, 183 million tonnes of Measured and Indicated resources averaging 0.69 g/t gold were reported at the same 0.30 g/t gold cut-off grade.

Details of the new resources update based on the Behre Dolbear ITR dated June 30, 2010 after depletion in the balance of 2010 are summarized in the following table:

Resource Estimates for the CSH Mine at December 31, 2010

Cutoff (g/t)	Measured		Indicated		Measured+Indicated			Inferred		
	Million Tonnes	Au Grade (g/t)	Million Tonnes	Au Grade (g/t)	Million Tonnes	Au Grade (g/t)	Au Million Ounces	Million Tonnes	Au Grade (g/t)	Au Million Ounces
0.30	**96.7**	**0.68**	**133.6**	**0.61**	**230.3**	**0.64**	**4.736**	**0.52**	**0.43**	**0.007**
0.40	78.8	0.75	101.7	0.69	180.5	0.72	4.176	0.24	0.54	0.004
0.50	61.7	0.84	74.7	0.78	136.5	0.81	3.542	0.12	0.62	0.002

Production Update

Since March, 2010, mine production has consisted almost entirely of crushed ore, and the crusher facility has consistently operated at its design capacity of 30,000 tpd. According to the most recent column leach test done by Metcon Research of KD Engineering, when the ore is crushed, the gold recovery will greatly improve to approximately 70% to 80% depending on the gold grades. The higher the gold grade, the better the recovery will be.

	CSH Mine Three months ended March 31,	
	2011	2010
Ore mined and placed on pad (tonnes)	**2,344,388**	2,947,925
Average grade of ore (grams per tonne)	**0.61**	0.75
Recoverable gold at 49% recovery rate (ounces)	**22,416**	27,353
Ending ore inventory (ounces)	**63,249**	68,345
Waste rock mined (tonnes)	**1,574,852**	3,513,583

For the three months ended March 31, 2011, the total amount of ore put on the leach pad was 2,344,388 tonnes, with total contained gold put on the leach pad of 1,428,695 grams (45,933 oz). The recovery rate for recoverable gold has been increased from 43% to 49% based on our technical team's analysis and estimation. The Company continues to carefully monitor the behavior of gold inventory in the circuit.

Project Economics

According to the latest mine plan, the CSH Mine life was extended from 2018 to 2023 with four more years of leaching afterwards. By the end of 2009 and prior to the use of the crusher, approximately 20 million tonnes of ROM ore were put under leach. The observed recovery from this uncrushed ROM material based on gold poured has been 37.3%. It is estimated that the ultimate recovery rate for the uncrushed ROM ore already on pad will be over 53%. With the new crusher now at the design capacity of 30,000 tpd, it is expected that the gold recovery will continue to improve. According to the column leach test done by Metcon Research of KD Engineering in 2009, the recovery rate for the crushed ore is a function of the ore grade. The higher the ore grade the higher the recovery rate, which ranges from the lowest of 62.1% in the SW pit to the highest of 80.9% in the NE pit. According to the updated Behre Dolbear ITR as of June 30, 2010 and the new mine production plan, approximately 2.35 million ounces of gold will be produced in the next 15 years starting with annual production of approximately 146,570 ounces in 2011, gradually increasing to over 150,000 ounces in 2015 and then to over 200,000 ounces in 2022.

In the Behre Dolbear ITR as at June 30, 2010, gold prices ranging from US$1,033 per ounce to US$849 per ounce over the next 5 years were used to estimate the Pre-Income Tax NPV as of the end of December 2009 at US$517 million at a 9% discount at the exchange rate of US$1: RMB 6.83. Please refer to the Behre Dolbear ITR as at June 30, 2010 for more information. The project economics is most sensitive to gold prices and the recovery rate.

Most of the development work at the CSH Mine has been completed. Further capital expenditures for the project include a conveyor system from the crusher to the leach pad and future leach pad III to VI extension. The total capital cost is estimated at approximately US$29 million.

Exploration

Exploration and drilling continued at the CSH Mine during the 2010 field season within the company's 25 square kilometer licensed area immediately adjoining the mining permit and mineralization at depths below the current mining permit. Priorities for exploration were given to trenching and drilling on several gold anomalies along the prospective stratigraphy that was defined by grid rock sampling during the previous field seasons, with deeper drill holes planned to explore for higher grades down dip.

The Company successfully completed its diamond drilling program on eight holes (4,187 meters) at its CSH Mine, confirming continued mineralization at depth for six holes and the discovery of anomalous gold values for the two holes drilled to test for surface trenching intercepts. An aggressive three year exploration program has been planned for the CSH Mine starting 2011 to fully evaluate the mineralization at depth and the potential of a new northwest zone of gold mineralization.

Environmental and Community Considerations

The Company is committed and dedicated to observing and complying with Chinese and global environmental and social responsibility standards.

Various social issues were addressed in a series of studies which focused on the protection of local social heritage and culture, the employment of local people and the employment of women. The Company makes contributions towards local education, medical equipment, various community activities and support of poor families with food and coal .

Several studies were completed since 2006 concerning the lack of water at the CSH Mine. The objective of the mine project in securing its water supply was to balance the extraction of water from local sources with the capacity for recharge of these sources. The collective studies had determined that a sustainable water extraction rate would be 4,000 m^3/day in an average year and 3,000 m^3/day in a dry year, which is sufficient to meet the demand of the mining operation. The current Water Permit allows water to be pumped from the Molen River and Xinhure alluvial aquifer as well as the Hushaogou bedrock aquifer, at a rate of up to approximately 1 Mm^3/year, which meets the sustainable water extraction rate set.

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

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

The Jiama Mine

The Company acquired the Jiama Mine on December 1, 2010. Jiama is a significant copper-gold polymetallic deposit containing copper, gold, silver, molybdenum, and other minerals located in the Gandise metallogenic belt in Tibet, China.

The deposit is presently being mined as a combined open-pit and underground mining operation. The development includes two open pits, being the smaller Tongqianshan pit and larger Niumatang Pit, as well as an underground operation that will be accessed through two shafts having an initial 355m depth and extending to a final depth of 600m. The first phase of development which primarily involved the development of an open-pit infrastructure at the Tongqianshan open pit, ore processing facilities and an underground ore transportation system is now complete. Skyland commenced mining from the Tongqianshan pit and processing operations in the latter half of 2010 with production reaching the planned 6,000 tonnes per day ("tpd") as planned for Phase I. The Company has retained a consultant to create a conceptual mine model using additional drilling results that may cause the mine plan to change to support expanded operations in the future.

The following table shows the exploration expenditures expensed and capitalized during the three months ended March 31, 2011 and 2010:

	Jiama	
	Three months ended	
	March 31, 2011	March 31, 2010
	US$	US$
Exploration expensed	**1,194**	-
Exploration capitalized	**3,635,192**	-
	3,636,386	-

Mineral Resources and Ore Reserves

In September 2010, Behre Dolbear completed a technical review and, as part of its engagement, produced an NI 43-101 technical report on the Jiama Property as at June 30, 2010 dated November 17 2010. Set forth below are the mineral resource and reserve estimates for the property. Further information can be found in the technical report filed at www.sedar.com and www.hkexnews.hk.

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

The following skarn-type resources and reserves have been identified at the Jiama Property, as at December 31, 2010. The skarn-type resources are reported at a cut-off grade of 0.3% copper, 0.03% molybdenum, or 1% lead, or 1% zinc. Resources are inclusive of reserves.

Skarn Zone Resource Estimate at December 31, 2010												
Kt	Grade						Metals					
	Copper ("Cu") %	Molyb-denum ("Mo") %	Gold ("Au") g/t	Silver ("Ag") g/t	Lead ("Pb") %	Zinc ("Zn") %	Cu Kt	Mo Kt	Au t	Ag t	Pb Kt	Zn Kt
Measured Resource												
82,814	0.83	0.042	0.30	16.0	0.06	0.05	6824	34.22	24.84	1,325	49.6	38.2
Indicated Resource												
101,641	0.68	0.041	0.22	13.7	0.10	0.05	691.1	41.67	22.21	1,392	81.3	50.8
Measured + Indicated Resource												
184,455	**0.74**	**0.041**	**0.26**	**14.7**	**0.08**	**0.05**	**1,373.5**	**75.89**	**46.05**	**2,717**	**130.9**	**89.0**
Inferred Resource												
164,916	0.64	0.053	0.21	13.1	0.14	0.06	1,055.4	87.43	34.63	2,160	230.8	98.9

The estimate was prepared using Minesight computer mining software, based on a database of 210 diamond drill holes with a total drilled length of 69,029 meters, and 10 surface trenches with a total length of 349 meters. The database contains 26,606 assay intervals.

Skarn-type ore reserve estimates were summarized based on the block/stope unit economic values calculated for the resource blocks within the final Tongqianshan pit and Niumatang pit designs and for stopes within the planned underground mining areas.

The cutoff unit economic values used to separate ore and waste are listed below:

Cutoff Unit Economic Value for Reservation Estimation of the Jiama Project		
Area	**Cutoff Unit Economic Value**	**Total Unit Ore Operating Cost In Project Financial Analysis**
Tongqianshan Pit	RMB276.5/t (US$40.78/t)	RMB133.2/t (US$19.65/t)
Niumatang Pit	RMB249.0/t (US$36.73/t)	RMB128.9/t (US$19.01/t)
Underground (+4,600 m) Sublevel Stoping	RMB276.5/t (US$40.78/t)	RMB201.0/t (US$29.65/t)
Underground (-4,600 m) Panel Sublevel Stoping	RMB249.0/t (US$36.73/t)	RMB201.0/t (US$29.65/t)

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

Mining and Production Operations

The following table shows the reserves remaining as of the end of 2010 with the same parameters:

Ore Reserve Estimates for the Jiama Project (December 31, 2010)													
Type	Kt	Grade						Contained Metals					
		Cu %	Mo %	Au g/t	Ag g/t	Pb %	Zn %	Cu Kt	Mo Kt	Au t	Ag t	Pb Kt	Zn Kt
Tongqianshan Pit													
Proved	1,208	0.64	0.15	0.20	10.0	0.21	0.05	7.7	0.18	0.24	12	2.5	0.6
Probable	2,004	0.77	0.012	0.24	13.4	0.51	0.09	15.4	0.24	0.48	27	10.2	1.8
Subtotal	3,212	0.73	0.013	0.23	12.3	0.41	0.08	23.1	0.41	0.72	39	12.7	2.4
Waste	20,826												
Strip Ratio	5.58												
Niumatang Pit													
Proved	14,376	1.04	0.039	0.45	21.6	0.03	0.03	149.5	5.60	6.46	310	4.2	3.9
Probable	5,423	1.06	0.035	0.49	21.7	0.03	0.03	57.7	1.89	2.63	118	1.8	1.8
Subtotal	19,799	1.05	0.038	0.46	21.6	0.03	0.03	208.6	7.55	9.19	430	6.0	5.6
Waste	146,224												
Strip Ratio	7.35												
Total Open Pits													
Proved	**15,584**	**1.01**	**0.037**	**0.43**	**20.7**	**0.04**	**0.03**	**157.2**	**5.47**	**6.70**	**322**	**6.7**	**4.5**
Probable	**7.427**	**0.97**	**0.027**	**0.41**	**19.1**	**0.19**	**0.05**	**73.1**	**2.13**	**3.11**	**145**	**12.0**	**3.6**
Subtotal	**23,011**	**1.00**	**0.034**	**0.42**	**20.1**	**0.09**	**0.04**	**230.3**	**7.6**	**9.81**	**467**	**18.7**	**8.1**
Waste	**167,050**												
Strip Ratio	**7.07**												
Underground Reserve													
Proved	**37,860**	**0.75**	**0.038**	**0.27**	**14.5**	**0.06**	**0.04**	**284.2**	**14.48**	**10.3**	**550**	**22.9**	**16.9**
Probable	**44,410**	**0.82**	**0.042**	**0.27**	**16.0**	**0.09**	**0.05**	**365.6**	**18.77**	**12.0**	**712**	**40.6**	**23.2**
Subtotal	**82,269**	**0.79**	**0.040**	**0.27**	**15.3**	**0.08**	**0.05**	**649.8**	**33.25**	**22.3**	**1262**	**63.5**	**40.1**
Total Reserves													
Proved	**53,444**	**0.83**	**0.038**	**0.32**	**16.3**	**0.06**	**0.04**	**441.4**	**29.95**	**17.0**	**872**	**29.6**	**21.4**
Probable	**51,837**	**0.85**	**0.040**	**0.29**	**16.5**	**0.11**	**0.05**	**438.7**	**20.90**	**15.11**	**857**	**52.6**	**26.8**
Total	**105,281**	**0.84**	**0.039**	**0.31**	**16.4**	**0.08**	**0.05**	**879.1**	**40.85**	**32.11**	**1729**	**82.2**	**48.2**

Open pit mining is conducted using hydraulic excavators loading onto 45t and 20t trucks. Underground mining will include open stope mining, with flatter, thick zones backfilled and steeply dipping zones not backfilled. These two mining methods will account for around 90% of the ore reserves. For zones where open stoping methods are not appropriate, room and pillar or shrinkage stoping mining methods are planned.

The Company is developing the mining facilities in phases. According to the Behre Dolbear ITR, the Jiama Project is to be developed as a combined open-pit and underground mining operation at a production rate of 3.6 million tpa (12,000 tpd) based on 300 working days per annum over a mine life of approximately 31 years. At December 31, 2010, Phase I was complete with production at 6,000 tpd from the Tongqianshan open pit. Open-pit mining at the Niumatang pit to increase the total open-pit mining production; underground mining to increase total mine production and finally, underground mining to ramp up production after the Tongqianshan pit is depleted were all part of the original Phase II plan. The Company is now conducting a mine plan and reserve analysis with the view to increase the size and scope of the Phase II expansion of its mining operations. This process is expected to culminate in an updated feasibility study, currently anticipated to be completed in the second quarter of 2011.

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

Production will eventually consist of copper concentrate, molybdenum concentrate and lead concentrate. Gold and silver will be separated and smelted in downstream processing.

According to the review, the currently defined skarn-type reserves of the Jiama Mine are expected to support approximately 30 years of mine production based on an assumed production rate of 12,000 tpd (3.6 million tonnes per annum).

Operating and Capital Costs

Behre Dolbear calculated an overall unit cost for mine operations at US$24.82 to US$34.57 with a life of mine average at US$29.60 and unit production cost (which includes total unit cost for mine operations, unit depreciation and amortization costs) of US$31.99 to US$50.04 per tonne of processed ore with a life of mine average at US$35.28 per tonne of processed ore. Behre Dolbear also calculated a copper equivalent production in concentrate for the project based on metal in annual concentrate sales prices (excluding VAT). This calculation resulted in estimates of CuEq in annual concentrate production amounting to between approximately 28,000 to 50,000 tonnes, CuEq operating costs ranging from approximately US$2,000 to US$4,000 per tonne, and CuEq production costs ranging from approximately US$2,500 to US$4,500 per tonne.

In the Behre Dolbear Report, the original mine development plan estimated total capital costs at approximately US$400 million to bring the project to 12,000 tpd of production. To date, approximately 56% of the capital costs have been expended, with an additional approximately US$170 million to be expended in the balance of 2010 through to 2012. The original mine development plan estimated further sustaining capital expenditures required through the life of the mine of approximately US$230 million. These amounts will change with the updated mine development plan expected to be completed in the second quarter.

Economic Analysis

Behre Dolbear completed an economic analysis of the mining operation based on its reserves. Behre Dolbear used copper, molybdenum, and lead prices that represent the actual average metal market prices for the last 3 to 5 years in China. Gold and silver prices are slightly higher than the past 3-year actual averages, but they represent the expectation for the long- term prices for these two metals. In addition to the metal prices, a copper concentrate transportation credit of RMB200/t (US$29.50/t) of copper metal contained in the copper concentrate was applied based on the preliminary current sales contract with a copper concentrate buyer.

Metal Prices Used for Base Case Economic Analysis for the Jiama Project

Metal	Metal with VAT Price [1]		Metal in Concentrate with VAT Price		Metal in Concentrate without VAT Price	
	RMB	US$	RMB	US$	RMB	US$
Copper	55,000/t	8,112.09/t	49,275/t	7,267.70/t	42,115.39/t	6,362.80/t
Molybdenum			300,000/t	44,247.79/t	256,410.26/t	37,818.62/t
Gold	200/g	917.51/oz	166/g	761.53/oz	166/g	761.53/oz
Silver	3,500/kg	16.06/oz	2,712.5/kg	12.44/oz	2,318.38/kg	10.64/oz
Lead			12,500/t	1,843.66/t	10,683.76/t	1,575.78/t

Note: (1) VAT is 17% for all metals except gold; gold sales are not subject to VAT.

Under the base case analysis, revenue from metal sales amounts to between US$200 million to US$300 million per year once full Phase II production is achieved, with after tax cash flow amounting to approximately US$100 million per year for most years, and with negative after tax cash flow recorded in 2010 when substantial capital programs are contemplated.

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

Behre Dolbear adopted a discount rate of 9% for the net present value calculation. Based on these assumptions, Behre Dolbear calculated the after tax net present value of the discounted cash flow at US$777.2 million. Payback of capital costs was estimated at 5.2 years starting from January 1, 2010.

Sensitivity analyses indicate that the NPV of the Jiama Project is very sensitive to variations in the metal prices and processing metal recoveries, moderately sensitive to variations in operating costs, and less sensitive to variations in capital costs.

Hornfels-type Resource Estimate

In addition to the skarn-type resource and reserve estimates reported above, Behre Dolbear conducted an analysis of a large, lower grade hornfels-type copper-gold polymetallic deposit located above the skarn-type deposit at the Jiama property. Results of geological modeling show that the hornfels-type mineralization is likely to consist of a large, massive mineralized body over 1,500 m long, up to 1,000 m wide and up to 820 m thick. In general, the upper portion of the mineralized body is copper rich, and the lower portion of the body is molybdenum rich. A total of 3,434 assay intervals with a total length of 6,017 m are located inside the defined hornfels-type mineralized envelopes for the Jiama Project.

The hornfels-type mineral resources, estimated as of June 30, 2010 by Behre Dolbear for the Jiama Project, are summarized in the table below. The cutoff grade used for the hornfels-type resource summary is 0.3% copper, or 0.03% molybdenum, or 1% lead, or 1% zinc. Only inferred resources were estimated for the hornfels-type mineralization.

Hornfels Zone Inferred Mineral Resource Estimate
as of June 30, 2010

Kt	Grade						Contained Metal					
	Cu %	Mo %	Au g/t	Ag g/t	Pb %	Zn %	Cu Kt	Mo Kt	Au t	Ag t	Pb Kt	Zn Kt
655,000	0.23	0.045	0.02	1.17	0.00	0.01	1,500	290	13	770	-	-

Behre Dolbear estimated hornfels-type inferred resources of 655 million tonnes with average grades of 0.23% Cu, 0.045% Mo, 0.02 g/t Au and 1.17g/t Ag and contained metal of 1,500,000 tonnes of Cu, 290,000 tonnes of Mo, 13 tonnes of Au and 770 tonnes of Ag . The resource estimate was identified by Behre Dolbear as being at an early stage.

Environment and Community Considerations

Environment protection measures for the mine site are comprised of water management, solid waste, dust and air quality mitigation, noise control, rehabilitation, and tailings storage.

The Jiama Project has a policy of social responsibility towards the local community, with a focus on providing assistance and contributing towards social development, through financially supporting local economic development, education, employment, training initiatives, local transport, communications, drinking water supply, and other social initiatives such as assisting poor families and rectifying both contamination issues and outstanding debts due to the community that were generated by previous mining operations on the Jiama Project site. The community has welcomed the opportunity for employment in the area and has participated in ongoing dialogue with both Huatailong (Jiama's holding company) and the local government through the "Jiama Project Coordination and Development Management Committee" concerning the development and operation of the mine, potential environmental impacts and their management, and the scope and nature of community benefits to be generated by the development. To date, Huatailong has spent in excess of RMB50.0 million (approximately US$7.0 million) implementing the community development plan.

Jiama employs local Tibetan mine workers, provides training to them, and provides many post secondary education scholarships to the local students. The Mine has already employed thousands of days of contracted local labour and is ensuring that non-Tibetan staff are learning the local language.

Actual Commissioning and Production during the Commissioning Process

The Jiama Mine went into commissioning for commercial production in September 2010 and by December, the mine was processing 6,000 tonnes of ore per day. The mine is presently producing its principal product of copper concentrate with lesser amounts of gold and silver credits. Due to the Jiama Mine being situated in a remote location in China, the mine experienced interruptions or shortages in its electricity supply from the beginning of the year until the 23rd of January 2011. According to the Jiama Technical Report, the Company was warned that the Jiama Project may experience power shortages during the winter dry season until the central power grid of Tibet is connected to China's national power grid which is planned for by the end of 2012. No interruptions or shortages in electricity supply have been experienced since.

Assay Results from New Diamond Drill Holes

The Company successfully completed its planned 50,000 meter drilling program from ninety-five holes at its Jiama Copper-Gold Polymetallic Mine. Drilling results will be included in an updated resource estimate expected to be completed by the second quarter. The high drilling success rate of ninety-five percent confirmed the high-grade skarn type mineralization is continuous in the licensed area. Further, a new standalone quartz diorite porphyrite dyke type gold mineralization zone was identified which may add a significant amount of high grade gold resources to the project.

An aggressive three year exploration program has been approved for the Jiama project area to further define the extent of the mineralized system supporting the now known deposit. The new exploration program consists of 31,200 meters of drilling with a total of 56 diamond drilling holes done in three phases with a budget of US$5.6 million (37.35 million RMB Yuan). It will focus on four targets in the 3km long three-in-one complex system consisting of the Hornfels, Skarn, and Porphyry mineralized bodies. The first target is the 100x100m and 200x100m spacing in-fill drilling in the center part of the Skarn type mineralized body. The purpose is to upgrade the current inferred and indicated resources to the indicated and measured category. The second target is further drilling work surrounding the existing standalone quartz-diorite porphyrite gold mineralized body and gold rich Skarn type mineralized body which has been confirmed by the drilling program in 2010. The purpose is to define a reasonable size gold or gold rich deposit. The third target is to define the Skarn type mineralized body boundary by drilling holes along the North-East strike extension of the major Skarn mineralized body. The fourth target is to drill a 2000-3000m deep hole to explore the depth of the porphyry mineralized body in the center of the mineralized zone. Along with the drilling program, a magnetotelluric geophysical survey may be conducted to define the extent of the deep porphyry system. The drill program will start in April and is scheduled for completion by November, 2011. Initial results from the drilling program are expected by the end of year 2011.

LIQUIDITY AND CAPITAL RESOURCES

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

At March 31, 2011, the Company had an accumulated deficit of US$36.0 million and working capital of US$243.6 million. China Gold International's cash balance at March 31, 2011 was US$290.5 million.

For the CSH Mine, the second principal installment of US$1.5 million on the Company's RMB290 million term loan from the Agricultural Bank of China ("ABC") is due September 2011. Interest payments of approximately US$200,000 are paid monthly on the ABC loan and will continue to be paid next year in 2012. For the Jiama Mine, the first repayment of the loan for RMB200 million (US$30,504,505) from the Bank of China ("BOC") is due December 28, 2011. Interest payments of approximately US$350,000 are paid monthly on the BOC loan and will continue to be paid next year in 2012. During the three months ended March 31, 2011, an additional RMB203.0 million was drawn down from the syndicated loan facility bringing the total loan to RMB630.0 million (approximately US$96.1 million). The first payment of RMB100 million is due on the syndicated loan facility ("SLF") balance with various banks is not due until June 2013. Interest payments of approximately US$330,000 are paid monthly on the SLF and will continue to be paid next year in 2012.

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

Management believes that its forecasted operating cash flows from the CSH Mine are sufficient to cover the next twelve months of the CSH Mine operations factoring in its planned capital expenditures and current debt repayments. Revenue and related expenses should increase as production increases. Forecasted operating cash flows from the Jiama Mine should be sufficient to cover the next twelve months of operations. Some of the proceeds from the Hong Kong IPO will be used to fund the capital expenditures being planned for Phase II of Jiama as well as other business expenses. The Company may seek further financing to fund the balance of the capital expenditures being planned for Phase II of Jiama's expansion.

Cash flows

The following table sets out selected cash flow data from our consolidated cash flow statements for the three months ended March 31, 2011 and 2010:

	Three months period ended March 31,	
	2011	2010
	US$	US$
Net cash flows used in operating activities	**(17,914,114)**	(12,482,900)
Net cash flows used in investing activities	**(24,143,268)**	(1,482,579)
Net cash flows from (used in) financing activities	**30,996,446**	(1,954,681)
Effect of foreign exchange rate changes on cash and cash equivalents	**567**	(139,107)
Net decrease in cash and cash equivalents	**(11,060,369)**	(16,059,267)
Cash and cash equivalents, beginning of period	**301,608,717**	23,984,660
Cash and cash equivalents, end of period	**290,548,348**	7,925,393

For the three months ended March 31, 2011 and 2010

During the three months ended March 31, 2011, cash decreased by US$11.1 million compared to a decrease of US$16.1 million for the same period in 2010.

Operating cash flow

For the three months ended March 31, 2011, net cash used in operating activities was US$17.9 million which was primarily attributable to (i) a decrease of US$17.9 million in accounts payable, (ii) income taxes paid of US$7.8 million, (iii) an increase in inventory of US$4.3 million, (iv) interest paid of US$2.5 million, and (v) an increase in accounts receivable of US$0.9 million, partially offset by (i) net income of US$5.4 million, (ii) depreciation and depletion of US$4.7 million, (iii) finance costs of US$2.5 million, (iv) amortization of intangible assets of US$2.2 million, (v) a decrease in prepaid expenses and deposits of US$0.6 million, and (vi) stock based compensation of US$.01 million.

For the three months ended March 31, 2010, net cash used in operating activities was US$12.5 million, which was primarily attributable to (i) an increase in inventory of US$10.6 million primarily due to the reduction of the recovery rate in the winter months, (ii) a decrease in accounts payable and accrued liabilities of US$5.6 million due to the payment of third-party mining contractors and third party contractors for the installation of the crushing facility at the CSH Mine, and (iii) interest paid of US$1.3 million, partially offset by (i) a fair value loss of US$6.3 million on the warrant liabilities due to our rising stock price, (ii) depreciation and depletion of US$1.4 million, and (iii) unrealized foreign exchange gain of US$0.5 million.

Investing cash flow

For the three months ended March 31, 2011, net cash used in investing activities was US$24.1 million, which was primarily attributable to the acquisition of property, plant and equipment for US$20.3 million and for deposits paid on the acquisition of property, plant and equipment for US$3.7 million.

For the three months ended March 31, 2010, net cash used in investing activities was $1.5 million, which was attributable to purchases of property, plant and equipment of $1.5 million, net of construction payables.

Financing cash flow

For the three months ended March 31, 2011, net cash from financing activities was US$31.0 million which was primarily attributable to the proceeds from the increase in the syndicated loan facility for RMB203.05 million (US$31.0 million) for Jiama.

For the three months ended March 31, 2010, net cash used in financing activities was US$1.9 million, which was attributable to the repayment of Series B Notes in an aggregate amount of approximately US$3.9 million net of cash proceeds of US$2.0 million from the issuance of common shares in connection with the exercise of warrants and stock options during the three month period.

SELECTED BALANCE SHEET ITEMS

Accounts receivable primarily represents trade sales, gold sales in advance of payment, value added tax receivables and goods and services tax refunds from relevant government authorities, listing expense receivables, amounts due from shareholders, and other receivables such as employee travel advances. Normally, CNG pays an estimated sale price for gold from the CSH Mine within two days before delivery. The estimated sale price is calculated on the basis of the estimated weight of gold and silver contained in the gold dore bars we sell. The final sale price is settled when the parties finalize the weight of gold and silver contained in the gold dore bars in accordance with the weighing and sampling procedures specified in the sale agreement.

Accounts receivable increased by US$850,000 from US$9.1 million as of December 31, 2010 to US$9.9 million as of March 31, 2011, primarily due to the US$1.6 million increase in other receivables and an increase of US$630,000 in trade receivables for Jiama, offset by a decrease in VAT receivables of US$1.4 million for the CSH Mine.

Our trade receivable turnover days for the three months ended March 31, 2011 and for the year ended December 31, 2010 were 25.5 days and 24.8 days respectively.

Prepaid lease payments consist of US$6.7 million prepaid for medium term lease leasehold land located in the PRC. The prepaid lease payments are amortized over the remaining lease term of 48 years.

Prepaid expenses and deposits primarily consist of deposits for supplies and services for mining operations at the CSH Mine, deposits for environmental protection, deposits to suppliers for purchase of spare parts, insurance premium for future periods, and rent deposits for our corporate offices.

As at March 31, 2011 and December 31, 2010, prepaid expenses and deposits were US$9.0 million and US$5.8 million, respectively. The increase of US$3.1 million in prepaid expenses and deposits was primarily due to (i) a deposit of US$3.7 million paid for the acquisition of property, plant and equipment and (ii) an increase in prepayment of the VAT of US$398,000, offset by (i) a decrease of US$752,000 for mine supplies and services, (ii) a decrease in the deposits for spare parts of US$118,000, and (iii) a decrease in prepaid insurance of US$108,000.

Inventory consists of gold-in-process (comprising gold contained in the ore placed on the leach pad and in-circuit material within processing operations), gold dore bars, copper concentrate, auxiliary materials and spare parts. Total inventory for both mines increased by US$4.3 million from US$52.0million as of December 31, 2010 to US$56.3 million as of March 31, 2011.

Inventory at the CSH Mine increased by US$2.9 million from US$45.2 million as of December 31, 2010 to US$48.1 million as of March 31, 2011. The increase in inventory can be primarily explained by increases of US$824,000 in gold dore inventory and of US$2.4 million in gold in process inventory. Approximately 2.3 million tonnes of ore was mined and placed on the leach pad in the three months ended March 31, 2011, slightly down from the 2.5 million tonnes in the previous three months ended December 31, 2010.

Inventory at the Jiama Mine increased by US$1.4 million from US$6.8 million as of December 31, 2010 to US$8.2 million as of March 31, 2011. This increase in inventory resulted from an increase in the spare parts inventory from US$1.4 million as of December 31, 2010 to US$3.8 million as of March 31, 2011 which was offset by a decrease in consumables inventory from US$2.8 million to US$1.8 million over the same time period. Copper concentrate inventory remained stable at US$2.6 million.

Inventory turnover days for the three months ended March 31, 2011 and for the year ended December 31, 2010 were 217.7days and 276.5 days, respectively. These inventory turnover periods were primarily attributable to the amount of gold-in-process we had which was in turn primarily attributable to the nature of the heap leaching method we use at the CSH Mine. It generally requires a significant period of time (several years) from the time when ore is placed on leach pads to the time when gold is poured. A five year leaching kinetics has been developed by KD Engineering.

As of March 31, 2011 and December 31, 2010, CSH's inventory primarily consisted of gold-in-process.

Intangible assets arose from the purchase of the Jiama Mine and relate mainly to the independent valuation made of the fair value of the mining rights acquired. The mining rights are equivalent to the recoverable amount from the production of Phase I based on a value in use calculation covering a 9 year period and a discount rate of 9%. The mining rights will expire in 2013 and in the opinion of the directors of the Company, the Company will be able to renew the mining rights with the relevant government authority, continuously. The mining rights are amortized on a unit of production method based on the actual production volume over the estimated total proven and probable reserves of the mines.

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

Accounts payable and accrued expenses decreased by US$17.9 million from US$90.8 million as of December 31, 2010 to US$73.0 million as of March 31, 2011. The majority of the decrease relates to a US$13.8 million drop in advances from customers and a US$3.8 million decrease in trade payables.

The accounts payable turnover days for the three months ended March 31, 2011 and December 31, 2010 are calculated based on accounts payable and accrued expenses as of the period end divided by the cost of sales for the period. The accounts payable turnover days for the three months ended March 31, 2011 and the year ended December 31, 2010 was 282.2 days and 483.0 days. The accounts payable turnover days are relatively long primarily attributable to third-party mining contractors, and the deposit received for the sale of the Dadiangou project.

Deferred tax liabilities amount to US$138.5 million and primarily relate to the fair value adjustment on intangible assets and property, plant and equipment that arose on the acquisition of Jiama.

Environmental rehabilitation primarily represents reclamation and closure costs relating to our operations at the CSH Mine. We have estimated reclamation and closure costs based on our interpretation of current regulatory requirements and the recorded amount is the net present value of estimated future cash expenditures on reclamation and closure in connection with the areas estimated to be disturbed. Reclamation and closure costs were capitalized as mine development costs (under mineral assets as part of property, plant and equipment) since the commencement of pre-commercial production and depreciated over the life of the mine on a unit-of-production basis. At the same time, we started to recognize environmental rehabilitation liabilities since the commencement of pre-commercial production with the same amount of net present value of estimated future cash expenditures on reclamation and closure and accrete the balance of the environmental rehabilitation liabilities for each reporting period through to 2030. Such accretion is recorded as part of the finance costs.

The environmental rehabilitation was calculated as the net present value of estimated future net cash outflows of the reclamation and closure costs in a total amount of approximately US$9.5million and US$9.9 million discounted at 9.5% and 9.8% as of March 31, 2011 and December 31, 2010, respectively. The accretion incurred in connection with the environment rehabilitation represented interest expense calculated based on the foregoing discount rates and therefore it was recorded as part of the finance costs. Our environmental rehabilitation liabilities increased from US$1.9 million as of December 31, 2010 to US$2.0 million as of March 31, 2011 primarily attributable to accretion.

We had net current assets of US$243.6 million and US$224.8 million as of March 31, 2011 and December 31, 2010, respectively.

RELATED PARTY TRANSACTIONS

Sales of gold dore to CNG increased from US$10.5 million for the three months ended March 31, 2010 to US$20.3 million for the three months ended March 31, 2011 while silver sales to CNG decreased $143,000 over the same period. The gold dore and silver sales were sold to CNG at market prices under the relevant agreements.

The Company incurred US$nil interest expense with CNG in the three months ended March 31, 2011 compared with US$821,000 in the same three month period ended March 31, 2010 as the loan to CNG was repaid in December 2010.

On December 1, 2010, the Company acquired Skyland Mining Limited, the owner of the Jiama Mine, from China National Gold Group Hong Kong Limited ("CNGHK") and a third party, Rapid Result. The Company issued an aggregate 170,252,294 common shares, of which 86,828,670 common shares were issued to CNGHK. The terms of the transaction were settled by a special committee of independent directors with the support of a valuation and fairness opinion by Haywood, an independent securities firm. The Skyland Purchase Agreement included a post-closing adjustment mechanism based on the net working capital of Skyland as at November 30, 2010 which could adjust the total consideration paid. An independent international auditing firm was consulted to produce a report on the working capital adjustment and calculation. The Company and the Skyland vendors are currently in discussions about the final calculation of the working capital adjustment amount, and the actual working capital adjustment is expected to be recorded in the second quarter of 2011 when these discussions are expected to be complete.

With the purchase of Skyland, the Company acquired an existing bank loan from the Bank of China and a syndicated loan facility both guaranteed by CNG.

In April 2010, the Company's wholly owned subsidiary, Gansu Pacific Mining Co. Ltd., and its joint venture partner, NINETC, agreed to sell the Company's Dadiangou gold project to Gansu Zhongjin Gold Mining Co. Ltd for a purchase price of US$13.1 million, of which the Company is entitled to 53%, or approximately US$7 million. In November 2010, the Dadiangou exploration right transaction application between Gansu Zhongjin Gold Mining Co. Ltd and NINETC was approved by the Gansu Provincial Government. The transaction procedure is now pending approval by the Land and Mineral Resource Bureau of Gansu Province.

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

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

	March 31, 2011	December 31, 2010
	US$	US$
Assets		
Restricted cash received from CNG's subsidiary from sale of Dadiangou Gold Project	**6,788,782**	6,725,129
Amount due from shareholders:		
Listing expense receivable from CNGHK, CNG's subsidiary	**2,735,852**	2,735,852
Listing expense receivable from Rapid Result	**2,628,564**	2,628,564
	5,364,416	5,364,416
Trade receivable from CNG	**312,290**	53,135
Amount due from a non-controlling shareholder	**576,536**	419,768
		-
Total related party assets	**13,042,024**	12,562,448

The increase in restricted cash related to the deposit on the Dadiangou Gold Project is due to exchange rate changes. Listing expense receivable from CNG and Rapid Result are included in accounts receivable in the condensed consolidated statement of financial position. The trade receivable from CNG arose from sales of gold to CNG. There is no credit period. An advance has increased the amount due from a non-controlling shareholder in Jiama's account.

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

	March 31, 2011	December 31, 2010
	US$	US$
Liabilities		
Other payable to CNG's subsidiary for deposit from sales of Dadiangou Gold Project	**6,788,782**	6,725,129
Account payable to CNG	**30,506**	30,199
Accounts payable to CNG's subsidiaries	**37,504**	117,569
Total related party liabilities	**6,856,792**	6,872,897

The increase in other payable related to the deposit on the Dadiangou Gold Project is due to exchange rate changes. The payable to CNG's subsidiaries has been reduced.

Key management compensation (other than directors):

	Three month period ended March 31	
	2011	2010
	US$	US$
Salary cost		
Salaries and other benefits	**162,678**	118,329
Post employment benefits	**6,599**	4,156
	169,277	122,485

The salaries and benefits above are a summation of the amounts paid to Management of the Company.

INDEBTEDNESS

Our borrowings are denominated in RMB, U.S. dollars and Canadian dollars. As of March 31, 2011 and 2010, we had the following outstanding borrowings:

	Effective Interest rates				
	2011	2010	Maturity	**March 31, 2011**	December 31, 2010
	%	%		**$**	$
Current					
Current portion of long-term loan - Agricultural Bank of China ("ABC") (ii)	**5.81**	5.18	September 9, 2011	**1,531,558**	1,517,197
RMB700 million bank loan from Bank of China (iii)	**3.96**	3.96	December 28, 2011	**30,504,545**	30,343,949
				32,036,103	31,861,146
Non-current					
Long-term loan - ABC (ii)	**5.81**	5.18	September 9, 2012 to September 9, 2014	**41,352,059**	40,964,331
RMB700 million bank loan from Bank of China (iii)	**3.96**	3.96	December 28, 2012 to December 28, 2014	**76,261,363**	75,353,123
RMB750 million syndicated loan (iv)	**3.96**	3.96	June 4, 2013 to June 4, 2016	**96,089,317**	64,467,664
				213,702,739	180,785,118
				245,738,842	212,646,264

Our indebtedness comprised the following:

(i)Notes A, B, and C (fully repaid)

On December 14, 2006 and June 26, 2007 private placement offerings were completed of senior unsecured promissory notes in the principal amount of CAD$30.0 million (US$25.9 million)(Note A) and CAD$12.5 million (US$18.7 million) (Note B) and CAD$7.5 million (Note C) with interest at 12% per annum payable quarterly along with 6,000,000 and 4,000,000 warrants which entitled the holder to purchase one Share at an exercise price of CAD$1.60 per Share and CAD$2.50 per Share, respectively. We fully repaid Note A and redeemed and/or repaid Note B. We exercised on early expiry dates for the warrants on March 18, 2010 and April 16, 2010, respectively. Note C, originally due June 26, 2010, was extended to June 26, 2011 under the same terms but was repaid early. No promissory notes or warrants remain at the end of December 31, 2010.

(ii) Loan from the Agricultural Bank of China

In September 2009, the CSH CJV received an unsecured bank loan in the principal amount of RMB290 million (US$42.3 million) from the Agricultural Bank of China. China National Gold provided a guarantee for the loan. The loan is repayable within five years from the date of the first draw-down. The annual interest rate for the term loan is currently 5.81% with monthly interest payments of approximately US$200,000. The loan is repayable through installments with RMB10 million (approximately US$1.5 million) due September 2011 and further installments of RMB30 million (US$4.6 million) due in successive three month intervals starting September 2012 through September 2014 when the remaining outstanding balance is to be repaid in full.

(iii) Loan from the Bank of China

A bank loan facility from the Bank of China was acquired with the purchase of Skyland and the Jiama Mine. The bank loan of RMB700 million (US$106.8 million) carries interest at a floating rate based on the People's Bank of China base rate (the interest rate at date of inception of the loan agreement and at the end of reporting period is 3.96% per annum) with monthly installments of approximately US$350,000. The loan is repayable in four annual installments starting from

December 28, 2011. RMB200 million (approximately US$30.5 million), RMB200 million (approximately US$30.5 million), RMB150 million (approximately US$22.9 million) and RMB150 million (approximately US$22.9 million) will be repayable on December 28, 2011, December 28, 2012, December 28, 2013 and December 28, 2014 respectively. The loan is guaranteed by CNG.

(iv) Syndicated loan facility

A syndicated loan facility agreement for RMB750 million with various banks was acquired with the purchase of Skyland and the Jiama Mine. The syndicated loans carry interest at a floating rate based on the People's Bank of China base rate (the interest rate at date of inception of the loan agreement and at the end of reporting period was 3.96% per annum) with monthly installments of approximately $330,000. The loan facility is repayable in four annual installments starting from 2013. RMB100 million (approximately US$15.3 million), RMB150 million (approximately US$22.9 million), and RMB380 million (approximately US$58.0 million) will be repayable on June 2013, June 2014, and June 2015 respectively. Total facility drawn down to date is RMB630 million (approximately US$96.1 million). The facility is guaranteed by CNG.

(v) Shareholder's loan from China National Gold

In December 2009, we received an unsecured non-revolving shareholder's loan from China National Gold Hong Kong in the principal amount of US$40.0 million. The loan bears interest (payable on a quarterly basis) at an annual rate of 6% and matures in December 2011. The proceeds of the loan were partially used to redeem Series A Notes due on December 14, 2009. We used the remaining amount of the proceeds to prepay Series B Notes in their entirety on January 11, 2010. The annual interest rate for the term loan is 6% with interest of US$600,000 payable quarterly. With the proceeds from the public offering, the US$40.0 million term loan was fully repaid with accrued interest in December 2010.

Restrictive covenants

We are subject to various customary conditions and covenants under the terms of our financing agreements.

Under the loan agreement between the CSH CJV and the Agricultural Bank of China, the CSH CJV is prohibited from distributing dividends before repaying amounts due under the loan agreement in the same fiscal year. In addition, the CSH CJV is required to obtain the lender's consent prior to carrying out certain activities or entering into certain transactions such as reduction of registered capital, disposal of assets, mergers and acquisitions and provision of guaranty or creating charges over its material assets in favor of third-parties.

Under the loan agreements between Jiama and the Bank of China and between Jiama and the various banks providing the syndicated loan facility, Jiama is prohibited from distributing dividends before offsetting accumulated losses of the prior accounting year, repaying the principal, interest, and other expenses due under the loan agreement in the current fiscal year, and repaying the principal, interest and other expenses due under the loan agreement in the next fiscal year. In addition, Jiama is required to obtain the lender's written approval prior to reducing registered capital, processing one or more transactions or a series of transactions in the form of a sale, lease, transfer or other way leading to the disposal of assets that together total over RMB5.0 million, entering into any merger or acquisition, providing a guarantee or creating charges over its material assets in favor of third parties.

COMMITMENTS AND CONTINGENCIES

Commitments and contingencies include the principal repayments on our bank loans and syndicated loan facility, material future aggregate minimum operating lease payments required under the operating leases and capital commitments in respect of future acquisition of property, plant and equipment and construction for both the CSH Mine and the Jiama Mine.

We have leased certain properties in China and Canada. All the leases are under operating lease arrangements and the leases are negotiated for an average term of three to seventeen years. We are required to pay a fixed rental amount under the terms of these leases

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

Our capital commitments related primarily to payments for purchase of equipment and machinery for both mines and payments to third-party contractors for provision of mining and exploration engineering work and mine construction work for both mines. We have entered into contracts that prescribed such capital commitments, but have not included them in our condensed consolidated financial statements.

The following table outlines payments for commitments as of the years indicated:

	Payments Due By Year						
	Total	**2011**	**2012**	**2013**	**2014**	**2015**	**Thereafter**
	US$	US$	US$	US$	US$	US$	US$
Principal repayment on ABC term loan (RMB290 .0 million)	**42,883,617**	1,531,558	9,189,346	18,378,693	13,784,020	-	-
Principal repayment on BOC loan (RMB700.0 million)	**106,765,908**	30,504,545	30,504,545	22,878,409	22,878,409	-	-
Principal repayment on Syndicated loan (RMB630.0 million)	**96,089,317**	-	-	15,252,273	22,878,409	57,958,636	-
Operating leases Vancouver (a)	**425,083**	77,624	106,271	107,195	107,195	26,799	-
Operating leases CSH Mine (a)	**524,303**	23,892	31,856	31,856	31,856	31,856	372,985
Operating leases Jiama Mine (a)	**690,556**	99,012	54,199	54,199	54,199	54,199	374,748
Capital commitments of CSH Mine (b)	**1,121,548**	1,121,548	-	-	-	-	-
Capital commitments of the Jiama Mine (b)	**28,897,615**	28,897,615	-	-	-	-	-
Total	**277,397,947**	62,255,794	39,886,218	56,702,625	59,734,088	58,071,490	747,733

(a) Operating leases are primarily for premises and production.

(b) Capital commitments relate to contracts signed for construction and equipment supply.

In addition to the table set forth above, we have entered into service agreements with third-party contractors such as China Railway and China Metallurgical for the provision of mining and exploration engineering work and mine construction work for the CSH Mine. The amount of fees for such work performed and to be performed each year varies depending on the amount of work performed. We have similar agreements with third party contractors for the Jiama Mine.

OFF-BALANCE SHEET ARRANGEMENTS

As of March 31, 2011, we had not entered into any material off-balance sheet arrangements.

DIVIDEND AND DIVIDEND POLICY

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

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

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for the design of disclosure controls and procedures ("DC&P") and the design of internal control over financial reporting ("ICFR") to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company's

Chief Executive Officer and Interim Chief Financial Officer have each evaluated the design of the Company's DC&P and ICFR as of March 31, 2011 and, in accordance with the requirements established under National Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings, the Chief Executive Officer and Interim Chief Financial Officer have concluded that these controls and procedures have been designed to provide reasonable assurance that material information relating to the Company is made known to them by others within the Company and that the information required to be disclosed in reports that are filed or submitted under Canadian Securities legislation are recorded, processed, summarized and reported within the time period specified in those rules.

The Company's Chief Executive Officer and Interim Chief Financial Officer have used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework to evaluate the design of the Company's ICFR as of March 31, 2011 and have concluded that these controls and procedures have been designed to provide reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner. Management of the Company was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means design of controls cannot provide absolute assurance that all control issues and instances of fraud will be detected. During the three months ended March 31, 2011, there were no changes in the Corporation's DC&P or ICFR that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

RISK FACTORS

There are certain risks involved in the Company's operations, some of which are beyond the Company's control. Aside from risks relating to business and industry, the Company's principal operations are located within the PRC and are governed by a legal and regulatory environment that in some respects differs from that which prevails in other countries. Readers should carefully consider all of the information set out in this MD&A, including the risks and uncertainties described below and outlined further in our Annual Information Form dated March 30 2011. China Gold International's business, financial condition, or results of operations could be materially and adversely affected by any of these risks.

The Company's production estimates are subject to operating risks.

China Gold International generates all of its cash flow from the production of minerals at its two operating mines, the CSH Mine and the Jiama Mine. The Company's production estimates from these mines are based on numerous assumptions including, among other things, reserve estimates, assumptions regarding ground conditions and physical characteristics of ores (such as hardness and presence or absence of certain metallurgical characteristics), estimated recovery rates and estimated rates and costs of production. By its nature, the business of mining and processing contains elements of significant risk and hazards which can affect these assumptions and thereby modify production. Actual production may vary from estimates for a variety of reasons, including risks and hazards set out below:

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

The Company's mining operations may also be disrupted by environmental hazards, industrial accidents (including but not limited to mishandling of dangerous articles), technical or mechanical failures, processing deficiencies, labour disputes, community protests or civil unrest, discharge of toxic chemicals, fire, explosions, and other delays. China Gold International's mines are also subject to equipment failures and technical risks in that the Company's infrastructure may not perform as designed.

Such occurrences could result in damage to mineral properties, interruptions in production, increased production costs, monetary losses, injury or death to persons, damage to the Company's property or the property of others, If the Company does not realize the estimated recovery rate, the Company's future growth prospects and results of operations may be materially and adversely affected. The Company's failure to achieve its production estimates could have a material and adverse effect on the Company's future cash flow, results of operations and financial condition.

Development Risk at the Jiama Project

The Jiama Project is operating at an initial stage of production, but the Company contemplates undertaking a substantive development program on the property. The Company has recently determined to amend its mine plan for the Jiama Project to adopt a higher processing rate than that set forth in the Jiama Technical Report. There is no guarantee that this analysis will result in identification of a feasible mine plan. Moreover, to the extent that the Company completes an updated feasibility study and mine plan, there are numerous risks in the development of mining properties, including failure to obtain the necessary regulatory approvals or sufficient funding, construction difficulties, technical difficulties, and manpower or other resource constraints. In particular, recent disruptions, uncertainty or volatility in the capital and credit markets may limit the Company's ability to obtain financing to meet its funding requirements. Any delay in completion of the schedule for mine and processing facility construction and expansion will delay realization of anticipated revenues from the Jiama Project. As a consequence of any delay in completing the Company's capital expenditure projects, cost overruns, changes in market circumstances or other factors, the Company may not derive the expected economic benefits from capital expansion at the Jiama Project, and the Company's business and results of operations may be materially and adversely affected. Finally, new mining operations frequently experience unexpected problems during the initial development phase. Delays often can occur in the commencement of production. Estimates of production from properties not yet in production are subject to numerous risks of variance from actual estimates.

The Skyland Acquisition may not yield the anticipated benefits, which could materially and adversely affect the China Gold International's business and results of operations.

China Gold International expects to benefit from substantial synergies from the acquisition of Skyland by building on the joint management experience in the mining industry and the combined research and development capacities. The Company also believes that its increased mineral resources and enlarged production scale resulting from the acquisition of Skyland will present further growth opportunities in a broader spectrum of market sectors and allow for the reduction of the Company's overall exposures to volatility within any single mineral market.

However, the Company may encounter difficulties in integrating acquired operations, services, corporate culture and personnel into its existing business and operations. Further, China Gold International may discover previously unidentified liabilities or other issues that it did not discover in its pre-acquisition due diligence investigations. These activities may divert significant management attention from existing business operations, which may harm the Company's business. In addition, the Skyland Acquisition will require the Company's management to develop expertise in new areas, manage new business relationships and attract new types of customers. Failure to generate the synergies anticipated from the combination of the Company's current operations at the CSH Gold Project and Jiama Project could materially and adversely affect China Gold International's business and results of operations.

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

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

Electricity and water are the main utilities used in the Company's exploration and mining. Because the Company's mines are situated in remote locations in China, the Company faces a relatively higher risk of an interruption or shortage in the Company's electricity supply, which could materially and adversely affect the Company's production and production safety by disrupting operations such as water pumping and ventilation. For example, according to the Jiama Technical Report, the Jiama Project may experience power shortage until the central power grid of Tibet is connected to China's national power grid. Shortage in the electricity supply for mine and processing production during the winter dry season may also affect the ability of the Jiama Project in meeting production targets. Such a power outage occurred in mid December 2010. Any increase in the prices of electricity or water could also materially and adversely affect the Company's financial condition and results of operations.

Reserve and resource estimates are based on assumptions which may prove to be inaccurate.

The figures for mineral reserves and mineral resources contained in this Annual Information Form are estimates only and no assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realized or that mineral reserves could be mined or processed profitably. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any reserve or resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Short-term operating factors relating to the mineral reserves, such as the need for orderly development of the ore bodies or the processing of new or different ore grades, may cause the mining operation to be unprofitable in any particular accounting period. In addition, there can be no assurance that gold, silver or copper recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

Fluctuation in gold, copper concentrate and other metal prices, results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may require revision of such estimate. The volume and grade of reserves mined and processed and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of mineral reserves and mineral resources, or of the Company's ability to extract these mineral reserves, could have a material adverse effect on the Company's results of operations and financial condition.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares without par value. As of March 31, 2011, 396,138,753 common shares were issued and outstanding and 760,000 stock purchase options had been granted and were outstanding. All common share purchase warrants have been exercised. On a fully diluted basis, 396,898,753 common shares were outstanding.

As of May 16, 2011, 396,138,753 common shares were issued and outstanding and 720,000 stock purchase options had been granted and were outstanding. All common share purchase warrants have been exercised. On a fully diluted basis, 396,858,753 common shares were outstanding.

QUALIFIED PERSON

Disclosure of a scientific or technical nature in this MD&A in respect of CSH Mine and the Jiama Mine were prepared by or under the supervision of Dr. Yingting Tony Guo, P. Geo, a qualified person for the purposes of National Instrument 43-101.

Further information can be found in the technical reports dated November 17, 2010 for the CSH Mine and the Jiama Mine filed at www.sedar.com and www.hkexnews.hk.

May 16, 2011