CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

Annual Information Form

For the Year Ended
December 31, 2010

Dated March 30, 2011

TABLE OF CONTENTS

FORWARD-LOOKING INFORMATION

Certain statements made herein, other than statements of historical fact relating to China Gold International, represent forward-looking information. In some cases, words or phrases such as "may", "will", "expect", "anticipate", "contemplates", "aim", "estimate", "intend", "plan", "believe", "potential", "continue", "is/are likely to", "should", the negative of these terms and other similar expressions are used to identify forward-looking information. This forward looking information includes, among other things: China Gold International's business strategies and capital expenditure plans; estimates of future mine operating performance; the development and expansion plans and schedules for the CSH Gold Project and the Jiama Project; acquisition plans; the regulatory environment as well as the industry outlook generally; 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 adverse change in its 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 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 AIF that could cause actual results to differ materially from the forward-looking information actually occurs.

Forward-looking information contained herein is stated as of the date of this AIF based on the opinions, estimates and assumptions of management. There are a number of important risk, uncertainties and other factors that could cause actual actions, events or results to different 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 AIF. 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 AIF is expressly qualified by this cautionary statement. The reader is cautioned not to place undue reliance on forward-looking information.

PRELIMINARY NOTES

Date of Information

Unless otherwise indicated, all information contained in this Annual Information Form ("**AIF**") is current as of December 31, 2010.

Qualified Persons

Disclosure of a scientific or technical nature in this AIF in respect of each of the CSH Gold Project and the Jiama Project was prepared by or under the supervision of Dr. Yingting (Tony) Guo, a qualified person for the purposes of NI 43-101.

Currency and Exchange Rates

In this AIF, unless otherwise specified, all references to "dollars" and to "$" are to United States dollars, references to "Cdn.$" are to Canadian dollars and references to RMB are to the Chinese Yuan Renminbi.

The Bank of Canada noon buying rates for the purchase of one United States dollar using Canadian dollars were as follows for the indicated periods:

	Year Ended December 31		
	2010	**2009**	**2008**
End of period	0.9946	1.0466	1.2112
High for the period	1.0778	1.3000	1.2969
Low for the period	0.9946	1.0292	0.9719
Average for the period	1.0299	1.1420	1.0660

The Bank of Canada noon buying rate on March 30, 2011 for the purchase of one United States dollar using Canadian dollars was Cdn.$0.9714 (one Canadian dollar on that date equalled U.S.$1.0294).

The Bank of Canada noon buying rate on March 30, 2011 for the purchase of one United States dollar using RMB was RMB6.5591 (one RMB on that date equalled U.S.$0.1525).

Defined Terms and Abbreviations

Throughout this AIF, there are terms that are defined in the document and used only in the relevant section in which they are defined. There are also a number of defined terms and abbreviations that are used consistently throughout the document as follows:

"**ABC Term Loan**" means the term loan of RMB290 million received by IMPM from the Agricultural Bank of China on September 14, 2009;

"**BCBCA**" means *Business Corporations Act* (British Columbia);

"**BDASIA**" means Behre Dolbear Asia Inc., the author of the Technical Reports;

"**Brigade 217**" means Brigade 217 of the Northwest Geological Bureau of China, China Gold International's CJV partner in the CSH Gold Project;

"**CGG Non-Compete**" means an undertaking granted by China Gold International to China National Gold in which it undertakes not to compete with China National Gold and its Controlled Entities in respect of gold and non ferrous mineral prospects in PRC;

"**China**", "**PRC**" or "**State**" means the People's Republic of China;

"**China Gold International**" or the "**Company**" means China Gold International Resources Corp. Ltd.;

"**China Gold HK**" means China National Gold Group Hong Kong Limited, a wholly owned subsidiary of China National Gold;

"**China National Gold**" means China National Gold Group Corporation;

"**CIM**" means the Canadian Institute of Mining, Metallurgy and Petroleum;

"**CJV**" means "Co-operative Joint Venture", a form of foreign investment enterprise established under the laws of China;

"**CNG Bridge Credit Facility**" means the temporary credit facility of RMB210 million received by IMPM from China National Gold in June 2009;

"**CNG Term Loan Facility**" means the loan facility of $40 million received by China Gold International from China Gold HK in December 2009;

"**CNG Non-Compete**" means the undertaking granted by China National Gold in which China National Gold agrees to not compete with China Gold International, nor allow its Controlled Entities to compete with China Gold International in the International Mining Business;

"**CNRC**" means China National Railway Corporation;

"**Common Shares**" means common shares in the capital of China Gold International;

"**Controlled Entities**" means any entity in which China National Gold holds an interest as a controlling shareholder, excluding as the context requires China Gold International and its subsidiaries;

"**CSH Gold Project**" means Chang Shan Hao gold project located in Inner Mongolia, China;

"**CSH Technical Report**" means the technical report regarding the CSH Gold Project entitled "Independent Technical Report on the Changshan Hao Gold Mine" dated November 17, 2010 and contained in the Global Offering Prospectus;

"**Dadiangou Gold Project**" means the Dadiangou project of China Gold International located in Gansu Province, China;

"**DDH**" means diamond drill holes;

"**Global Offering**" means the equity offering completed by the Company on December 1, 2010 pursuant to which the Company issued 53,660,000 Common Shares at a price of $5.76 per Common Share, for gross proceeds of approximately $309 million;

"**Global Offering Prospectus**" means the Global Offering prospectus of the Company dated November 17, 2010 prepared in connection with the Global Offering and filed on SEDAR on the same date;

"**g**" means gram;

"**g/t**" means grams per tonne;

"**Haywood**" means Haywood Securities Inc.;

"**HKSE**" means the Stock Exchange of Hong Kong Limited;

"**Huatailong**" means Huatailong Mining Development Co., Ltd., a limited liability company incorporated in the PRC;

"**ICBC**" means Industrial and Commercial Bank of China;

"**ICBC Bridge Loan**" means a bridge loan in the amount of RMB 130 million received by the Company from ICBC in September, 2008;

"**IFRS**" means International Financial Reporting Standards;

"**IMPM**" means Inner Mongolia Pacific Mining Co. Ltd.;

"**International Mining Business**" means gold or other non-ferrous mining operations or assets located outside of China;

"**Jia Ertong**" means Jia Ertong Mining Development Co., Ltd., a limited liability company incorporated in the PRC;

"**Jiama Project**" means the Jiama polymetallic mineral property located in Tibet, China;

"**Jiama Technical Report**" means the technical report regarding the Jiama Project entitled "Independent Technical Report on the Jiama Copper-Polymetallic Project in Metrorkongka County, Tibet Autonomous Region, The People's Republic of China" dated November 17, 2010 and contained in the Global Offering Prospectus;

"**kg**" means kilogram;

"**km**" means kilometres;

"**km^2**" means square kilometres;

"**kV**" means kilovolt;

"**m^2**" means square metres;

"**m^3**" means cubic metres;

"**m**" means metres;

"**mm**" means millimetres;

"**NINETC**" means the Nuclear Industry Northwest Economic and Technology Company;

"**NI 43-101**" means National Instrument 43-101 of the Canadian Securities Administrators;

"**NI 52-110**" means National Instrument 52-110 of the Canadian Securities Administrators;

"**oz**" means ounce;

"**Pacific PGM**" means Pacific PGM (Barbados) Inc., a company incorporated in Barbados with limited liability;

"**Pacific PGM BVI**" means Pacific PGM Inc., a limited liability company incorporated under the laws of the British Virgin Islands;

"**Rapid**" means Rapid Result Investments Limited;

"**ROM**" means run-of-mine;

"**Skyland**" means Skyland Mining Limited;

"**Skyland Acquisition**" means the acquisition by the Company of Skyland Mining Limited on December 1, 2010, pursuant to which the Company became the owner of the Jiama Project;

"**Skyland Group**" means Skyland and its subsidiaries;

"**Skyland Purchase Agreement**" means the Share Purchase Agreement dated August 30, 2010 among the Company, China Gold HK and Rapid;

"**State Council**" means the chief administrative authority of the PRC;

"**t**" means tonnes;

"**tpd**" means tonnes per day;

"**Technical Reports**" means the CSH Technical Report and the Jiama Technical Report;

"**TSX**" means the Toronto Stock Exchange;

"**Underwriting Agreements**" means, collectively, the Underwriting Agreement dated November 16, 2010 relating to the Hong Kong public offering under the Global Offering among, inter alia, the Company, Citigroup Global Markets Asia Inc. and BOC International Asia Limited and the International Underwriting Agreement relating to the international portion of the Global Offering dated November 23, 2010 among, inter alia, the same parties;

"**VAT**" means value added tax.

CORPORATE STRUCTURE

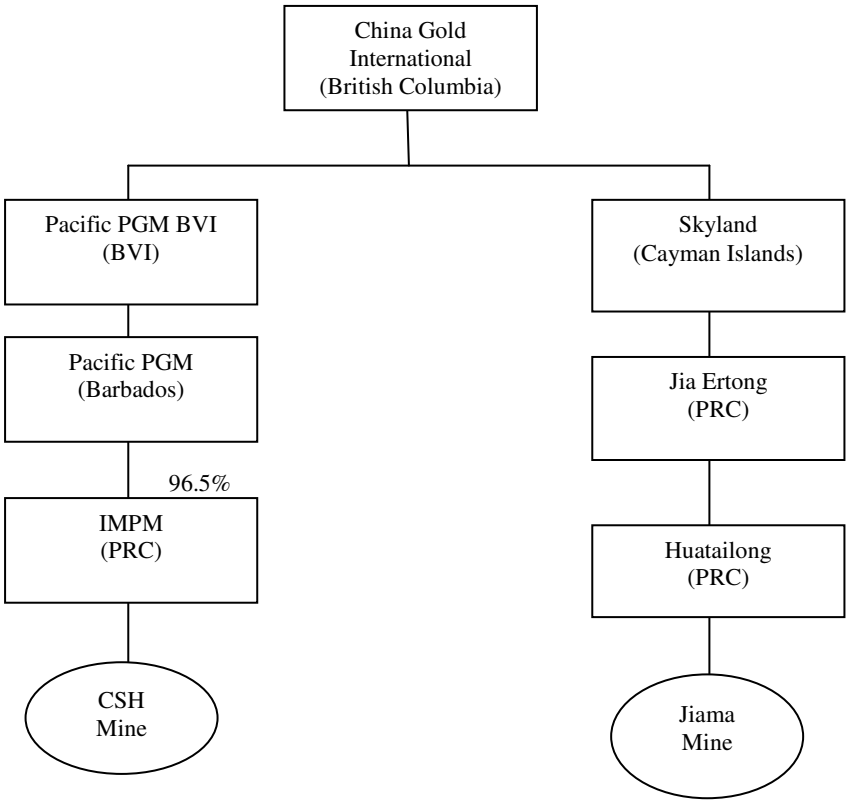
Name and Incorporation

China Gold International was incorporated on May 31, 2000 pursuant to the *Company Act* (British Columbia) under the name Pacific Minerals Inc. The Company changed its name to Jinshan Gold Mines Inc. on March 9, 2004. In April 2004, the Company transitioned to the BCBCA. On July 9, 2010 the Company changed its name to China Gold International Resources Corp. Ltd., and on October 14, 2010 the Company amended its Notice of Articles to remove its class of preferred shares.

China Gold International's corporate head office and registered and records office is located at Suite 1030, One Bentall Centre, 505 Burrard Street, Box 31, Vancouver, British Columbia, Canada, V7X 1M5.

Intercorporate Relationships

The corporate structure of China Gold International, its material subsidiaries, the percentage ownership that China Gold International holds in such subsidiaries (if it is not wholly-owned) and the jurisdiction of incorporation of such corporations is set out in the following chart:



GENERAL DEVELOPMENT OF THE BUSINESS

Overview

China Gold International conducts business in one operating segment consisting of the acquisition, exploration and production of mineral properties. China Gold International's main properties are the CSH Gold Project, which is located in Inner Mongolia, China and the Jiama Project, which is located in the Tibet Autonomous Region of the PRC.

China National Gold, a Chinese state-owned enterprise, indirectly owns an approximate 39% interest in China Gold International through its subsidiary, China Gold HK.

Three Year History

2008

In the first quarter of 2008, China Gold International completed a resource estimate and expansion and feasibility study on the CSH Gold Project, which updated an original feasibility study and mine plan prepared in 2006. In the update, the Company reported an increase in measured and indicated resources to 171.3 million tonnes grading an average of 0.71 g/t gold, for 3.92 million contained ounces, plus inferred resources of 64.2 million tonnes grading an average of 0.65 g/t gold, for 1.33 million ounces, all at a cut-off grade of 0.35 g/t gold. The Company also reported total reserves approximately 99 million tonnes grading 0.71 g/t gold; comprised of approximately 35 million tonnes of proven reserves grading 0.74 g/t gold, and approximately 64 million tonnes of probable reserves grading at 0.69 g/t gold and reported an updated mine plan in which production would be expanded to 30,000 tpd.

In May 2008, China Gold HK purchased all of the outstanding Common Shares held by Ivanhoe, along with Cdn.$7.5 million of promissory notes. As a result of this transaction, China Gold HK became China Gold International's largest individual shareholder with an equity interest of approximately 41%. Concurrent with the transaction a number of changes to the board of directors were made, including the appointment of Messrs. Zhaoxue Sun as Chairman and Zhanming Wu and Bing Liu, each from China National Gold, as directors, the resignation of Peter Meredith and R. Edward Flood as directors, and the appointment of Mr. Yunfei Chen as an independent director.

In July 2008, China Gold International's operations at the CSH Gold Project were designated as being in commercial production.

In September 2008, China Gold International received the ICBC Bridge Loan of RMB130 million ($19,116,000). The loan was guaranteed by China National Gold for no consideration and bore interest at a rate of 6.57%, with repayment due in instalments through to March 2009. Proceeds of the ICBC Bridge Loan were used to support operations at the CSH Gold Project.

In September 2008, the Company underwent further management changes, with the appointment of Mr. Zhaoxue Sun as Chief Executive Officer, along with the addition of Messrs. Boping Ma and Jian Ren as Vice Presidents of the Company, and the concurrent resignations of Messrs. Jay Chmelauskas and Calvin McKee as Chief Executive Officer and Chief Operating Officer, respectively.

In December 2008, the Company announced an updated resource estimate on its Dadiangou Gold Project. The Company reported an indicated resource amounting to approximately 20,000,000 tonnes grading 0.87 g/t gold for approximately 545,000 ounces of contained gold and inferred resources amounting to approximately 16,600,000 tonnes grading 0.96 g/t gold for approximately 500,000 ounces of contained gold, all at a cut-off grade of 0.40 g/t gold. The estimate was prepared by Geosystems International, Inc.

2009

Commencing in early 2009, the Company suspended all exploration work at the Dadiangou Gold Project and by mid-2009 commenced a process to identify a purchaser for the project. Following discussions with NINETC, the Company's joint venture partner on the Dadiangou Gold Project, the parties entered into a supplemental agreement by which they agreed to divide the proceeds from any future sale of the Dadiangou Gold Project as to 53% for China Gold International and 47% for NINETC. All further work obligations and payments of the Company under the applicable CJV agreement were suspended.

In June 2009, IMPM received the CNG Bridge Credit Facility of RMB210 million ($31,000,000) from China National Gold. The CNG Bridge Credit Facility was unsecured, bore interest at a rate of 5.31% per annum and matured and was repayable in full on September 30, 2009.

In August 2009, a crushing system was installed at CSH in contemplation of changing production from ROM to crushing of ore before loading on the leach pad and an increased production rate to 30,000 tpd. Throughout the balance of 2009 and early 2010 the Company worked on bringing the crusher to full operational capacity.

In September 2009, IMPM secured the ABC Term Loan of RMB290 million ($42,000,000) from the Agricultural Bank of China. The ABC Term Loan bears interest at a rate of 5.184% per annum, with repayment due in accordance with the following instalments: RMB10 million ($1,466,340) in September 2010, RMB10 million ($1,466,340) in September 2011 and further instalments of RMB30,000,000 ($4,399,020) 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. Proceeds of the ABC Term Loan were used to support the funding of the CSH Gold Project expansion program, including

construction costs and repayment of funds advanced by China National Gold under the CNG Bridge Credit Facility.

In September 2009, China Gold International entered into a memorandum of understanding with China National Gold and Rapid to acquire a 100% interest in the Jiama Project.

In October and November 2009 the Company underwent changes to its Board of Directors and management. Mr. Xin Song was appointed as Chief Executive Officer and Director of the Company following the concurrent resignation of Mr. Zhaoxue Sun as Chief Executive Officer. Mr. Zhaoxue Sun continued to act as Chairman of the Board of Directors. Messrs. Gregory Hall and John King Burns were appointed to the Board of Directors following the concurrent resignation of Mr. Daniel Kunz from the Board of Directors and resulting casual vacancy.

In December 2009, China Gold International received the CNG Term Loan Facility of $40 million from China National Gold. The CNG Term Loan Facility was unsecured, bore interest at a rate of 6% per annum and matured on December 6, 2011. Proceeds of the CNG Term Loan Facility were used to redeem the Cdn.$42.5 million of promissory notes that had been issued in 2006 and 2007 and were maturing or nearing maturity.

2010

In March 2010, the Company announced an updated resource and reserve estimate on the CSH Gold Project. Proven and probable reserves as of December 31, 2009 were reported at approximately 138 million tonnes of ore with an average grade of 0.67 g/t gold, representing approximately 3.0 million ounces of contained gold. Measured and indicated resources, using 0.3 g/t gold cut-off grade, stand at 243 million tonnes averaging 0.64 g/t gold, amounting to approximately 4.99 million ounces of gold (inclusive of reserves) in the deposit after two and half years mining, as well as nominal inferred resources.

In March 2010, the crusher at the CSH Gold Project commenced operation at its full nameplate capacity of approximately 30,000 tpd.

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 approximately Cdn.$13.1 million, of which the Company is entitled to 53%, or approximately Cdn.$7 million. Completion of the transaction remains subject to regulatory approvals.

In July 2010, the Company changed its name from Jinshan Gold Mines Inc. to China Gold International Resources Corp. Ltd.

In August 2010, the Company entered into the Skyland Purchase Agreement. See "Acquisition of the Jiama Project" below.

In November 2010 the Company entered into the Underwriting Agreements, filed the Global Offering Prospectus and concurrently commenced the Global Offering and applied to list the Common Shares on HKSE.

In December 2010, China Gold International completed the Global Offering, issuing 53,660,000 Common Shares at a price of $5.76 per Common Share, for gross proceeds of approximately $309 million. The Company also concurrently listed its Common Shares on the HKSE and completed the Skyland Acquisition.

Acquisition of the Jiama Project

Skyland Purchase Agreement

On August 30, 2010, the Company entered into the Skyland Purchase Agreement, pursuant to which it agreed to purchase all of the issued and outstanding shares of Skyland from China Gold HK and Rapid and assume shareholder loans made by each of China Gold HK and Rapid in the aggregate amount of approximately $42.3 million, in exchange for consideration of $742.3 million. The Company agreed to settle the acquisition price through the issuance of approximately 170.3 million Common Shares (the "**Consideration Shares**") at a deemed price of $4.36 per share. A total of 86,828,670 Consideration Shares were issuable to China Gold HK in exchange for its 51% interest in Skyland while 83,423,624 Consideration Shares were issuable in exchange for Rapid's 49% interest. The principal asset of Skyland is the Jiama Project. See "Description of the Business– The Jiama Project" for more details.

Prior to execution of the Skyland Purchase Agreement, the Company formed a special committee of independent directors to review the transaction. The special committee engaged Haywood to prepare a valuation in connection with the Skyland Acquisition. Based upon and subject to the analyses, assumptions, qualifications and limitations set forth in the Haywood valuation, Haywood was of the opinion that, as of August 26, 2010, the fair market value of Skyland was in the range of $565.7 million to $778.3 million. Meanwhile, Haywood calculated a fair market value of the Consideration Shares in the range of $583.8 million to $760.6 million, amounting to $3.64 to $4.74 per share.

Haywood was also engaged to provide the special committee with a fairness opinion. The Haywood fairness opinion states that, based upon and subject to the assumptions, limitations and qualifications set forth therein, as of such date, the consideration to be paid by China Gold International pursuant to the Skyland Acquisition contemplated in the Share Purchase Agreement was fair from a financial point of view to China Gold International's disinterested shareholders.

Completion of the transaction was subject to a number of conditions, including but not limited to receipt of shareholder approval from the Company's disinterested shareholders, the completion of the Company's listing on HKSE and receipt of applicable regulatory approvals, including TSX approval and approval of the China Securities and Regulatory Commission.

Non-Compete Covenants

As part of the Skyland Acquisition and the Global Offering, the Company also contemplated undertaking a re-direction of its future business focus. In particular, the transactions were intended to act as a catalyst for the Company to become the flagship overseas platform of China National Gold. China National Gold granted to the Company the CNG Non-Compete, a non-compete undertaking in which the Company is entitled to pursue any and all opportunities sourced by China National Gold and its Controlled Entities in the International Mining Business. Meanwhile, the Company agreed to deliver the CGG Non-Compete, an undertaking by China Gold International not to acquire further gold and non-ferrous mineral properties in the PRC, subject to limited exceptions.

Completion of the Skyland Acquisition

A special meeting of shareholders occurred on October 14, 2010 at which the Company's disinterested shareholders approved the Skyland Acquisition. This was followed by the commencement of the Global Offering and HKSE listing application in November 2010.

On December 1, 2010, the Skyland Acquisition closed concurrent with closing of the Global Offering and HKSE Listing, and the Company issued the Consideration Shares to China Gold HK and Rapid. The Skyland Purchase Agreement includes a post-closing adjustment mechanism based on net working capital of Skyland as at closing compared to a target working capital amount. To the extent net working capital deviates from the target number, additional Common Shares will be issued or issued Consideration Shares will be surrendered for cancellation at the Consideration Share issue price of $4.36 per share. 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 or third quarter of 2011 when these discussions are expected to be complete.

The Company filed a business acquisition report using form 51-102F4 in respect of the Skyland Acquisition on February 14, 2011.

Trends and Outlook

The Company continues to refine the operations of its CSH Gold Project and continues to advance and expand operations at the Jiama Project. The Company is currently conducting mine plan and reserve analysis at the Jiama Project with a view to increasing the size and scope of the phase 2 expansion of the mining operations. This process is expected to culminate in an updated feasibility study, which is currently anticipated to be completed in the second quarter of 2011.

As a result of the Skyland Acquisition, the Company has changed its long term focus to securing new mineral properties outside of PRC in reliance on its entitlements under the CNG Non-Compete and the restrictions on further gold and non-ferrous developments for the Company in China based on the CGG Non-Compete.

DESCRIPTION OF THE BUSINESS

Laws and Regulations Relating to Mining in China

The following represents a summary of relevant laws of the PRC that affect the business operations of China Gold International. This summary represents a general discussion of relevant laws by the Company and does not constitute legal advice. The information is current to on or about the end of year 2010.

Mineral Resource Laws

Under the Mineral Resources Law of the PRC, all mineral resources of the PRC are owned by the State. The Ministry of Land and Resources of the PRC is responsible for the supervision and administration of the exploration and mining of mineral resources nationwide. The geology and mineral resources departments of the Chinese Government in the respective provinces, autonomous regions and municipalities are responsible for the supervision and administration of the exploration and mining of mineral resources within their own jurisdictions. Enterprises engaged in the mining or exploration of mineral resources must obtain mining permits and exploration permits, as the case may be, which are transferable for consideration only in certain circumstances as provided under PRC laws and regulations, subject to approval by relevant administrative authorities.

According to the “Mineral Resources Law of the PRC”, the “Administrative Measures on Registration of Tenement of Mineral Resources Exploration and Survey” and the “Administrative Measures on Registration of Mineral Resources Exploitation”, before exploration and mining activities relating to mineral resources can commence, the project company must first obtain exploration permits and the mining permits, which generally entitle the project company to the exploration and mining rights attached to the relevant mineral project. Furthermore, if the mining activities involve gold resources, a Gold

Operating Permit issued by the National Development and Reform Commission ("**NDRC**") must also be obtained.

Holders of exploration permits and of mining permits are subject to exploration right usage fees and mining right usage fees, respectively. Mining right usage fees are payable on an annual basis. The annual rate of mining right usage fee is RMB1,000 per km^2 of mining area. Exploration right usage fees are also calculated according to the size of the exploration area and are payable on an annual basis. The annual rate of exploration right usage fees for the first year to the third year of exploration is RMB100 km^2 of exploration area. From the fourth year of exploration onwards, the rate increases by RMB100 km^2 of exploration area per year and is subject to a maximum rate of RMB500 km^2 per year. In addition, holders of mining permits are subject to mineral resource compensation fees, which are to be calculated as a certain percentage of the sales revenue of such holders. The mineral resources compensation fee shall be paid for the first half of each year on or before July 31 of the year, and be paid for the second half of the year on or before January 31 of the following year.

Rights and Obligations of Holders of Exploration Permits

The holder of an exploration permit has, among others, the following rights:

- right to carry out exploration of the designated subject in the designated area and within the prescribed time as recorded on the exploration permit;
- right to set up apparatus for power supply, water supply and communication channels in the exploration area and its adjacent areas, without prejudice to the original equipment for power supply, water supply and communication channels;
- access to the exploration area and its adjacent areas;
- right to temporarily use the land legally in accordance with the needs of the exploration project;
- priority in obtaining the mining right of mineral resources as specified on the exploration permit;
- priority in obtaining the exploration right of other newly discovered minerals within the designated exploration area;
- upon fulfilment of the prescribed minimum expenditure requirements, right to transfer the exploration right to a third party upon government approval; and
- right to sell the mineral products extracted from the surface of the land in the exploration area, except for those mineral products which are required by the State Council to be sold to designated entities.

The holder of an exploration permit has, among others, the following obligations:

- to commence and complete the exploration work within the term of the exploration permit;
- to carry out the exploration work in accordance with the exploration plan and to ensure that there is no occurrence of unauthorised mining activities in the designated area;
- to carry out integrated exploration and assessment activities on the paragenetic and associated mineral resources;

- to submit an exploration report of the mineral resources to the relevant government authority for approval;
- to file with the exploration result of mineral resources for record as required;
- to act in line with the laws and regulations relating to labour safety, land rehabilitation and environment protection; and
- to take steps to eliminate potential safety hazard upon the completion of the exploration work.

Rights and Obligations of Holders of Mining Permits

The holder of a mining permit has, among others, the following rights:

- to engage in mining activities in the designated area and within the term prescribed under the mining permit;
- to set up production facilities and amenities within the designated area;
- to sell the mineral products, except for those minerals which are required by the State Council to be sold to designated entities; and
- to acquire the land use rights legally based on the requirement of its production and construction.

The holder of a mining permit has, among others, the following obligations:

- to carry out mining activities in the designated area and within the term of the mining permit;
- to effectively protect and reasonably extract the mineral resources and integrate the use of the mineral resources;
- to pay resources tax and mineral resources compensation fees;
- to comply with laws and regulations relating to labour safety, soil and land conservation, land rehabilitation and environment protection; and
- to submit a report on the utilisation of mineral resources to the relevant government authority.

Laws and Regulations Relating to the Administration of Gold

Under the "Administrative Regulations on Gold and Silver of the PRC", the State shall pursue a policy of unified control over, and monopoly purchase and distribution of gold and silver, and the People's Bank of China (the "**PBOC**") shall be the State organ responsible for the control of gold and silver. Purchase and sale of gold and silver were subject to the regulation of the PBOC. All gold and silver mined and refined by mining enterprises, rural communes, the armed forces and individuals engaged in the production of gold and silver (including those with ore exploration, mining, smelting and refining as their supplementary business), were required to be sold to the PBOC, and were not permitted to be retained for sale, exchange or use. Entities requiring gold and silver for use were required to submit a proposal to the PBOC on the use of gold and silver, which the PBOC would then examine and possibly approve.

On October 30, 2002, the Shanghai Gold Exchange commenced operation under the supervision of the State Council. Thereafter, the PBOC ceased its gold allocation and gold purchase operations. All PRC gold producers are now required to sell their standard gold bullion through the Shanghai Gold Exchange,

and prices of gold on the Shanghai Gold Exchange are determined by market demand and supply, which essentially converge with the price of gold in the international market. On February 27, 2003, the State Council cancelled the approval requirements for the production and sale of gold and gold products. As a result, although the Administrative Regulations have not been abolished, the policy of "centralised purchase and allocation of gold" as stipulated under the Administrative Regulations has been terminated in practice.

Since July 2004, the State Council reformed the administrative approval system and cleared the outstanding projects which were subject to administrative approval by its ministries and departments. However, the import and export of gold and gold products remain subject to administrative examination and approval. The authority responsible for such examination and approval is the PBOC.

Laws and Regulations Relating to Environmental Protection

The State Environment Protection Administration Bureau is responsible for the supervision of environmental protection in, implementation of national standards for environmental quality and discharge of pollutants for, and supervision of the environmental management system of, the PRC. Environmental protection bureaus at the county level or above are responsible for environmental protection within their jurisdictions.

The "Environmental Protection Law of the PRC", requires entities that operate production facilities that may cause pollution or produce other toxic materials to take steps to protect the environment and establish an environmental protection and management system. The system includes the adopting of effective measures to prevent and control exhaust gas, sewage, waste residues, dust or other waste materials. Entities discharging pollutants must register with the relevant environmental protection authorities.

The Environmental Protection Law and the "Administrative Regulations on Environmental Protection for Construction Project" stipulate that prior to the construction of new facilities or expansion or transformation of existing facilities that may cause a significant impact on the environment, a report on the environmental impact of the construction project needs to be submitted to the relevant environmental protection authority. The newly constructed production facilities may not be operated until the relevant authority is satisfied that such facilities are in compliance with all relevant environmental protection standards.

Under the Mineral Resources Law of the PRC, the amended "Land Administration Law of the PRC" and "Rules on Land Rehabilitation", exploration of mineral resources must be in compliance with the legal requirements on environmental protection so as to prevent environmental pollution. If any damage is caused to cultivated land, grassland or forest as a result of exploration or mining activities, mining enterprises must restore the land to a state appropriate for use by reclamation, re-planting trees or grasses or such other measures as appropriate to the local conditions. If the rehabilitation is not possible or does not comply with the relevant requirements, the mining enterprise must pay a fee for land rehabilitation. Upon closure of a mine, a report in relation to land rehabilitation and environmental protection must be submitted for approval. Enterprises which fail to perform or satisfy the requirements on land rehabilitation may be penalised by the relevant land administration authority.

The State Environmental Protection Administration Bureau must formulate national standards on emission of pollutants in accordance with the national standards on environmental quality, and the State economic and technological conditions. Governments at the provincial level and of the autonomous regions and municipalities may formulate their respective local standards on the discharge of pollutants for items not specified in the national standards. These local governments may formulate local standards which are more stringent than the national ones for items already specified in the national standards. Pursuant to the requirements under the amended "Law on Prevention of Water Pollution of the PRC", the

amended "Law on Prevention of Air Pollution of the PRC", and "Administrative Regulations on Levy and Utilisation of Sewage Charge", enterprises which discharge water or air pollutants must pay discharge fees pursuant to the types and volumes of pollutants discharged. The discharge fees are calculated by the local environmental protection authority which must review and verify the types and volumes of pollutants discharged. Once the discharge fees have been calculated, a notice on payment of discharge fees must be issued to the relevant enterprises. In addition, enterprises which discharge sulphur dioxide at a level exceeding the prescribed standards are required to install "desulphurising devices" or adopt other "desulphurising" measures to control the emission of sulphur dioxide.

Under the amended "Law on Prevention of Environmental Pollution Caused by Solid Waste of the PRC", entities and individuals collecting, storing, transporting, utilising or disposing of solid waste must take precautions against the spread, loss, and leakage of such solid waste or adopt such other measures to prevent such solid waste from polluting the environment.

The penalties for breach of the environmental protection laws vary from warnings, fines, suspending production or operation to other administrative sanctions, depending on the degree of damage or the results of the incidents. The responsible person of the entity may be subject to criminal liabilities for serious breaches resulting in significant damage to private or public property or personal injury or death.

As the environmental protection is under the administration and supervision of authorities that are distinct from the ones issuing the exploration and mining permits, the breach of the relevant environmental protection laws would not entail revocation of the exploration and mining permits directly. However, the environmental protection authorities may seek cooperation from the authorities in charge of the issuance of such permits, which are competent to revoke the exploration and mining permits pursuant to the Mineral Resources Law of the PRC.

Laws and Regulations Relating to Production Safety

The PRC government has formulated a relatively comprehensive set of laws and regulations on production safety, including the "Law on Production Safety of the PRC", the "Law on Mine Safety of the PRC", as well as "Regulations on the Implementation of the Law on Mine Safety of the PRC", which pertain to the mining, processing and smelting operation of the mining industry. The State Administration of Work Safety is responsible for the overall supervision and management of the safety production nationwide while the departments in charge of safety production at the county level or above are responsible for the overall supervision and management of the safety production within their own jurisdictions:

The State implements a licensing system for production safety of mining enterprises. No mining enterprise may engage in production activities without holding a valid production safety certificate. Enterprises which fail to fulfil the production safety conditions may not carry out any production activity. Mining enterprises which have obtained the production safety certificate may not lower their production safety standards, and are subject to the supervision and inspection by the licensing authorities from time to time. If the licensing authorities are of the opinion that the mining enterprises do not fulfil the production safety requirements, the production safety certificate may be withheld or revoked.

The State has also formulated a set of national standards on production safety for the mining industry. In general, the mine design must comply with the production safety requirements and industry practice.

A mining enterprise must establish a management body or a designated safety management team to be responsible for production safety matters. Education and training on production safety must be provided to workers to ensure that they fully understand the regulations on and the procedures required for

production safety, and are able to master the necessary skills for operation safety for their own positions. Those who do not receive this education and training are not permitted to work at the mine.

The penalties for breach of production safety laws vary from warnings, fines, suspension of production or operation and other administrative sanctions, depending on the degree of damage and the natures of the incident. The person who is personally responsible for such incident may be subject to demotion or termination of employment, or criminal liabilities for serious breaches resulting in significant incidents. The State has implemented an accountability system over incidents relating to production safety.

As production safety is under the administration and supervision of authorities that are different from the ones issuing the exploration and mining permits, the breach of the relevant production safety laws would not entail revocation of the exploration and mining permits directly. However, the environmental protection authorities may seek cooperation from the authorities in charge of the issuance of such permits, which have the authority to revoke the exploration and mining permits according to the Mineral Resources Law of the PRC.

Laws and Regulations Relating to Taxation

The State encourages the development of the gold industry by implementing preferential treatment on taxation. Gold production enterprises engaged in the sales of standard gold and gold sand (containing gold content), are exempted from VAT. Transactions made by gold trading enterprises and intermediaries, which are members of the Shanghai Gold Exchange, on the Shanghai Gold Exchange without physical settlement are exempted from VAT, and transactions with physical settlement are subject to VAT levying and immediate refund.

Enterprises engaged in the mining of mineral resources must pay resources tax in accordance with relevant regulations of the State. For nonferrous metal ores, the amount of resources compensation levy payable is computed by multiplying the sales or self-used volume of mineral products with the applicable rate of the resource tax ranging from RMB0.4 to RMB30 per tonne of mineral products. The Ministry of Finance and the State Administration of Taxation reserve the right to adjust the rate of the resource tax from time to time. The resources tax is levied according to the grade of mines and the applicable amount of tax per tonne of ore produced as provided in the schedules attached to such implementing rules. The resource tax rates applicable to gold ore range from RMB1.5 per tonne to RMB7.0 per tonne.

Foreign invested enterprises in the PRC are subject to an enterprise income tax at a uniform rate of 25%. A non-resident enterprise that has an establishment or premises within the PRC shall pay enterprise income tax at a rate of 25% on its income that is derived by such establishment or premises inside the PRC and income that is sourced outside the PRC but is actually connected with the said establishment or premises, unless it is a dividend income where an exemption may apply. A non-resident enterprise that has no establishment or premises within the PRC but has income from the PRC, and a non-resident enterprise that has establishment or premises in the PRC but its income has no actual connection to such establishment or premises in the PRC, shall be subject to PRC withholding tax at the rate of 10% on its income sourced from inside the PRC.

Laws and Regulations relating to Foreign Investment in Gold

The "Catalogue for Guidance of Foreign Investment" promulgated by the NDRC and the Chinese Ministry of Commerce ("**MOFCOM**"), provides that the mining or operation of certain types of minerals are classified as restricted or prohibited categories for foreign investment. For example, the exploration and mining of precious metals (gold, silver and platinum) is regulated as a restricted industry. Any project in a restricted industry must be:

- submitted to and approved by provincial-level development and reform departments if it has a total investment amount of less than $50 million;

- submitted to and approved by the central NDRC if it has a total investment amount of $50 million or more; and

- first submitted to and examined by the NDRC and following such examination must be submitted to and approved by the State Council if it has a total investment amount of $100 million or more.

Laws and Regulations relating to Foreign Investment in Molybdenum

The exploration and mining of molybdenum falls within the prohibited category for foreign investment. However, according to the "Measures for the Administration of Foreign-Invested Mineral Exploration Enterprises", where a mineral prohibited from being explored or mined by foreign invested enterprises is proved to exist as an associated mineral in the relevant mines, and the foreign invested enterprises have to explore and mine it together with the main mineral, the foreign invested enterprises may legitimately continue to mine it after obtaining the approval of the Chinese Ministry of Land and Resources and MOFCOM and after amending the relevant mining or exploration permits to include the prohibited type of mineral on such permits.

Laws and Regulations Relating to CJVs

A CJV is a form of foreign investment permitted in the PRC. A CJV may be a Chinese legal person with limited liability or, alternatively, a non-legal person entity. To establish a CJV, the Chinese and foreign parties must submit documents such as the CJV agreement and the articles of association to the Ministry of Commerce of the PRC or its authorized local branch (the "**Approval Authority**") for examination and approval. The Approval Authority must, within 45 days upon accepting the application, decide whether or not to grant the approval. Within 30 days upon receipt of the approval certificate issued by the Approval Authority, the parties must apply to the competent administration for industry and commerce for registration to obtain the business licence of the CJV. The issuance date of the business licence is the establishment date of the CJV. The investments in a CJV are not necessarily calculated in monetary units. The CJV agreement may require one party to contribute certain specified "cooperative conditions". The earnings are not necessarily distributed pro rata in accordance with the registered capital paid by each of the parties. In addition, the options for sharing risks and losses, management and post-termination assets may also be determined by the parties.

A CJV may be managed by a board of directors or, alternatively, by a joint management committee. The CJV Rules require a CJV to obtain unanimous board (or management committee) approval on the following decisions:

- amendment of the CJV's articles of association;

- termination or dissolution of the CJV;

- reduction or increase of the registered capital of the CJV;

- merger, division or change in the organizational form of the CJV;

- mortgage of assets of the CJV; and

- other matters agreed to by the parties to the CJV.

According to the relevant PRC rules, a transfer of an equity interest in the CJV shall comply with PRC laws and regulations, and be approved by approval departments and submitted for alteration registration with registration departments. A transfer without approval from the relevant approval departments is invalid.

Laws and Regulations Relating to Geological Environment Protection

Pursuant to the "Provisions on the Protection of the Geologic Environment of Mines" (a) the land and resources administrative departments shall be responsible for the protection of the geologic environment of mines; (b) a mining right applicant shall make a plan on the protection, control and restoration of the geologic environment of a mine, and report it to the competent authority when applying for a mining permit, or when applying to expand the exploitation scale or change the scope of mining area or exploitation manner; and (c) a mining right holder shall, pursuant to the relevant provisions of the state, pay a security deposit for the control and restoration of the geologic environment of a mine, and report it to the competent authority when applying for a mining permit, or when applying to expand the exploitation scale or change the scope of mining area of exploitation manner; and (c) a mining right holder shall, pursuant to the relevant provisions of the state, pay a security deposit for the control and restoration of the geologic environment of a min, the amount of which shall not be less than the expenses necessary for the control and restoration of the geologic environment of the mine.

Pursuant to the Inner Mongolia Autonomous Region Regulations on the Management of Security Deposits for Ecological Restoration in Mines, and the Inner Mongolia Autonomous Region Implementation Plan for Ecological Restoration in Mines, a holder of mining rights shall prepare a plan on the environmental protection and comprehensive management for the relevant mine, execute a letter of responsibilities for the geological restoration for the relevant mine with the municipal land and resources administration authority on the basis of the plan, and pay a security deposit therefor. The security deposit may be paid in a lump sum or in instalments if the term of the mining permit held by such holder is more than three years. It is emphasized that a plan of environmental protection and comprehensive management, a letter of responsibilities for geological restoration, and a certificate of the payment of security deposit for the relevant mine are the requisite documents for the registration of mining rights and for completing the procedures of annual inspection and renewal of the mining permit. If a mining enterprise fails to pay a security deposit or prepare a plan of environmental protection and comprehensive management for the relevant mine as required, the competent authority will not proceed with the procedures of annual inspection, renewal, alteration and mortgage registration in respect of the enterprise's mining permit. If the enterprise fails to make control according to the approved plan, the competent authority shall order the enterprise to carry out geological restoration within a prescribed time limit; if the enterprise fails to do so within the prescribed time limit, the competent authority may suspend the enterprise's mining permit or order it to stop production. However, a mining right holder who already prepared a special plan of environmental protection and comprehensive management, made a special provision of funds and implemented a restoration project for the relevant mine before August 1, 2008 may apply for exemption from paying any security deposit after evaluation by the competent municipal land and resources administration authority and approval by the autonomous region's provincial land and resources administration authority on the condition that the special plan and the restoration project meet the aims and requirements for ecological restoration in mines.

Risk Factors

Readers should carefully consider all of the information set out in this AIF, including the risks and uncertainties described below. 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 Gold Project and the Jiama Project. 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. For example, the mine production at the CSH Gold Project is expected to depend mostly on the crushing production and heap leach gold recovery rate. Since a single large crushing system is used at the CSH Gold Project, equipment breakdown at the crushing facility could cause delays in the crushing production. Meanwhile, the Jiama Project experienced a loss of electricity supply at its site in December and January that temporarily disrupted production.

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, monetary losses and legal liabilities. 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 and contemplates adopting a higher processing rate for the expansion than the Stage 2 expansion 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, 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 supply 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 and shortage in electricity supply for mine and processing production during the winter dry season may affect the ability of the Jiama Project in meeting production targets. Such a power outage occurred in late December 2010, impeding production for several weeks. Any increase in the prices of electricity or water could also materially and adversely affect the Company's financial condition and results of operations.

China Gold International is inexperienced in the acquisition and development of mining assets outside of China and the Company may not be able to acquire and operate any gold or other non-ferrous mines outside of China in the future.

The Company has a mandate from China National Gold to focus on international mineral opportunities, however, all of the Company's current mining assets are located in China. The Company is relatively inexperienced in identifying, acquiring and integrating assets outside of China, and has no experience in developing assets outside of China. As a result, the Company's future efforts to acquire and develop mining assets outside of China may not be successful and the Company may not be able to acquire and operate any gold or other non-ferrous mines outside of China in the future, which in turn may materially and adversely affect the Company's growth prospects and results of operations.

The Company is subject to commodity price risks.

Substantially all of the Company's revenues and cash flows from operating activities are derived from the sale of gold, copper and other metals. Historically, the market prices for gold, copper and other metals has fluctuated widely and experienced periods of significant decline. Prices are influenced by numerous factors and events which are beyond the Company's control such as world demand and supply, forward selling activities, costs of production by other producers and other macro-economic factors such as expectations regarding inflation, interest rates, currency exchange rates (especially the strength of the U.S. dollar), as well as general global economic conditions and political trends. The Company does not engage in any hedging activities. If market prices for these metals should fall due to these or other factors and events, China Gold International's business, results of operations and the price of the Common Shares could be materially and adversely affected.

The Company's business may be affected by conflicts of interest with its controlling shareholder or a breakdown in its relationship with its controlling shareholder.

China National Gold holds approximately 39% of the Company's outstanding Common Shares. The Company also has a deep connection to China National Gold through cross-management, shared directors, the CNG Non-Compete and the CGG Non-Compete. There is a risk that China National Gold may, in the future, exercise its influence over the Company as a controlling shareholder in a manner inconsistent with the best interests of the Company's other shareholders. If that occurs, the Company may

lose some of its competitive advantages and the Company's business and results of operations may be materially and adversely affected.

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

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 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.

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

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

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

Accordingly, there is no assurance that any future exploration activities or development projects will extend the life of the Company's existing mining operations or result in any new economical mining operations.

China Gold International's failure to obtain and maintain required government approvals, permits and licenses for the Company's exploration and mining activities or renewals thereof could materially and adversely affect the Company's business and results of operations.

Under relevant PRC laws, the Company is required to obtain certain government approvals, permits and licenses for each of the Company's mines, among which exploration permits, mining permits, production safety permits and gold operating permits are crucial to the Company's business operations. The Company's mining permit for the CSH Gold Project will expire in August 2013, the mining permit for the Tongqianshan area of the Jiama Project will expire in July 2013, and the mining permit for the Niumatang area of the Jiama Project will expire in July 2015. Under the PRC laws and regulations, if there are residual reserves in a property when the mining permit in respect of such property expires, the holder of the expiring mining permit will be entitled to apply for an extension for an additional term. The Company believes that there will be no material substantive obstacle in renewing such permits. Nevertheless, there can be no assurance as to whether the current relevant PRC laws and regulations, as well as the current mining industry policy, will remain unchanged at the time of the extension application of such permits, nor can there be any assurance that the competent authorities will not use their discretion to deny or delay the renewal or the extension of relevant mining permits due to factors outside the Company's control. Therefore, there can be no assurance that the Company will successfully renew its mining permits on favourable terms, or at all, once such permits expire.

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

The Company may not pass the annual verification of the mining rights to the CSH Gold Project and the Jiama Project.

China Gold International's mining rights for the CSH Gold Project and Jiama Project are subject to annual verification by the Department of Land and Resources of Inner Mongolia and Tibet, respectively. In the annual verification, the relevant authorities will consider whether the Company's mining activities in the past year have been in compliance with the relevant laws and regulations. If the Company fails to meet the relevant requirements or materially breach any laws or regulations, it may not pass the verification, in which case the Company may be penalized according to the relevant laws and regulations, or given a deadline to rectify the deficiencies, or, in serious cases, have its mining rights revoked. While the Company has passed the annual verifications in the past, there can be no assurance that the Company will be able to pass the annual verification in the future. Should its mining rights be suspended or revoked or the Company fail to pass the annual verification, the Company's business and results of operations will be materially and adversely affected.

The Company's future acquisitions may prove to be difficult to integrate and manage or may not be successful.

China Gold International intends to continue to acquire high-quality mineral projects as part of its strategy, but the Company may not identify suitable acquisition opportunities. Even if the Company does identify suitable opportunities, it may not be able to complete those transactions on terms commercially acceptable to the Company or at all. The inability to identify suitable acquisition targets or the inability to complete such transactions could materially and adversely affect the Company's competitiveness and growth prospects. In the event the Company successfully complete an acquisition, the Company could face difficulties in integrating the acquisition with the Company's operations or fail to achieve the strategic purpose of such an acquisition. Such difficulties or failures could disrupt the Company's ongoing business, distract the Company's management and employees, and increase the Company's

expenses, any of which could materially and adversely affect the Company's business and results of operations.

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

China Gold International has entered into a CJV agreement in relation to the CSH Gold Project. Although under the existing CJV agreement, the Company is entitled to appoint a majority of the directors of the CJV company and appoint the general manager of the CJV company (who is responsible for the day-to-day operation and management of the CJV company and implementing resolutions of the board), certain members of the management and boards of directors of the CJV company are nominated by Brigade 217, the Company's CJV partner. Under the CJV law and the CJV agreement, certain decisions require unanimous consent of the directors present at a meeting of the board, such as: (i) amendment to the articles of association of the CJV company, (ii) increase or reduction of the registered capital of the CJV company; (iii) dissolution of the CJV company; (iv) mortgage of the assets of the CJV company; or (v) merger or division of the CJV company or a change in its form of organization; and to the extent unanimous consent cannot be obtained, there is a risk that the Company will not be able to effect these matters despite the Company's desire to do so.

In addition, the Company's CJV agreement with the Company's CJV partner involves a number of risks, including: (i) disputes with the Company's CJV partner as to the performance or scope of each party's obligations under the CJV agreement, (ii) financial difficulties encountered by a CJV partner affecting its ability to perform its obligations under the CJV agreement or other contracts with the Company, and (iii) conflicts between the policies or objectives adopted by the Company's CJV partner and those adopted by the Company. If a dispute or disagreement arises between the Company's CJV partner and the Company, it could be time-consuming, costly and distracting for the Company to resolve such dispute or any legal proceedings that develop from the dispute or disagreement. Furthermore, if China Gold International receives an adverse decision in any such legal proceeding, the Company may be required to pay compensation or damages to the Company's CJV partner. As a result, the Company's business and results of operations could be materially and adversely affected.

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

The Company is in a capital-intensive industry and has relied on a mixture of equity capital and debt financing to fund its operations. The Company has in the past funded its capital expenditures primarily by cash generated from the Company's operations, the issuance of equity and debt securities and credit facilities. The Company expects to use cash from the Global Offering to meet its business growth objectives, including further development of the Company's existing exploration, mining and processing operations, development of new properties and future acquisitions. Any required additional funding may be sought through the debt and equity markets or through project participation arrangements with third parties, but there is no assurance that the Company will be able to obtain sufficient funding or obtain funding at all when it is required and that such additional funding will be available on commercially acceptable terms. If any such additional funding is obtained, it may be on terms that are highly dilutive or otherwise adverse to the Company's existing stockholders. Failure to obtain the funding or obtain the funding on commercially acceptable terms that the Company needs when it is required could have a material and adverse effect on the Company's business and results of operations.

China Gold International's indebtedness and the conditions and restrictive covenants imposed on the Company by its financing agreements could materially and adversely affect the Company's business and results of operations.

The Company holds debt facilities related to the capital development of its mines and may, in the future, incur significant debt to fund its acquisition and expansion plans. The Company's ability to meet regularly scheduled interest and principal payments on its indebtedness will depend on the Company's future operating performance and cash flow, which in turn will depend on prevailing economic and political conditions and other factors, many of which may be beyond the Company's control. Furthermore, a high level of indebtedness will expose the Company to interest rate risks which could substantially affect the Company's ability to generate cash or make a profit.

In addition, the Company's financing agreements include various conditions and covenants that require China Gold International to obtain lenders' consents prior to carrying out certain activities and entering into certain transactions, such as incurring additional debt, creating additional charges on Company assets, and providing additional guarantees or disposing of certain assets. In connection with the Company's borrowings and other financing arrangements, the Company has agreed to comply with various financial and other covenants. For example, under the RMB750 million syndicate loan facility agreement with Bank of China and two other PRC banks, Huatailong is subject to a variety of conditions and restrictive covenants, including, among other things: (i) the requirements regarding its debt and equity ratio, its internal cash resources and the progress of and the investment of its internal cash resources on certain of its mining construction and production facility upgrading projects; and (ii) the restrictions on its ability to create encumbrances on or dispose of its assets, provide guarantees and distribute dividends.

As a result of the restrictive covenants or other terms of any existing or new loan or other financing agreements, the Company's ability to pay dividends or other distributions on the Common Shares may be limited. In addition, the Company may also be significantly restricted in its ability to raise additional capital through bank borrowings and debt and equity issuances or to engage in some transactions that China Gold International expects to be of benefit to the Company. The inability to meet these conditions and covenants or obtain lenders' consent to carry out restricted activities could materially and adversely affect the business and results of operations of China Gold International.

China Gold International relies on third-party contractors to conduct a substantial portion of the Company's exploration, mine construction and mining activities.

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

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

China Gold International faces certain risks relating to the real properties that the Company owns, uses or leases.

China Gold International has a number of title defects relating to the real properties that the Company owns, uses or leases. As a result of these defects, the Company faces a number of title related risks. China Gold International could potentially be subject to challenges, lawsuits or other actions taken against the

Company with respect to the properties owned, used or leased with which the Company or relevant lessors do not hold valid title certificates. If any of the properties the Company owns or leases were successfully challenged, the Company may be forced to relocate the affected operations. If the Company fails to find suitable replacement sites on terms acceptable to the Company for a significant number of the affected operations, or if the Company is subject to any material liability resulting from third parties' challenges to the Company's ownership, usage or lease of properties with which the Company or its lessors do not hold valid titles, the Company's business, financial condition and results of operations could be materially and adversely affected.

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

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

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

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

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

In an effort to address mine closure and other geological environment issues, a mining company is required to submit rehabilitation undertakings and pay rehabilitation deposits to the relevant government authorities under applicable PRC laws and regulations. China Gold International has submitted the rehabilitation undertakings and paid the instalments of rehabilitation deposits that have become due with respect to the CSH Gold Project and the Jiama Project, however, in the event of non-compliance of applicable rehabilitation undertakings or a default in paying required rehabilitation deposits in the future, the Company could be subject to a variety of penalties and other administrative actions, including inability to proceed with certain administrative procedures relating to mining permits (including annual

inspection, renewal, alteration and mortgage registration), suspension of mining permits or ceasing of operations.

Dividends payable by China Gold International's PRC subsidiaries to the Company, dividends payable by the Company to its shareholders and gains on the sale of Common Shares may become subject to withholding taxes under PRC tax laws.

Pursuant to the *Enterprise Income Tax Law* of the PRC ("**EIT Law**") and implementation regulations issued by the State Council, to the extent any dividends for earnings derived since January 1, 2008 are considered sourced within China, PRC income tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises" (and that do not have an establishment or place of business in China, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business). Similarly, any gain realized on the transfer of the Shares by such investors is also subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China. If China Gold International is considered to be a "resident enterprise", the Company would be subject to the enterprise income tax at the rate of 25% on the Company's global income and the dividends the Company pays with respect to the Common Shares would be treated as income derived from sources within China and be subject to PRC income tax. It is uncertain whether the Company will be considered a PRC "resident enterprise". Accordingly, there is uncertainty as to whether the dividends payable to the Company's foreign investors, or the gains the Company's foreign investors may realize from the transfer of the Common Shares, would be treated as income sourced within China and be subject to PRC tax. If the Company is required under the EIT Law to withhold PRC income tax on its dividends payable to the Company's foreign shareholders who are "non-resident enterprises," or if foreign investors are required to pay PRC income tax on the transfer of the Common Shares, the value of the Company's investment in the Common Shares may be materially and adversely affected.

Limitations on the ability of China Gold International's PRC subsidiaries or CJVs to pay dividends to the Company could have a material adverse effect on the Company's ability to conduct business.

Relevant PRC laws, rules and regulations permit payments of dividends by each of the Company's PRC subsidiaries only out of the subsidiaries' retained earnings, if any, determined in accordance with PRC accounting standards and regulations. Under PRC laws, rules and regulations, each of the entities incorporated in the PRC is required to set aside a portion of its net income each year to fund certain reserves and to make up for previously accumulated losses before it can distribute dividends to its shareholders. These reserves, together with the registered equity of these entities, are not distributable as cash dividends. As a result of these PRC laws, rules and regulations, the Company's PRC subsidiaries are restricted in their ability to distribute dividends to their shareholders.

Limitations on the ability of its PRC subsidiaries to pay dividends to the Company could negatively impact the Common Share price.

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

China Gold International's directors together with the Company's senior management are responsible for overseeing the Group's internal control policies and procedures. The Company has established risk management and internal control systems consisting of relevant organizational framework policies, procedures and risk management methods that the Company believes are appropriate for China Gold International's business operations.

China Gold International believes that the Company has a proper internal control and risk management system in place. However, due to the inherent limitations in the design and implementation of these systems, there is a risk that these systems will not be sufficiently effective in identifying and preventing a

deficiency in internal controls. In addition, as some of the risk management and internal control policies and procedures are relatively new, the Company may need to establish and implement additional policies and procedures to further improve the Company's systems from time to time. Since the Company's risk management and internal controls depend on implementation by Company employees, there is a risk that such implementation will involve human errors or mistakes. If the Company fails to implement its policies and procedures in a timely manner, or fails to identify risks that affect the Company's business, the Company's business, results of operations and financial condition could be materially and adversely affected.

The Company may not be able to retain or secure key qualified personnel, key senior management or other personnel for its operations.

Recruiting and retaining qualified personnel is critical to the Company's success. China Gold International depends on certain key qualified personnel, key senior management and other employees. As the Company's business grows, the Company may recruit additional management and other personnel. There is no assurance that the key qualified personnel that the Company recruits in the future will continue to provide services to the Company or will honour the agreed terms and conditions of their employment or contracts. Any loss of key personnel or failure to recruit and retain personnel for the Company's future operations and development could have a material adverse effect on the Company's business and results of operations.

China Gold International may not be adequately insured against losses and liabilities arising from the Company's operations.

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

The Company has maintained insurance within ranges of coverage consistent with industry practice in the PRC. However, in line with industry practice in the PRC, the Company has elected not to insure against certain risks as a result of high premiums or other reasons or has agreed to policy limits on certain coverage that may not cover all potential liabilities for similar reasons.

China Gold International cannot provide assurance that the Company will be able to maintain its current insurance coverage at economically reasonable premiums (or at all) in the future, or that any coverage that the Company obtains will be adequate and available to cover the extent of any claims against the Company. In the event that the Company suffers a significant liability for which the Company is not insured or for which the Company's insurance coverage is inadequate to cover the entire liability, the Company's business and results of operation could be materially and adversely affected.

Some of the Company's directors and officers are directors and officers of other mineral resource companies. The Company cannot assure you that these directors and officers will not encounter conflicts of interests with us.

Some of the Company's directors and officers are directors or officers of other mineral resource companies. To the extent that such other companies may participate in ventures in which the Company may participate, these directors and officers may have a conflict of interest in negotiating and concluding terms with respect to the extent of such participation. Such other companies may also compete with the Company for the acquisition of mineral property rights.

In the event that any such conflict of interest arises, a director or officer who has such a conflict is required to disclose the conflict to a meeting of the Company's board of directors. If the conflict involves a director, the director is required to abstain from voting for or against the approval of such participation or such terms. In appropriate cases, the Company will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict. In accordance with the provisions of the BCBCA, the Company's directors and officers are required to act honestly and in good faith, with a view to the Company's best interests.

The Company faces increasing domestic and foreign competition.

The Company faces increasing competition from both domestic and international metal producers. The Company's major competitors are large international mining companies. The Company's competitors may have certain advantages over the Company, including greater financial, technical and raw materials resources, greater economies of scale, broader name recognition and more established relationships in certain markets. Increased competition may prevent the Company from acquiring new properties and ultimately may have a material adverse impact on its business, results of operation and growth prospects.

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

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

Although the Company seeks to comply with all new PRC laws, regulations, policies, standards and requirements applicable to the mining industry or all changes in existing laws, regulations, policies, standards and requirements, the Company may not be able to comply with them economically or at all. Furthermore, any such new PRC laws, regulations, policies, standards and requirements or any such change in existing laws, regulations, policies, standards and requirements may also constrain the Company's future expansion plans and adversely affect its profitability.

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

China is, and for the foreseeable future is expected to remain, the country in which the Company concentrates most of its business activities and financial resources. Currently, all of the Company's operating assets are located in the PRC and all of the Company's revenue is derived from its operations in the PRC. The Company's results of operations and prospects are subject, to a significant degree, to economic, political and social developments in the PRC. The economy of the PRC differs from the economies of most developed countries in many respects, including the extent of governmental involvement, the level of development, the growth rate and government control of foreign exchange.

Since 1979, the PRC government has established a commercial law system, and has made significant progress in promulgating laws and regulations relating to economic affairs and matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. However, many of these laws and regulations are relatively new. The implementation and interpretation of these laws and regulations remain uncertain in many areas and may not be consistent with long-standing local conventions and customs. As a result, there may be ambiguities, inconsistencies and anomalies in the

agreements that the Company is a party to or the legislation upon which these agreements are based, which are atypical of more developed legal systems and may affect the interpretation and enforcement of the Company's rights and obligations. Furthermore, the PRC legal system is based in part on government policies and administrative rules that the Company may not be aware of. Moreover, the legal protections available to the Company under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action may be protracted and could result in substantial costs and diversion of resources and management attention.

In addition, there are several levels of government with influence over the Company's mineral exploration, development and production activities. A loss of support for one or more of the Company's mines by a government authority at any level could result in substantial disruption in the Company's ability to continue operations. Such a loss of support could occur on a national level, including, for example, a change in government policy. It may also occur at a provincial or local level. As a result, the Company's ability to conduct operations could be hindered by aggressive or capricious application of jurisdiction within the control of a particular level of government.

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

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

The Company is subject to Foreign exchange Risk.

The majority of the Company's operating costs are denominated in RMB, but the Company's consolidated financial results are published in U.S. dollars. Therefore, if the RMB appreciates against the U.S. dollar, it could adversely affect the Company's consolidated financial results. Moreover, to the extent that the Company needs to convert the proceeds from its Global Offering and future financing into the RMB for the Company's operations, appreciation of the RMB against the relevant foreign currencies could have an adverse effect on the RMB amount the Company would receive from the conversion. On the other hand, because the dividends payable on the Common Shares, if any, will likely be paid in Hong Kong dollars or U.S. dollars, any depreciation of the RMB against the Hong Kong dollar or U.S. dollar could materially and adversely affect the amount of any cash dividends payable on the Common Shares in such foreign currency terms.

CSH Gold Project

The scientific and technical information in respect of the CSH Gold Project contained in this Section of the AIF represents a summary from the CSH Technical Report. A complete copy of the CSH Technical Report is available on SEDAR at www.sedar.com.

Project Description and Location

The CSH Gold Project is located in Inner Mongol 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 Gold Project is operated and owned by IMPM, a CJV in which China Gold International holds a 96.5% interest and Brigade 217 holds the remaining 3.5%.

China Gold International's rights to the property are held through an exploration license and a mining permit (the "**CSH Mining Permit**"). The CSH Mining Permit (No. 10000020091041100041024) covers 10.0892 km^2 and is valid until August 30, 2013 with a right of renewal. A portion of the defined mineral resources and mineral reserves at the CSH Gold Project are located below the lower elevation limit of the current mining permit of the CSH Gold Project. The Company is applying for an expanded mining permit, and as an interim measure has expanded its exploration permit for the CSH Gold Project so that the exploration permit covers the mineral resources and mineral reserves below this lower elevation limit. IMPM's exploration license was renewed in January 2011, whereby it was expanded to its original size to cover the entire CSH Mining Permit area. The new exploration license covers 35.98 km^2 and is valid until August 3, 2012 and can be renewed by carrying out qualified exploration work. The exploration license has no depth limit and therefore covers those mineral resources and reserves located below the current elevation limit of the CSH Mining Permit.

The production rate specified in the CSH Mining Permit is 6.6 million tonnes per annum (20,000 tpd based on 330 working days) at a grade of 0.5 g/t or greater. Based on variance in grades produced which includes gold at less than 0.5 g/t gold, the Company and relevant PRC ministries have confirmed that the CSH Mining Permit is sufficient for current mine production at 30,000 tpd and no further permitting or approvals are required to operate at this production rate.

The regulatory framework governing environmental matters in China includes several laws regulating the use, extraction and treatment of water. There are also a number of laws and regulations within the mining legislative regime and otherwise that regulate the environment which impact the CSH Gold Project. China Gold International has completed several studies relating to the environment demonstrating compliance with local and international norms, including a soil and water conservation study, a cultural and heritage survey, an international environmental and social impact assessment, a geological disaster assessment, an impact of previous mining activities study and an environmental base line database study.

To the Company's knowledge, there are no recognized environmental problems that may preclude or inhibit mining operations in the area of the CSH Gold Project.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The CSH Gold Project is located approximately 650 km northwest of Beijing and access is from the city of Baotou (population of 2 million) via 180 km of all paved road. Daily scheduled airline flights from Beijing service Baotou. Baotou is the central service and supply point for the general area. Much of the labour for the CSH Gold Project is from this area.

The project is located on the Inner Mongolian Plateau, an area of gently rolling hills with elevations ranging from 1,550 to 1,750 m above sea level. The climate is semi-desert with average annual precipitation of 230 mm. Winter conditions prevail from early October through late-March, but snowfall is minimal and does not impede mining operations. Vegetation consists of sparse desert grasses with scrub bushes and outcrop exposure generally being abundant.

There is abundant availability of mining personnel. With the open rolling terrain, there is an abundance of land available for mine infrastructure purposes, including waste disposal areas, heap leach pad areas, and processing plant sites. There are sufficient surface rights for mining purposes. Sufficient power and water supplies have been secured for mining purposes.

The main water source for the mine is from the Molen River, located approximately five kilometres southwest of the project area. The Company has received appropriate water usage permits to pump up to 980,000 m^3 of water from the river and nearby aquifers. Power is sourced from 35 kv power line and converted to appropriate voltage through two substations.

History

Gold mineralization associated with thin quartz veinlets at the CSH Gold Project area was discovered by the 512 Brigade of the Bureau of Geology and Mineral Resources of Inner Mongolia in the 1970s. Brigade 217 acquired the prospect in 1991 and explored the property from 1992 to 1998.

In 1999, Brigade 217 entered into a joint venture with a Canadian consortium, Southwestern – Global Pacific Joint Venture ("**SWGP**"). Work completed in 1999 included the drilling of ten widely-spaced DDH holes, with a total drilled length of 2,797 m. The SWGP joint venture agreement was terminated in 2000 largely due to the downturn in the mining industry as a consequence of low gold prices.

In 2002, the Company acquired the right to earn an interest in the property by forming a CJV with the Brigade 217 representing the CSH Gold Project. From 2002 to 2005 a major drilling program comprising 20,681 m of drilling in 123 DDH holes was completed confirming the existence of a large scale low grade bulk tonnage gold deposit. Meanwhile, a 100,000 tonne test heap leaching was successfully conducted together with large diameter column leach tests conducted on ore extracted from a decline driven into the ore body at depth by the Company. All of above lead to completion of a positive feasibility study in May 2006 for a conventional open-pit mining, heap-leach processing operation. This was followed by mine construction in 2006 and development through to mid-2007, when pre-commercial ROM production at 20,000 tpd commenced. Further drilling of 16,404 m in 64 DDH holes from 2007 to 2008 delineated and upgraded more mineral resources and reserves, which lead to a positive 30,000 tpd expansion study completed in 2008. By August 2009, a 30,000 tpd three stage closed circuit crushing system was built and first test run and it reached its design capacity by March 2010.

Historical Production

Before the current mining operation, four types of historical gold mining activities occurred in the CSH Gold Project area, including historical small-scale alluvial or placer gold mining in the nearby CSH creek, small-scale artisanal mining on small gold-bearing quartz veins and sulfide stringers from mineralized

zones worked on by the Brigade 217 from 1993 to 1998, unlicensed small open-pit mining – heap leaching operation on the Southwest Zone in the periods of 1997-1999 and 2002-2004, and limited trial-mining and test-leaching from the Northeast Zone by the Brigade 217 from 1995 to 1997. Total gold production from these historical mining activities is estimated to be approximately 15,000 oz. These historical mining activities were generally confined to the near-surface zones of the mineralization and do not have any significant impact on the current mining operation.

The Company started construction of mining facilities in January 2006. In July 2007, China Gold International completed the construction of the 20,000-tpd gold recovery facility, consisting of ROM heap leaching, carbon-in-column ("**CIC**") gold adsorption, carbon stripping, carbon regeneration and acid washing, bullion smelting, and reagent systems, along with the necessary ancillaries such as plant-site electrical systems, water system, shops, camp facilities, and access roads. By the end of July 2007, China Gold International successfully produced its first 500-oz gold doré bar, and in July 2008 the CSH Gold Project was designated as being in commercial production.

Initial production was from the heap leaching of the ROM ore from the weathered (oxide and mixed) zone of the CSH deposit. Since operations commenced in 2007, the Company has experienced erratic gold production, and was not able to meet gold production estimates set out in prior feasibility studies of approximately 9,000 oz per month. The Company has identified several reasons for this, including in particular greater than expected amounts of sulphide ore than oxide ore, which is not amenable to ROM processing, larger rock size placed on the heap leach pad by the mining contractor than modelled which is resistant to ROM processing and a seasonal slowdown due to cold weather in winter months. While the Company has been unable to control the mixture of sulphide and oxide ore, which is believed to have the most dramatic effect on recovery rates during ROM operations, the Company has implemented numerous adjustments and improvements to operations that have resulted in a steady, incremental increase in monthly recovery rates.

A major 30,000-tpd crushing plant was installed in August 2009 and underwent a process of commissioning and adjustment through the Fall of 2009 and early 2010. Mine production now consists of almost entirely crushed ore, and the crusher reached nameplate operating capacity of 30,000 tpd in March 2010.

Geological Setting

The CSH Gold Project is located within the North China Gold belt extending along the northern margin of the North China craton.

Gold mineralization of the CSH Gold Project is hosted by the Middle to Upper Proterozoic metasedimentary rocks of the Bayan Obo Group. The Bayan Obo Group is divided, in a stratigraphically ascending order, into the Duhala Formation meta-conglomerates, meta-feldspathic quartzose sandstones, and meta-feldspathic wackes; Jianshan Formation slates, andalusite hornfels, meta-siltstones, and meta-quartzose wackes; Halabougete Formation dolomitic limestones intercalated with cherty slates and siliceous, calcareous clastic units, including sandstones, siltstones, and slates; Bilute Formation phyllites, schists, meta-sandstones, meta-siltstones, and meta-wackes; Baiyinbaolage Formation meta-sandstones, slates, and meta-siltstones; and Hujirtu Formation limestones, hornfels, skarns, slates, and meta-sandstones.

Only the middle portion of the Bayan Obo Group is present at the CSH Gold Project area, including the Jianshan, Halabougete and Bilute Formations. The second member of the Bilute Formation is the host for all significant gold mineralization on the property, and it consists of carbonaceous intercalated phyllites and andalusite-garnet schists, with minor meta-siltstones and meta-wackes. Schistosity of this unit dips

quite uniformly to the north but noticeably steepens and is even slightly overturned in the western part of the property. The metasedimentary rocks have been folded into a tight syncline in the mine area.

Intrusive rocks emplaced during the Late Caledonian, Hercynian, and Indosinian orogenies are widely distributed in the CSH Gold Project area. Major granitoid batholiths outcrop to the north and south of the CSH gold deposit. Within the area of gold mineralization, numerous igneous bodies, traditionally described as dikes of various compositions, are present within the metasedimentary sequence. These bodies include diabase, lamprophyre, diorite, alpines, and pegmatite. The pegmatite and some diorite and lamprophyre bodies appear concordant with the bedding, as indicated by the drill cores. These bodies are generally barren of gold values.

Mineralization

Gold mineralization at the CSH Gold Project is divided into the Northeast Zone and Southwest Zone. The two deposits are offset by a fault structure.

The gold mineralization is composed of thin (1 to 10 mm) sulfide and quartz-sulfide seams/veinlets, stringers, and boudinaged lenses, which are concordant with the bedding and foliation and trend along the shear zone. Much of the quartz vein material logged in the drill holes is associated with the higher-grade gold sections. The higher-grade gold zones are parallel or sub-parallel to the regional metamorphic foliation texture. In most cross-sections connecting of the higher-grade intervals shows relatively consistent dip angles of the mineralization zones ranging from 82 to 85 degrees in the Northeast Zone, and 87 to 89 degrees and dipping opposite (to the southeast) in the Southwest Zone.

Three distinctive styles of mineralization are noted within the target stratigraphy: (i) in the upper third of the sequence, the mineralization is dominantly quartz rich with only minor sulfide seams; (ii) in the lower third of the sequence, the mineralization is dominantly of the sulfide seam type with only rare scattered quartz material; and (iii) in the middle of the sequence, the mineralization is an even mixture of the above two types.

The principal type of mineralization is native gold occurring directly with the sulfides in the seams and in association with the quartz vein material. Mineralogical work by SGS Lakefield in Canada on composite weathered (oxide and mixed) and fresh (sulfide) mineralization samples found 77 percent of the gold was free in the sulfide composite and 100 percent of the gold was free in the weathered sample. Pyrite and some phyrrotite are the most abundant sulfides. Trace amounts of arsenopyrite, chalcopyrite, sphalerite and galena have also been reported.

Surface work and diamond core drilling have defined the mineralized zone over a continuous strike length of 4.8 km trending east-northeasterly across the CSH Gold Project area, with drilling to a maximum vertical depth of 375 m. Width of the mineralized zone varies, and a maximum width of approximately 300 m was found in the eastern part of the deposit.

The Northeast Zone is approximately 1,650-m long along strike and 20-m to over 300-m wide. The Southwest Zone is located 400 m to the southwest of the Northeast Zone. The zone is 2,250-m long and 40-m to 100-m wide. The two mineralized zones are generally open at depth.

In addition to the fault that offsets the two mineralized zones, there is also a major fault (shear zone) parallel to the mineralization longitudinally. There are also several other small-scale, cross-cutting faults with limited offset within the mineralized zone.

Exploration

In 2002, the Company conducted magnetic and electro-magnetic surveys on the property, followed by a major drilling program. In addition, a 750 kg bulk sample from earlier core and surface trenches was sent to SGS Lakefield for preliminary metallurgical test work.

In addition to drilling, between 2003 and 2005 China Gold International conducted further exploration and metallurgical test work on the property. This work included a further one tonne sample shipped to SGS Lakefield in 2003 for a leaching test. In 2004, a 310 m decline with 101.8 m cross-cut was driven to the centre of the Northeast Zone below the weathered/fresh interface to check for the continuity of the mineralization and for metallurgical sampling. In the same year, a pilot mining program was conducted on a total of 100,000 tonnes of oxide ore mined from the Northeast Zone for a heap-leaching test at the site, which was completed in 2005.

Since 2006, most exploration work on the property has been in the form of drilling.

Drilling

To the effective date of the CSH Technical Report, 185 holes had been drilled on the CSH Gold Project, amounting to approximately 41,483 m of drill core. All of the drilling has been completed with the equivalent of HQ core equipment producing cores approximately 60 millimetres in diameter.

From July to November 2002, China Gold International completed an initial program of 23 diamond drill holes totalling 4,997 m. This program resulted in identification of gold mineralization sufficient to justify more in-depth exploration programs. From 2003 through to 2005, China Gold International undertook annual drill campaigns that allowed China Gold International to complete resource estimates and quantify the size and scope of both the Northeast and Southwest Zones. This was followed by further drilling campaigns in 2007 through to 2008 to increase confidence levels in resource estimates and test extensions of mineralization. In 2007, 41 holes at approximately 11,500 metres were drilled, while in 2008, 23 holes at approximately 5,000 m were drilled.

China Gold International used two Chinese contractors for its drilling, using modern Longyear, Atlas Copco and Boyles Bros. equipment complete with wire line, mudding systems, and double and triple wall rods.

All drill holes were surveyed down hole at 50-m intervals. Most of the holes were drilled from the north side toward the east-southeast direction at a dip angle of -45 degrees (sometimes to -60 degrees). The collars of the drill holes have been surveyed by a contractor from Yinchuan using a laser total station tied to survey control points established with differential GPS.

All cores were logged by geologist and sampled at the core logging, sampling and storage facility on site. The procedures for core logging and sampling included fitting the core together in the trays, then measuring core recovery; estimating percentage of quartz veinlets and sulfide or oxide content, and identifying weathered rock and fresh rock interface; marking sample intervals by the geologist; cutting the core into two halves using a diamond saw; measuring the angle between core axis and bedding, foliation, dikes, and other structures; and describing lithology, mineralogy, structure, and mineralization.

Sampling and Analysis

All samples were analysed by fire assay followed by atomic absorption finish by Tianjin Lab, SGS China, from crushed minus 10 mesh samples prepared by Baogang Laboratory in Baotou, Inner Mongolia. The entire drill core for each hole was logged and then sawed in halves with one half submitted for assay and the other retained on site for reference. The cut half-cores are stored at the XinHuRe (CSH) base camp.

The sampling length is uniform with a nominal sample length of 1.8 m and average weight of 7.1 kg, with the true thickness varying between 1.4 m and 0.85 m.

Field geologists recorded the following information for all geological samples collected for analysis and for reference samples: field sample numbers; laboratory sample numbers where samples, standards and duplicates were numbered in the same consecutive numbering system; drill hole numbers and sampled intervals; and date of sample collection.

Since 2005, all samples have been trucked directly to the Baogang Laboratory in Baotou. This is a laboratory fully certified by the Chinese Government. Samples were delivered to the laboratory directly by China Gold International personnel.

The entire sample as received at laboratories was crushed to minus 10 mesh and split to create a 500 g sized sample, which was then shipped for assay by ALS Chemex in North Vancouver to 2007, and the Tianjin Lab of SGS China thereafter, while the rejects of the samples were shipped back to base camp.

At the Tianjin Lab of SGS, the assay samples were dried, pulverized to approximately 95 percent minus 200 mesh and recorded weights of +/- fractions. The gold content was determined using the standard screened metallic fire assay techniques. Two fire assay gold determinations were done on the minus fractions and single fusion on plus fraction. Taking the respective weights into account, the gold values are then back calculated to give the original gold content.

As part of the data quality assurance and quality control procedures ("**QA/QC**"), several sample preparation and assaying checks were implemented for the 2007 drilling program, which expanded on an original QA/QC program established and implemented from 2003 to 2005. The 2007 QA/QC program consisted of blank samples, pulp duplicate samples and reference material of three different known grades, which are commercial standards purchased by China Gold International.

The authors of the CSH Technical Report noted some discrepancies and errors in the assaying process based on the 2007 and 2008 QA/QC testing, and reported that assay results for duplicate samples show relatively large variation. Subsequent heterogeneity testing suggests a confidence level for samples above a cut-off grade of 0.20 g/t gold at +/-25%. This poor precision has an impact on individual grades on a block by block basis, but is not considered significant when larger volumes are considered. The authors confirmed that sample preparation, security and analytical procedures are adequate for the calculation of mineral resource and mineral reserves that form part of the CSH Technical Report.

Metallurgical Testing and Mineral Processing

Initial metallurgical testing of the ore was primarily performed for China Gold International by SGS Lakefield between 2002 and 2004. This was followed by a phase of testwork on large samples in 2004 and 2005, and finally testing in 2009 that focused on the effects of feed head grade and crush size.

The first phase of testing included composite preparation and head sample analysis, mineralogical examination, standard and CIL whole ore leach tests, gravity test work, cyanide destruction and environmental analysis. In the second phase, China Gold International conducted a pilot heap leach

program in 2004 in which approximately 100,000 tonnes of ore from the surface center of the deposit was extracted and placed on test pads. The results of this program supported prior metallurgical testing and formed the basis of mineral processing assumptions in feasibility studies.

In 2009, a further systematic column leach test was conducted by METCON on the drill cores from various depths and locations from the sulphide zone of the CSH deposits and examined, in detail, the effect of feed size and feed gold grade on the extraction of gold from the ore.

The Northeast Zone was subjected to nine sets of tests while the Southwest Zone was subject to six sets of tests. The purpose was to evaluate gold and silver extraction against the feed size. The leaching time was held nearly constant, at between 120 and 121 days. The reagent consumption was held within the leaching process chemical requirements.

The test results indicate that, in the Northeast Zone, the gold extraction rate was higher at the 6 mm crush size than at the 9 mm size while the silver extraction was higher at the 9 mm size than 6 mm size. Meanwhile, the data and the results of the six sets of tests on the Southwest Zone indicate gold extraction is higher at 9 mm for three sets and 6 mm for three sets, while silver extraction is higher at 6 mm.

Based on the test data the relationships between gold head assay values and gold extraction were plotted for each Northeast and Southwest Zones, for 80% passing 6 mm and 9 mm sizes. From the obtained linear trend lines, the relevant equations were derived. The trend line equations formulae were modified by subtracting five percent from the equations constant to obtain an estimate of gold extraction under the industrial leaching operation conditions.

Leaching with cyanide, agitation or heap; gravity plus flotation followed by the leaching of the concentrates; and gravity concentration alone, were all examined. Cyanide heap leaching was determined to be the most economically feasible approach. Crushing of the heap leach feed was firmly established as necessary.

Mineral Resource and Mineral Reserve Estimates

Mineral Resources

The database used to estimate the resources consists of a total of 185 inclined surface drill holes, covering the entire CSH Gold Project (Southwest and Northeast Zones).

The average overall gold grade for the Northeast Zone (weighted by sample length and within the 0.20 g/t envelope) is 0.64 g/t, with a standard deviation of 0.62, and a coefficient of variation ("**CV**") of 0.97. The samples for the Southwest Zone show more variability, with an average grade of 0.57 g/t, a standard deviation of 0.70, and a CV of 1.22.

The main control used in grade estimation was the 0.20 g/t grade envelope, which defines the boundary between mineralized and un-mineralized zones. This grade threshold is thought to represent a reasonable footwall and hanging wall contact for the gold mineralization. The 0.20 g/t gold mineralization envelopes can be traced from section to section as a consistent 150 to 200 m wide zone in the Northeast Zone, and 60 to 90 m wide zone in the Southwest Zone. The resource model in the CSH Technical Report assumes that there is no mineralization of interest outside the 0.20 g/t envelope. The minimum mineralized zone width is 6 m.

BDASIA used 3-dimensional block models for the Northeast Zone and the Southwest Zone. The Northeast Zone block model used a parent block size of 12.5×12.5×6 m and sub-block size of 6.25×6.25×3 m. A reblocked model with 12.5×12.5×6 m blocks with an estimation of proportion of the

block above 0.20 g/t and the grade of that material was delivered for mine planning. The Southwest Zone block model used a parent block size of 12.5×12.5×6 m and sub-block size of 3.125×3.125×3 m. A reblocked model with 6.25×6.25×6 m blocks was used for mine planning.

Block grade estimation was done using the Indicator-modified Ordinary Kriging method. Block gold grade of the proportion above and below the 0.20 g/t cutoff grade was estimated by Ordinary Kriging ("**OK**"), using composites above or below the 0.2 g/t cutoff grade, by a three-pass procedure. The block grade then was calculated from the two OK grades, using the proportions as weights. A three-pass search strategy was used for OK grade estimation inside the grade envelopes; the search ellipsoids were oriented with the grade envelope, and search distances were 40×28×16 m (strike×dip×direction perpendicular to the mineralized plane) for pass one, 100×70×40 m for pass two, and 150×105×60 m for pass three for the Northeast Zone. Search distances used for the Southwest Zone were 35×35×17.5 m for pass one, 95×95×47.5 m for pass two, and 175×175×87.5 m for pass three. The number of composites used for block grade estimation ranged from five to eight for pass one, 5 to 10 for pass two, and 3 (Southwest Zone) or 4 (Northeast Zone) to 12 for pass three. Octant search was used. The maximum number of composites per octant was two for the first and second passes in the Northeast Zone and three for the third pass in the Northeast Zone and all three passes in the Southwest Zone. Composite gold grades for pass two and pass three were capped at 7.0 g/t for the Northeast Zone and 6.5 g/t for the Southwest Zone.

All blocks with a pass-one grade estimation were classified as Measured; all blocks with a pass-two grade estimation were classified as Indicated; and all blocks with a pass-three grade estimation were classified as Inferred.

Set forth below is a table summarizing estimates of gold mineral resource as at December 31, 2010. The estimate is based on the original resource estimate as at June 30, 2010 contained in the CSH Technical Report, as adjusted for estimated mining depletion through to year end.

Resources estimates as of December 31, 2010
CSH 217 project

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

There are no known environmental, permitting, legal, title, taxation, socio-economic, marketing, and political or other relevant issues that may materially affect the resource estimates or the reserve estimates, except as reported in this AIF.

Reserve Estimate

The CSH Technical Report includes a reserve estimate and mine plan. The estimate and mine plan utilizes ore from both the Northeast Zone and the Southwest Zone that has been estimated in the measured and indicated category and form part of the open pit mine contemplated for the respective

deposits. Reserves have been reported at a cut-off grade of 0.3 g/t as scheduled in the mine plan. The gold price used for optimization was $850 per ounce, while refining and offsite costs were estimated at $3.50 per ounce. Metallurgical recovery inputs varied depending on gold grade between 62% to 81% while the rest of the mining input parameters used to prepare the reserve estimate are summarized in "Mining Operations" below.

Set forth below is a table summarizing reserves as December 31, 2010. The estimate is based on an original reserve estimate as at June 30, 2010 from the CSH Technical Report, less estimated depletion to the end of the year.

CSH Gold Mine Total Reserves at End of Dec 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**

Mining Operations

Open Pit Mining

Mining in the large Northeast pit and the longate Southwest pit is carried out by a contractor utilizing an equipment fleet of thirty-two, 50-tonne Euclid off-highway haulage trucks, six, 4.5 m^3 m Hitachi backhoes and five blasthole drills that drill 180-mm diameter holes 6.6-m deep. The lower benches are below the water table and require mainly wet-hole blasting using slurry. The mining is performed under a 10-year mining contract with CNRC, signed in November 2008. The contract provides for additional payment by the mine owner for one-way haulage distances above 2.5 km and for the higher cost of wet-hole explosives, but it does not contain a diesel fuel escalator. The contractor performs all required maintenance on its fleet in its own building. The owner provides and supervises the separation of ore and waste and does a monthly survey of the cubic metres of each of these materials mined, and this is the basis of the monthly payments to the contractor. Material is hauled to one of three destinations: the primary crusher, the heap leach pads, or the waste dumps. No low-grade material is stockpiled. The remaining life-of-mine waste-to-ore strip ratio is 1.31 to 1; while the current strip ratio is 1.87 to 1. Dilution of the ore by waste, a common problem when a mining contractor is doing the mining, is not a major problem at the CSH Gold Project, because the ore zones are wide and ore waste interfaces are small in number. There have been no significant pit slope failures since the start of operations.

Processing

The processing method is conventional heap leaching.

A crushing plant at a designed production capacity of 30,000 tpd to 80%-9 mm was installed in August 2009 and became fully operational in March 2010. The plant includes two primary C160 jaw crushers in open circuit; two HP 800 standard, coarse bowl crushers in closed circuit with screens; and four HP 800 short head, fine bowl crushers also in closed circuit with screens. The crushed ore is currently transported to the leach pads by highway trucks. An overland conveyor system is in the planning stage to transport the ore from the crushing plant to the leach pads.

The leaching operation involves ore stacking, irrigation with leaching solution, and recovery of gold pregnant solution. Initially, the leach pad was loaded mostly with the coarse ROM ore from the upper portion of the CSH deposit. With the crushers in full production in March 2010, the leach paid is now stacked with the crushed ore.

The gold extraction from the pregnant solution involves carbon-in-column adsorption, carbon elution, stripping, refining and smelting. The final product is gold doré assaying about 90% to 95% gold plus silver. The dissolved silver and other base metals in solution are reduced to sludge separately and then smelted. The average silver-to-gold ratio is 0.35 by weight to the end of 2010.

Overall heap leach gold recoveries, based on the above estimates and calculated from average annual gold grades, are estimated to be 71.08% of the Northeast ore assaying an average 0.68 g/t of gold and 70.34% for the Southwest ore assaying an average 0.65 g/t gold. These recoveries are expected to be achieved in the period of five years after having placed the ore on the leach pad.

The mine production schedule provides 10.65 million tonnes per annum of ore to the leaching facility. This represents an increase from original production estimates. Total heap leach capacity is now 166 million tonnes. Accordingly, in 2010 the Company completed an expansion to heap leach and processing facilities to accommodate this increase.

Mining is scheduled to occur until into 2022, and be followed by four years of leaching. Gold production is estimated at approximately 110,000 to 140,000 oz from 2010 to 2013, and then gradually increasing from approximately 150,000 oz in 2014 to a maximum of approximately 210,000 oz in 2021 and 2022. Thereafter recovered gold would decline sharply as the ore is depleted from the pit.

Operating Costs and Capital Costs

In the CSH Technical Report, BDASIA prepared operating and capital cost estimates. Operating costs, which includes mining, processing general and administrative and other, are estimated to range from a high of approximately $7.90 per tonne of ore in 2011 and 2012, and move steadily lower as production continues, at between $6.00 and $7.00 per tonne from 2014 to 2017 and between $4.00 and $5.00 per tonne between 2018 to 2022. When all other operating cost factors are added, including depreciation, amortization and by product credit for silver, total production cost is estimated at approximately $700 per ounce from 2011 to 2013, between $500 and $600 per ounce between 2014 to 2017 and between approximately $250 to $350 per ounce from 2018 to 2022. No inflation has been factored into the operating cost estimates. Future increase in costs for labour, fuel, and other materials can have a large impact on the mining operation.

Most capital expenditures for the mine have already been spent. Any sustaining mining capital expenditures will be the responsibility of the mining contractor. The remaining capital expenditures consist primarily of costs for leach pad expansion and construction of a conveyor belt system from the crushing plant to the leach pads, amounting to an aggregate of approximately $29 million over the life of mine.

Project Economics

BDASIA conducted a base case economic analysis for the CSH Gold Project as at June 30, 2010. The gold price is variable over the life of the mine and represents the projected average price estimated by 18 international financial institutions. A discount rate of 9% was selected for the net present value ("**NPV**") calculation. The middle year discount method was used in calculation of the NPV.

Based on these and other assumptions identified in the CSH Technical Report, as at the date of the CSH Technical Report, the CSH Gold Project had a total pre-tax NPV of $516.55 million and a total after-tax NPV of $396.68 million.

Sensitivity analyses indicate that the NPV of the CSH Gold Project is very sensitive to the variation in the gold price and heap leach gold recovery, moderately sensitive to variation in operating costs, and less

sensitive to variation in capital costs. The payback period to recover capital investment is estimated at slightly less than two years starting from December 31, 2009.

Set forth below is a chart from the CSH Technical Report that itemizes estimates of revenue, cashflow NPV and other economic inputs.

CSH Gold Project – Projected Revenue, Cash Flow and NPV
(as at June 30, 2010)

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenue									
Gold Production in Doré (koz)	132.21	144.78	136.87	128.81	151.35	162.81	158.69	162.07	162.22
Silver Production in Doré (koz	46.27	50.67	47.90	45.08	52.97	56.98	55.54	56.72	56.78
Gold Price (US$/oz)	1032.00	1033.00	955.00	970.00	849.00	849.00	849.00	849.00	849.00
Silver Price (US$/0z)[1]	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48
Gold Refining Charge (US$/oz)	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30
Silver Refining Charge (US$/oz)	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26
Gold Sales Revenue (US$ M)	135.87	148.94	130.12	124.39	127.84	137.52	134.05	136.90	137.03
Silver Sales Revenue (US$ M)[1]	0.72	0.78	0.74	0.70	0.82	0.88	0.86	0.88	0.88
Total Sales Income (US$ M)	**136.58**	**149.72**	**130.86**	**125.09**	**128.66**	**138.41**	**134.91**	**137.78**	**137.91**
Operating Costs (US $ M)									
Mining	43.49	50.01	51.27	45.73	41.89	40.17	37.02	34.33	18.01
Processing	18.98	19.21	19.21	19.21	19.21	19.21	19.21	19.21	20.31
G&A and Others	15.00	14.58	14.08	13.19	13.52	13.46	13.44	13.54	12.98
Total Operating Cost	**77.47**	**83.81**	**84.57**	**78.13**	**74.62**	**72.84**	**69.67**	**67.09**	**51.30**
Depreciation/Amortization (US$ M)	19.96	19.96	17.68	14.07	13.55	13.01	12.78	11.64	8.05
Taxable Income (US$ M)	39.15	45.96	28.61	32.89	40.49	52.55	52.46	59.04	78.56
Income Tax @25% (US$ M)	9.79	11.49	7.15	8.22	10.12	13.14	13.11	14.76	19.64
After-Tax Income (US$ M)	**49.32**	**54.43**	**39.14**	**38.74**	**43.92**	**52.43**	**52.13**	**55.92**	**66.96**
Total Capital Costs (US$ M)	10.47			7.47	5.41	5.23			
Loan Principle Payment (US$ M)	11.26	1.46	8.78	17.57	13.18				
After-Tax Cash Flow (US$ M)	**27.59**	**52.96**	**30.35**	**13.70**	**25.33**	**47.20**	**52.13**	**55.92**	**66.96**
Years to discount to Dec 31, 2009	0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5
Discount Factor at 9%	0.958	0.879	0.806	0.740	0.679	0.623	0.571	0.524	0.481
After-Tax NPV (US$ M)	**26.43**	**46.54**	**24.47**	**10.13**	**17.19**	**29.38**	**29.77**	**29.30**	**32.19**
Pre-Tax Cash Flow (US$ M)	**37.38**	**64.45**	**37.5**	**21.92**	**35.45**	**60.34**	**65.24**	**70.68**	**86.6**
Pre-Tax NPV (US$ M)	**35.81**	**56.65**	**30.23**	**16.22**	**24.07**	**37.59**	**37.25**	**37.04**	**41.65**

	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total
Revenue										
Gold Production in Doré (koz)	171.06	186.13	211.06	208.31	48.40	17.06	7.03	3.34	0.36	2,192.55
Silver Production in Doré (koz	59.87	65.15	73.87	72.91	16.94	5.97	2.46	1.17	0.13	767.39
Gold Price (US$/oz)	849.00	849.00	849.00	849.00	849.00	849.00	849.00	849.00	849.00	
Silver Price (US$/0z)[1]	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	15.48	
Gold Refining Charge (US$/oz)	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	
Silver Refining Charge (US$/oz)	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.26	
Gold Sales Revenue (US$ M)	144.49	157.23	175.96	175.96	40.89	14.41	5.94	2.82	0.31	1,932.98
Silver Sales Revenue (US$ M)[1]	0.93	1.01	1.13	1.13	0.26	0.09	0.04	0.02	0.00	11.88
Total Sales Income (US$ M)	**145.42**	**158.23**	**179.42**	**177.09**	**41.15**	**14.50**	**5.98**	**2.84**	**0.31**	**1,944.85**
Operating Costs (US $ M)										
Mining	18.14	18.37	18.58	18.12	0.58					435.71
Processing	13.51	14.52	19.21	19.21	0.64					240.90
G&A and Others	12.19	12.44	12.86	12.81	1.12	0.28	0.12	0.06	0.01	175.69
Total Operating Cost	**43.84**	**45.33**	**50.66**	**50.15**	**2.34**	**0.28**	**0.12**	**0.06**	**0.01**	**852.29**
Depreciation/Amortization (US$ M)	8.00	2.26	1.33	0.65						142.95
Taxable Income (US$ M)	93.57	110.64	127.43	126.29	38.80	14.22	5.86	2.78	0.30	949.61
Income Tax @25% (US$ M)	23.39	27.66	31.86	31.57	9.70	3.55	1.47	0.69	0.08	237.40
After-Tax Income (US$ M)	**78.18**	**85.25**	**96.90**	**95.37**	**29.10**	**10.66**	**4.40**	**2.08**	**0.23**	**866.16**
Total Capital Costs (US$ M)										28.56
Loan Principle Payment (US$ M)										52.26
After-Tax Cash Flow (US$ M)	**78.18**	**85.25**	**96.90**	**95.37**	**29.10**	**10.66**	**4.40**	**2.08**	**0.23**	**774.34**
Years to discount to Dec 31, 2009	9.5	10.5	11.5	12.5	13.5	14.5	15.5	16.5	17.5	
Discount Factor at 9%	0.441	0.405	0.371	0.341	0.312	0.287	0.263	0.241	0.221	
After-Tax NPV (US$ M)	**34.48**	**34.49**	**35.97**	**32.48**	**9.09**	**3.06**	**1.16**	**0.50**	**0.05**	**396.68**
Pre-Tax Cash Flow (US$ M)	**101.57**	**112.91**	**128.76**	**126.94**	**38.8**	**14.21**	**5.87**	**2.77**	**0.31**	
Pre-Tax NPV (US$ M)	**44.79**	**45.73**	**47.77**	**43.29**	**12.11**	**4.08**	**1.54**	**0.67**	**0.07**	**516.55**

While the Company has determined that there is no material change to the parameters governing this economic analysis, the Company notes that its current base-level budget for production at the CSH Gold Mine in 2011 is approximately 125,000 ounces of gold, while the modelled amount for 2011 in the above chart is approximately 145,000 ounces.

Environmental and Community

In November 2007, the CSH Gold Project received its environmental approval from the Mongolian EPB following review of the documents and a site inspection by an expert panel. Environmental approval, which requires approval of both the EIS and a soil and water conservation plan, was required to obtain the CSH Mining Permit, thereby enabling China Gold International to commence production.

Due to the semi-desert conditions and scarce water supply in the area, the project is operated as a zero discharge site, hence it only requires a water supply (and not a discharge) permit, to be issued by the regulatory authorities. A comprehensive water resource estimation by the Baogang Engineering Investigation and Survey Institute in Baotou was followed by a similar independent study by Golder Associates, and a further hydrogeology and water resources study was conducted by the Baogang Institute. The objective of the mine project in securing its water supply is to balance the extraction of water from local sources with the capacity for recharge of these sources. The collective studies resulted in the Company determining that a sustainable water extraction rate would be 4,000 m^3 per day in average years and 3,000 m^3 per day in dry years, which is sufficient to meet the demand of the mining operation. The current water permit allows water to be pumped from the Molen River and Xinhure alluvial aquifer as well as the Hushaogou bedrock aquifer, at a rate of up to approximately one million cubic metres per year.

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

Various social issues were addressed in the environmental impact studies. This has contributed towards protection of local social heritage and culture, employment of local people (currently approximately 30% of the workforce), employment of women (currently approximately 10% of the workforce) as well as contributions towards local education, medical equipment, various community activities and support of poor families with food and coal (which collectively have been cost at approximately RMB1.6 million to date) having been implemented by the Company.

Exploration and Development

Exploration and drilling continued at the CSH gold mine during the 2010 field season within the company's exploration permit in the area adjoining the mining permit and on 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 plan on eight holes (4,187.57 m) 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 in 2011 to fully evaluate the mineralization at depth and the potential of a new northwest zone of gold mineralization.

Jiama Project

The scientific and technical information in respect of the Jiama Project presented below is derived largely from the Jiama Technical Report. A complete copy of the Jiama Technical Report is available on SEDAR (www.sedar.com).

Project Description and Location

The Jiama Project is a large copper-gold polymetallic mine located in Tibet, China. It is held by the Company's wholly-owned subsidiary, Huatailong. The property hosts a mining and process operation that is centered on a large, contiguous mineral deposit and a large area of prospective exploration, and is being developed into a combined open-pit and underground mining operation.

The current mining permits for the Jiama Project cover the Tongqianshan and Niumatang mining areas. The mining license of Tongqianshan mining area was issued by the Land and Resource Department of Tibet Autonomous Region in July 2010 and is valid until July 2015, and extendable thereafter. The mining license covers an area of 2.155 km^2. Huatailong also received a mining permit for a portion of the Niumatang mining area that covers open-pit mining operations on July 15, 2010. This mining license is valid until July 2015 and is extendable thereafter. The license covers an area of approximately 0.735 km^2. The production capacity specified on this license is .9 million tpa (approximately 2,730 tpd based on 330 working days).

Two exploration permits surround and extend to the southwest of the two mining licenses, and cover an aggregate area of 145.5 km^2 (including the mining license areas). The exploration permits were issued by the Land and Resource Department of Tibet Autonomous Region and are each valid until October 2011, but are renewable on an annual basis thereafter.

Mining activities at the Jiama Project are subject to a resource tax of RMB 15 per tonne of ore for processed ore and a resource compensation levy of 2% of the sales revenue. Copper, molybdenum, lead, zinc and silver will be subject to 17% VAT. The Jiama Project production will also be subject to City-maintenance and construction tax of 7% of VAT and an education tax of 3% of VAT. The corporate income tax rate for Huatailong is 15%.

Huatailong has secured sufficient surface land areas through short-term and long-term leases for the planned mining operation and expansion, including lands for the open pits, waste dumps, accesses to the underground mine, processing plant, related tailings storage facilities ("**TSFs**"), office buildings, mine camps and other mine infrastructure items.

Huatailong is required to post an environmental reclamation bond of approximately RMB35 million ($5.2 million). A first payment of RMB1.5 million ($0.22 million) was made in 2009, and the remaining amount will be paid in five installments in the 5 years following the commencement of Phase 1 Operations.

Environmental liabilities at the Jiama Project area are mostly related to the mining operation by the four previous operators before the project consolidation in 2007. The original underground mine workings as well as three smaller processing plants with processing capacities ranging from 300 tpd to 850 tpd that existed before consolidation were abandoned, and the process plants were dismantled and reclaimed by Huatailong. The associated TSFs will also be reclaimed by Huatailong.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Jiama Project is located in Metrorkongka County, Tibet Autonomous Region in the PRC, approximately 55 km east-northeast of Lhasa, the capital city of Tibet. Lhasa has a population of approximately 400,000 and is the political, economic, cultural and transport center in Tibet. Access to the Jiama Project area is via paved road from Lhasa.

The topography in the area is characterized by steep slopes, high elevation and large elevation differences. About half of the surface area at the Jiama Project is covered by dense shrub bushes and grasses, and other half of the surface area is covered by soil and falling rocks formed from freezing, erosion, and weathering. The soil and falling rock cover is generally only a few metres thick.

The area has a typical continental plateau climate. The summers, which are also the rainy season, are relatively humid and cool and the winters are dry and extremely cold. The temperature difference between day and night is large. Winter conditions prevail from October through March with constant snowfalls. July and August are the only frost-free months in any year. Average annual precipitation is approximately 500 mm, which mostly occurs as rain from June to September.

Electricity for mine production at the Jiama Project is provided by a newly constructed 110-kV electricity transmission line from the Metrorkongka substation located approximately 20 km north of the mine site. The Tibet government has been executing a power-supply development plan for the period from 2006 to 2010, which includes building several new power generation plants, with the goal of connecting the Central Tibet power grid to the national power grid in the PRC. Electricity supply will be sufficient for Phase 1 Operations as well as Phase 2 Operations when the Tibet government electricity development plan is completed. Prior to completion of the electricity development plan, the Jiama Project may experience power shortages for production which could affect production rates, primarily during the first two years of operations. That said, the Jiama Project has been designated as one of the most important projects in Tibet and has been granted priority in electricity supply by the Tibet government.

Fresh water for production and the mine camp will be obtained from the Chikang River, which is a tributary of the Lhasa River. The Jiama Project is being developed as a zero discharge site and has a current water permit for top-up water, which was granted in October 2008. The flotation tailings will be dewatered in a press filter facility above the plant, with the filtrate water re-circulated into the processing cycle.

A significant portion of the mining personnel for the Jiama Project came from other mining operations outside Tibet. Huatailong has also recruited a significant number of local Tibetan workers and some of them have been trained outside Tibet.

History

There were some small-scale historical lead mining activities at the Jiama Project site before the 1950s. Geological work conducted from 1951 to 1990 delineated a 3,600-m long copper-lead-zinc mineralization zone mostly by surface trenching at the Jiama Project area. Preliminary mineral resource estimation was also conducted. More detailed exploration work was conducted by the No. 6 Geological Brigade ("**Brigade 6**") of Tibet Geology and Mineral Resource Bureau between 1991 and 1999, including 31 DDH, with a total drilled length of 10,091 m, adits and 16,474 m^3 of surface trenches.

Based on the Brigade 6 work, four mining licenses within the current Jiama Project mining license boundary were issued to different mining operators and four mining operations commenced as follows:

- A license to the Jiama Township government, which operated a 300 tpd concentrating plant and started mining in 2004. A total of 14 adits were developed for mining. It was estimated that a total of 49,000 tonnes of ore was mined with a mining loss of 9,200 tonnes to the end of June 2006. Mine production since June 2006 is unknown.

- A license to Lhasa Mining Company, who operated open-pit mining and underground mining. Open-pit mining started in 1995 and a total of 10 adits with a level height ranging from 16 m to 40 m between the MSL elevations of 4,606 m and 4,780 m were developed before 2006. Mine production to the end of 2005 was estimated at 130,000 tonnes, with mine production since January 2006 unknown.

- A license to Brigade 6. A joint venture company, Tibet Jiama Mining Development Company Limited, owned by Brigade 6 and Henan Rongye Trading Company Limited was established to conduct the mining operations. Mining started in 2003. A concentrating plant with a processing capacity of 850 tpd was built in 2006. It was estimated that the total mined and lost mineral resources were 109,000 tonnes to the end of June 2006. Production since June 2006 is unknown.

- A license was issued to Tibet Danlu Resource Development Company Limited. No concentrating plant was built for this mining license. Mining started in 2005. The estimated mine production from three mining adits were 80,000 tonnes to June 20, 2006 with an estimated mining loss of 8,900 tonnes. Mine production since June 2006 is unknown.

On April 1, 2007, the Tibet government ordered the suspension of mining activities from the four mining licenses. A consolidated mining licence and two consolidated exploration licences were subsequently issued to Huatailong in 2008.

Huatailong conducted extensive exploration programs in 2008 through to 2010, completing a total of 285 DDH holes with a total drilled length of approximately 115,000 m. Huatailong also started construction of its own facilities in June 2008, including dismantling the original underground mine workings and three smaller processing plants.

Geological Setting

The Tibet Plateau is an orogenic belt that was formed between the late Mesozoic to Cenozoic time. Within the plateau are a series of near east-west-trending structural zones with associated multiple-stage magmatism and related mineralization.

The Jiama Project is located in the central-south portion of the Gangdise-Nianqing Tanggula Terrane, a structural zone of the Tibet plateau. Stratigraphy outcropping in the Jiama Project area consists of primarily passive epicontinental clastic-carbonate rocks, including Upper Jurassic Duodigou Formation limestones and marbles, Lower Cretaceous Linbuzong Formation sandstones and slates, and locally Quaternary colluviums and alluviums. Some mafic, intermediate to felsic dikes have been observed on outcrops and in drill holes, but no large intrusive bodies have yet been identified. It is believed, however, that a large granitic intrusive body exists at depth in the area and that it has provided the intense heat source for the metamorphism and also the mineralization materials for the copper-polymetallic mineralization. Because of the placement of the granitic intrusion, a large portion of the Duodigou limestones has been metamorphosed to marbles, and the Linbuzong clastic rocks have been largely metamorphosed into hornfels.

Skarns with associated copper-polymetallic mineralization were formed at the contacts of the intrusives and the Duodigou marbles as well as the interlayer structural zone between the Duodigou marbles and the

Linbuzong hornfels. Less intensive copper-polymetallic mineralization was also formed within the Linbuzong hornfels.

Structures in the area consist of thrust and detachment faults as well as associated anticlines and synclines. The interlayer fracture zone between the Duodigou marbles and Linbuzong hornfels could be a detachment fault as it is steeply-dipping (averaging around 60 degrees) at the upper portion and flat-dipping (averaging around 10 degrees) at the lower portion.

Mineralization

The Company has identified two areas of mineralization, a skarn zone and a hornels zone.

Skarn Zone

The primary mineralized body at the Jiama Project is a skarn zone approximately 2,400-m long along the strike direction and 150-m to 1,900-m wide along the dip direction. Its thickness ranges from 2 m to 240 m, averaging 33.24 m. Skarns are distributed along an interlayer structural zone between the Duodigou marbles and the Linbuzong hornfels. This mineralized body is stratiform, tabular or lenticular in shape. It strikes west-northwest and dips to the northeast. The upper part of the mineralized body has a steep dip angle, averaging around 60 degrees, whereas the lower portion of the mineralized body has a much flatter dip angle, averaging around 10 degrees.

Two zones within the primary mineralized body have generally been well defined by drilling on a 100-m by 100-m grid. The first is the Niumatang area located at the north-western portion of the mineralized zone, which will be the primary target for the open-pit mining operation in the early years of the mine's life. The second is the Tongqianshan area located in the southern portion of the deposit. The mineralized body is still open to the northeast along the dip direction, representing significant additional exploration potential.

Seven other smaller mineralized bodies have also been modeled, but they are generally not well defined by the current drilling data in the Jiama deposit.

Copper is the most important economic metal in the deposit. Other metals of economic value include molybdenum, lead, gold, silver and zinc. These metals are distributed differently in the deposits. In general, the copper grade is higher at the upper and northwest portions and lower in the northeast portion. Molybdenum seems negatively correlated with copper, with higher grades in the northeast portion of the deposit. Gold and silver have a similar distribution pattern as copper in the deposit. Lead and zinc are only enriched at the upper part at the southwest of the main mineralized body, which was part of the historic mining targets. Contents of harmful elements, such as arsenic, antimony and mercury, are generally low in the deposit, and are not expected to create any marketing issues for concentrate produced from the deposit.

Oxidation occurs only at the near-surface portion of the deposit. The majority of the defined mineral resources are in the unoxidized sulfide zone.

Hornfels Zone

The Jiama Project also hosts hornfels-type copper-polymetallic mineralization. Compared with the skarn-type copper-polymetallic mineralization, hornfels-type copper-polymetallic mineralization at the Jiama Project is generally lower in metal grades and less well understood as it was only defined by 13 widely spaced (400×400 m to 400×200 m) drill holes. The currently defined hornfels-type mineralization is very large, without a clear preferred direction. This mineralized body is over 1,500 m long in the rotated

northwestern direction, up to 1,000 m wide in the rotated northeastern direction, and up to 820 m thick. Copper-polymetallic mineralization generally occurs as fracture coatings in the hornfels. The metallic minerals in the hornfels-type mineralization are similar to that of the skarn-type mineralization. Chalcopyrite, bornite, molybdenite, pyrite and pyrrhotite are the major metallic minerals with minor amounts of other minerals. Copper and molybdenum are the two important elements; copper is generally enriched in the upper portion of the mineralization and molybdenum is generally enriched in the lower portion of the mineralization.

Exploration

Brigade 6 carried out exploration work in the 1990s, including a topographical survey, geological mapping, surface trenching, adit development and DDH drilling. Exploration work focused on the near-surface portion of the mineralized zones. Extensive exploration work conducted by Huatailong in 2008 and 2009 (up to the end of October) includes 1:2000-scale topographic surveying, geological mapping, and drilling of 192 DDH holes with a total drilled length of 64,158 m. Management of the exploration work and resource estimation was contracted to the Resource Institute in Beijing.

Survey control points were established using differential GPS instruments, based on the 1954 Beijing coordinate system and the 1956 Yellow Sea elevation system. The topographic survey was conducted by total stations and the survey results were tied to the established survey control points. The 1:2,000-scale topographic survey with a 2-m contour interval covered an area of 13.8 km^2, providing good support for the drilling and other exploration work.

Drilling

DDH drilling by Brigade 6 in the 1990s was conducted in accordance with the "Core Drilling Regulation" promulgated by the former Ministry of Geology and Mineral Resources of China. 31 holes were drilled, of which 22 with a total drilled length of 6,518 m met the requirements under the regulation. Core recoveries ranged from 65% to 95%, with an average of 84% for 15 holes. Six other holes were considered as not conforming with the regulations because the core recovery was too low or because the drill hole was terminated prematurely. Only the 22 holes meeting the regulations have been included in the database for the current resource estimation.

Huatailong's 2008 drilling program was conducted from April 30 to December 9. Six drilling contractors with a total of 36 drill rigs completed the 150 DDH holes with a total drilled length of 50,617 m. Drilling was managed and supervised by the Mineral Resource Research Institute of Chinese Academy of Geological Sciences (the "**Resource Institute**"). Drill hole spacing was designed at 100-200 m by 100-200 m within the mining license boundary and increased to 200-400 m by 100-400 m outside the mining license. Excluding the re-drilled intervals, the 2008 holes included in the Jiama Project drill hole database consist of 148 holes with a total drilled length of 48,970 m. Huatailong's 2009 drilling consisted of 36 in-fill DDH holes with a total drilled length of 9,985 m in the Niumatang area and four step-out DDH holes with a total drilled length of 3,556 m to the northeast of the mineralized zone. The in-fill drilling brought the drilling density in the Niumatang area to 100-m by 100-m, which is sufficient to produce a resource estimate for open-pit mining planning and ore reserve estimation in the area. The four step out drill holes to the northeast have further extended the mineralized zone and increased the total mineral inventory of the Jiama Project.

Drilling started at the surface using 130-mm or 110-mm diameter drill bits, reducing to 91-mm or 75-mm diameter drill bits after entering into the solid rocks. Core recoveries were generally good, ranging from a low of 60.3% to a high of 100% but averaging approximately 95% including in each of the skarn, hanging walls and footwalls.

Drill hole collar locations were surveyed using differential GPS survey instruments after drilling and the down-hole deviation was measured using down-hole survey instruments generally at a 100-m interval. Completed drill holes were plugged using cement with a cement post maintained at the center of drill hole collar. Properly labelled and boxed drill cores were transported from the drill site to the core storage warehouse, where core logging, photographing and sampling occurred.

As the primary mineralized body has a steep dip angle (averaging 60 degrees) at the upper (southwest) portion and a flat dip angle (averaging 10 degrees) at the lower (northeast) portion at the Jiama Project, and as the drill holes were drilled mostly vertically, the true thickness of the mineralized zone at the location of a drill hole is approximately 0.50 and 0.98 times of the drilled intercepted mineralized zone length for the upper steep-dipping zone and the lower flat-dipping zone, respectively.

These drilling results defined the lateral extents and metal grade distribution of the mineralization for the Jiama Project, and formed a solid basis for the mineral resource and mineral reserve estimates.

In 2010, Huatailong drilled a total of 50,704.13 m in 95 diamond drill holes at the Jiama Project, of which 87 holes reached their planned depth while 5 holes were terminated early and 3 holes were abandoned due to the complex geological conditions. The high drilling success rate of 95 percent (88 out of 92 drill holes intersected target mineralization) demonstrates that the high grade skarn type mineralization is continuous in the license area. The drill results from the 2010 program are not included in current resource or reserve estimates. The Company expects that the additional drill hole data will allow the Company to both upgrade some or all of the previously defined inferred resources to the indicated and/or measured category and to expand the overall resource estimate of skarn and hornfels type mineralization on the property. In addition, the drilling program has identified a new standalone high grade quartz diorite porphyrite dyke type gold mineralization zone which was discovered in the southwest part of the existing mining license area, which may add a significant amount of high-grade gold resources to the property, and a large deep grano-porphyry copper-molydenum deposit underlying the current skarn and hornfels type deposits.

Sampling and Analysis

Core samples were taken by a diamond rock saw, with half of the core sent for sample preparation and assay and the other half was retained for records. Sample intervals were generally 1 m for the skarn-type mineralization and 2 m for the hornfels-type mineralization, although sometimes varied based on geological characteristics. Samples were taken continuously within the mineralized zones as well as every 2 m among the host rocks on each side of a mineralized zone.

BDASIA stated in the Jiama Technical Report that the drilling and sampling for the Jiama Project have been performed in accordance with industry standards, the core samples are representative of the copper-polymetallic mineralization in the deposit and should not produce any material bias for metal grade distribution.

Sample preparation and analysis for the Huatailong core samples were undertaken by the Southwestern Metallurgic Geology Analytical Center ("**Southwest Center**") in Chengdu, Sichuan Province, which is an accredited laboratory by the Chinese National Accreditation Board for Laboratories ("**CNAL**"). The Southwest Center set up a sample preparation facility in the Huatailong core storage warehouse. Sample preparation was undertaken by the Southwest Center personnel. Samples were prepared by a two-stage crushing and one-stage grinding procedure to reduce the size of sample particles to minus 200 mesh (0.074 mm).

Gold grades were determined by an aqua regia + fluoride digestion, reactivated carbon concentrating, and atomic absorption spectroscopy ("**AAS**") procedure. Copper, lead, zinc, molybdenum and silver grades

were determined using an aqua regia + hydrofluoric acid + perchloric acid digestion and Inductively Coupled Plasma Atomic Emission Spectrometry or AAS procedure. All samples were analyzed for the above six metals. Some composite samples were also used to determine the concentration of other metals, such as tungsten, cobalt, nickel and cadmium.

Assay quality control and quality assurance ("**QAQC**") programs for the Huatailong samples included regular internal check assays, external check assays, and analysis of standard reference materials and blank samples. Within the Southwest Center, all analyses were conducted twice. At the same time, approximately 20% of the samples were randomly selected and were blindly coded with different sample numbers for assay precision control. Standard reference materials and blanks were inserted into every batch of samples by the laboratory to monitor the quality of the analytic results. Work performed was not credited for the laboratory operator if less than 90% of the samples analyzed met the quality control requirements in a batch.

Internal check samples were selected from the duplicate samples by Resource Institute personnel. A total of 750 internal check samples were analyzed by the Southwest Center in 2008, representing 3.8% of the total analyzed samples in 2008. It was reported that over 93% of the internal checks were within the permitted relative deviation ranges in 2008. Meanwhile, external check samples were randomly selected from the pulp rejects by Resource Institute personnel and were sent to the State Geologic Laboratory Analytic Center in Beijing for analysis. A total of 695 external check samples were analyzed in 2008, representing 3.6% of the total analyzed samples in 2008. It was reported that 94% to 99% of the external checks for the six different analyzed metals met the permitted relative deviation ranges in 2008.

Mineral Resource and Mineral Reserve Estimates

Resources – Skarn Zone

The drill hole database used for the resource model consisted of a total of 210 DDH holes with a total drilled length of 69,029 m and 10 surface trenches with a total length of 349 m.

Geological modeling was performed by the Resource Institute geologists using the Micromine mining software. The minimum mineralized zone thickness is 2 m. As the primary mineralized zone strikes at a 120 degrees azimuth, the coordinate system for the drill hole database was rotated counter-clockwise 30 degrees to align the east-west axis of the rotated coordinate system with the strike of the mineralization for the resource model.

A total of 7,314 assay intervals with a total length of 7,847 m are located inside the defined mineralized envelopes for the Jiama Project. Therefore, the average assay interval length inside the mineralized envelopes is 1.07 m. Based on metal grade probability distribution, the capping grade determined for the Jiama deposit is 10% for copper, 0.75% for molybdenum, 6 g/t for gold, 190 g/t for silver, 21% for lead and 7% for zinc. Samples with metal grades above the capping grades are considered outliers and these outlier metal grades were replaced by the capping grades before compositing, variography analysis and grade estimation. Capped metal assays inside the mineralized envelopes were composited to 5-m fixed-length composites.

A 3-D block model with a block size of 10×10×10 m was defined for the Jiama Project. The mineralized envelopes were coded to the block model using the partial block method. Block grade estimation was conducted using a three-pass OK procedure. The base search ellipsoid radius was defined by 90% of the copper correlogram range in each domain, which was used for the second-pass OK grade estimation. The search radius for the first-pass was 60% of the base search radius and the search radius for the third-pass was two times of the base search radius. The number of 5-m composites used for the first and second passes ranged from four to ten with a maximum of three composites from any single drill hole or surface

trench. The number of 5-m composites used for the third-pass ranged from two to ten with a maximum of three composites from any single drill hole or surface trench. All blocks with a pass one grade estimation were classified as Measured; all blocks for which a grade was estimated by pass two were classified as Indicated; and blocks estimated by pass-three are classified as Inferred.

Global grade bias was checked by generating a nearest neighbor ("**NN**") block grade model. The average OK grade is 3.5% lower and 7.5% higher than the average NN grade for lead and zinc, respectively, indicating there might be some negative or positive grade biases for the two metals. As lead and zinc generally have very low grades in most parts of the deposit; these negative and possible grade biases should not have a material impact on the project.

The Resource Institute conducted a systematic survey for the adits produced by the four previous operators before the consolidation of the property. Based on the survey results, the total mined-out volume from stopes in 40 surveyed adits is approximately 397,000 m^3. The mined-out areas are all located in the skarn mineralized zone; therefore, the skarn-type mineralization bulk density of 3.115 tonnes per cubic metre was used to calculate the mined-out tonnage of approximately 1.236 million tonnes. Based on the previous estimation, the consumed resources by the four operators to the end of June 2006 totaled approximately 377,200 tonnes. These mined out tonnages were deducted from the current resource model.

Mineral resources, inclusive of ore reserves, as of December 31, 2010 for the Jiama Project are summarized in the table below. The estimate represents resources calculated by BDASIA in the Jiama Technical Report as at June 30, 2010, as adjusted for estimated mining depletion to year end. The cutoff grade used for the resource estimate is 0.3% copper, or 0.03% molybdenum, or 1% lead, or 1% zinc.

Skarn Zone Resource Estimate (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	682.4	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

Resources – Hornfels Zone

For the Hornfels Zone, geological modeling was performed by the Resource Institute geologists using Micromine mining software. The minimum mineralized zone thickness is 2 m. Results of the 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.

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. Therefore, the average assay interval length inside the hornfels-type mineralized envelopes is 1.75 m.

Metal assays inside the mineralized envelopes were composited to 5-m fixed-length composites, and composites less than 1-m long were merged into the previous 5-m composite. A total of 1,217 composites were produced inside the hornfels-type mineralized envelopes.

A 3-D block model with a block size of 10×10×10 m was defined for the hornfels-type mineralization at the Jiama Project. The mineralized envelopes were coded to the block model using the majority rule method, such that a block is considered inside the mineralized envelope if more than 50% of the block is located inside the mineralized envelope.

Block grade estimation was conducted using the inverse-distance to the second power procedure. The search ellipsoid radius was 300 m long horizontally and 100 m long vertically. The number of 5-m composites used for the grade estimation ranged from two to sixteen, with a maximum of four composites from any single drill hole.

The hornfels-type mineral resources, estimated as of June 30, 2010 by BDASIA 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 (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	-	-

Mineral resources that are not mineral reserves do not have demonstrated economic viability. Inferred resource estimates have a great amount of uncertainty as to their existence, and economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, or economic studies except for preliminary assessment or scoping study as defined under NI 43-101.

Reserves

Ore reserves 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. Only the measured and indicated resource block/stopes from the Skarn Zone were used for reserve estimation. The cutoff unit economic values used to separate ore and waste are listed below:

Cutoff Unit Economic Value for Reserve Estimation of the Jiama Project

Area	Cutoff Unit Economic Value	Total Unit Ore Operating Cost In Project Financial analysis
Tongqianshan Pit	RMB276.5/t (U.S.$40.78/t)	RMB133.2/t (U.S.$19.65/t)
Niumatang Pit	RMB249.0/t (U.S.$36.73/t)	RMB128.9/t (U.S.$19.01/t)
Underground (+4,600 m) Sublevel Stoping	RMB276.5/t (U.S.$40.78/t)	RMB201.0/t (U.S.$29.65/t)
Underground (-4,600 m) Panel Sublevel Stoping	RMB249.0/t (U.S.$36.73/t)	RMB201.0/t (U.S.$29.65/t)

Mining dilution factor and mining recovery factor have been incorporated into the reserve estimates. The dilution factor amounts to approximately 5% for ore produced in the Tonquianshan pit, 3% for ore produced from the Niumatang pit and 11% to 9% for ore produced from the Niumatang underground operation. The mining recovery factor closely tracks the dilution factor except in the underground mine, where a mining recovery factor of 85% is modelled at higher levels (above 4,600 m) and 90% is modelled at lower levels (below 4,600 m).

The table below summarizes the reserve estimates for the Jiama Project. The waste tonnage and strip ratio for the two open pits have also been summarized in the table. The estimate is based on the reserve estimate prepared by BDASIA in the Jiama Technical Report as at June 30, 2010, updated to account for estimated mining depletion to the year end.

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**	**1,262**	**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**	**1,729**	**82.2**	**48.2**

Resource/Reserve Reconciliation under the CIM Standards

Mineral resources and mineral reserves reported herein for the Jiama Project were prepared under the JORC Code. BDASIA reconciled these JORC Code estimates to CIM standards in the Jiama Technical Report and concluded that the mineral resources and mineral reserves under CIM standards are exactly the same as those reported herein under the JORC Code.

Mining Operations

The Jiama Technical Report established a mine plan for the project. The Jiama Project is to be developed as a combined open-pit and underground mining operation at a production rate of 3.6 million tonnes per

annum (12,000 tpd) based on 300 working days per annum over a mine life of approximately 31 years. In the initial stage, production will reach 6,000 tpd from the Tongqianshan open pit. The Jiama Technical Report contemplated open-pit mining at the Niumatang pit commencing in early 2011, increasing the total open-pit mining production to 9,000 tpd; underground mining is thereafter planned for early 2012 at a rate of 3,000 tpd, increasing the total mine production to 12,000 tpd and subsequently, underground mining is planned to ramp up to 6,000 tpd after the Tongqianshan pit is depleted.

Open-Pit Mining

Huatailong commenced initial production in July 2010 from a small open pit at the smaller Tongqianshan area in the southern area of the deposit. It reached design production capacity of 6,000 tpd in November 2010. A total 600,639 tons of ore with an average copper grade of 0.71% has been mined up to December 31, 2010 from Tongqianshan open pit. Production from the Tongqianshan open pit is scheduled to continue until 2014. Pilot mining from the Niumatang pit in the northwest area of the deposit commenced in the late November of 2010. A total 106,639 tons of ore with an average copper grade of 1.09% had been mined up to December 31, 2010**.**

The mine plan in the Jiama Technical Report assumes production drilling and blasting of 15-m benches. Huatailong is using a mining fleet of 8-m^3 CED1850-7 hydraulic excavators for waste stripping and 4-m^3 CED650-6 hydraulic excavators for ore mining, with 45-t and 20-t trucks allocated to the respective excavators. The ore zone is relatively continuous, but BDASIA has suggested reducing the height of the work bench to provide more control of ore mining, particularly in the early stage of the pit when grade control practices are being refined. Ancillary equipment, including bulldozers, water trucks, and front end loaders, are also included within the mining fleet for the open pit.

At the Niumatang pit, stripping operations commenced in 2009 and had continued through to the beginning of 2011. According to the mine plan in the Jiama Technical Report, commencing later in 2011 Niumatang will be the main source of ore for the open pit mining operations, with approximately 1.8 million tonnes of ore scheduled for extractions each year thereafter until 2021. With the flat-lying ore zone within the pit, the pit is planned to be mined in three stages as it advances back to the final pit wall. The stages allow the mining of waste rock to be scheduled at a relatively constant rate in exposing the ore.

Open-pit mining is conducted by contractors. Two mining contractors are used to mine the Tongqianshan pit and the Niumatang pit separately. The mining contractors are required to provide sufficient equipment to meet the life-of-mine schedule and mine the required ore and waste tonnages.

Underground Mining

According to the Jiama Technical Report, underground mining would start in January 2012 at a rate of 3,000 tpd, increasing the total mine production to 12,000 tpd and subsequently, underground mining would ramp up to 6,000 tpd after the Tongqianshan pit is depleted.

The underground operation is based at the site of the Tongqianshan open pit. Waste rock from open pit mining will be used to establish an operational work area for the underground mine entrance. Skyland plans to use drill jumbos for stope development and electric load-haul-dump units equipped with a 4-m^3-capacity bucket for loading material to ore and waste passes. Ore passes will connect to interim haulage levels for each 50-m-thick block, where ore will be transported to a major ore pass to the main transportation system. Waste will be hauled up one of the inclined shafts and tipped initially within the Xiagongpu Valley, with excess waste being taken to the open-pit waste dump. Waste rock may also be used as stope fill (negating the need to hoist the waste) where no cement is required. Drilling of production blast holes within the stopes is planned using Atlas Copco Simba 1254 units or similar equipment.

Initial underground mining is planned from the ore zone below the 4,550-m level and is scheduled at a rate of 1.8 million tpa after an initial ramp up in production of 50% in 2012 and 2013 and 94% in 2014 before full production in 2015. The underground mine is scheduled to double in capacity in 2022 when the Niumatang open pit is mined out. A large capital program is planned during 2020 and 2021 to develop the new production areas, including above the 4,550-m level ore zone, and to purchase additional new and replacement mine equipment.

Processing

Huatailong trucks ore from the open pits to a crusher (crushing to minus 500 mm), where the crushed ore is discharged into an ore pass to feed an ore rail transport system that transports the ore approximately 8.4 km to the ore bins above the main plant crushers. The rail system consists of an initial section of 3.9 km on the 4,261-m level and progresses to the surface where the ore is transferred via an ore pass to the second underground rail section of 4.5-km on the 4,087-m level, exiting from underground at the adit above the plant crusher where a rail haulage car tipple is positioned above the ore bins. When fully built, the mine plan contemplates the rail to be a dual rail system, with 20-t electric locomotives pulling ten 20-m^3 mine cars.

Secondary and tertiary crushing will occur with gyratory crushers in a closed circuit with a 12 mm screen. This will be followed by a flotation stage that yields bulk concentrates and a rougher tail. The bulk concentrate is further cleaned and then subjected to a separation process that separates the lead concentrate and the bulk copper-molybdenum concentrates through a thickening and conditioning process. From there, further flotation and conditioning occurs that separates the bulk concentrate into a copper concentrate and a molybdenum concentrate.

The Phase One Operations mill commenced operations in late July, 2010. To December 31, 2010 a total 532,508 tons of ore has been processed with an average copper grade of 0.608%, an average gold grade of 0.272 g/t and average silver grade of 24.697 g/t. It has produced total 11,835 tons of copper concentrates with an average grade of 21.255% copper, 5.22 g/t gold and 578.554 g/t silver, which amounts to 2,515.529 tons of copper, 2,179 ounces of gold and 244,719 ounces of silver.

In the Jiama Technical Report, the Phase 2 Operations mill is scheduled to be constructed and become operational in 2011 with a total 2.7 million tonnes of ore processed by the two processing plants in 2011. The full production rate of 12,000 tpd or 3.6 million tonnes per annum is scheduled to be reached at the beginning of 2012 and continue to 2038; after that, the two processing plants will be operated at a reduced rate for the final 2 years of the mine life. The Company expects that this plan will be substantially adjusted in connection with the upcoming feasibility study.

During the first 2 years of operation, a mixture of the copper-lead ore and copper-molybdenum ore will be processed, and copper, molybdenum, and lead concentrates will be produced. Subsequently, the copper-lead ore will be exhausted, and only copper-molybdenum ore will be processed, resulting in production of only copper and molybdenum concentrates. The annual tonnage of copper, molybdenum, and lead concentrate will vary with the types of ore processed and the metal grades in the plant feed. In addition to copper, the copper concentrate produced will also contain generally 4 to 6 g/t of gold and 300 to 500 g/t of silver. The lead concentrate will generally contain at least 500 g/t of silver.

The final copper concentrate is expected to assay approximately 26% copper, with recovery expected to be approximately 90% when average grade of copper is at least 0.8% and to be approximately 85% when the average grade of copper is less than 0.8%. Lead concentrate is expected to assay 60% lead at a lead recovery rate of 80% when the lead grade of ore is at least 0.3%. Molybdenum concentrate is expected to assay at 45% molybdenum with a recovery of 70% when the molybdenum grade is at least 0.11%. Meanwhile, gold will only be recovered in the copper concentrate, with an expected recovery of 50%.

Silver recovery is expected to be 50% in the copper concentrate, and 35% in the lead concentrate and 80% to the copper concentrate when no lead concentrate is produced.

Markets, Contracts, and Taxes

Huatailong intends to sell copper, molybdenum, and lead concentrates produced from the Jiama Project to smelters located in various places in the PRC. A sales contract was signed between Huatailong and a smelter customer in Gansu Province for the copper concentrate produced from the Jiama Project. As at December 31, 2010 a total 9,373 tons of copper concentrate with an average grade of 21.355% copper, containing 2,011.604 tons of copper has been shipped to the smelter customer in Gansu Province. Huatailong also has in inventory a total 2,462 tons of copper concentrate with an average copper grade of 20.87%.

All concentrates produced from the Jiama Project must be fully analyzed for all elements required by the eventual buyers. According to the contract, the sales price for copper in copper concentrate will be based on the monthly average copper price on the Shanghai Metal Exchange less treatment charges ranging from 9.5% to 18% based on the copper price range. The Company has agreed to a base of between 18% to 20% copper in the concentrate. When the copper concentrate grade is more than 20%, there is a bonus of RMB1.0/t ($0.15/t) for each 0.01% incremental increase in copper grade until the copper concentrate grade reaches 30%, where no additional grade bonus will be applied. Gold and silver in the copper concentrate will be payable above the minimum grade of 1 g/t for gold and 20 g/t for silver based on the monthly average gold and silver prices on the Shanghai Metal Exchange adjusted by a price coefficient. The price coefficient for gold ranges from 80% when the gold grade equals or is more than 1 g/t and is less than 2 g/t to 87% when the gold grade equals or is more is than 20.0 g/t. The price coefficient for silver ranges from 72% when the silver grade equals or is more than 20.0 g/t and is less than 50.0 g/t to 85% when the silver grade equals or is more than 1,000.0 g/t. Concentrate transportation will be paid by Huatailong, but the buyer will add an RMB200.0/t ($29.28/t) price for the copper metal contained in the copper concentrate for the concentrate sale. No molybdenum and lead concentrate sales contracts had been signed for the Jiama Project to date, but Skyland expects sales of these concentrates will be generally based on prevailing conditions in the PRC.

The Company used contractors for mining operations. The two mining contractors are paid based on a unit contract mining price, including drilling and blasting. For the contract at Niumatang the unit price is RMB16.42/t ($2.40/t) for ore and RMB13.24/t ($1.94/t) for waste; while at Tongqianshan the contract mining price is RMB20.74/t ($3.04/t) for ore and RMB17.45/t ($2.55/t) for waste.

Operating Costs

The Jiama Technical Report included operating cost estimates. Open-pit contract mining unit costs equal the amounts payable to the open pit mine contractors plus an additional open-pit management cost of RMB5.6/t ($0.83/t) in the period from 2011 to 2013 increasing up to RMB8.4/t ($1.24/t) at the completion of the Tongqianshan pit. The life-of-mine unit total open-pit mining costs are forecast to be RMB97.8/t ($14.42/t) of processed ore. Meanwhile, life-of-mine average unit underground mining cost is RMB94.5/t ($13.94/t), which is significantly lower than the open pit mine unit costs.

An additional ore transportation unit cost is forecast at RMB5.3/t ($0.78/t) for the life-of-mine once a rail system is commissioned, which was scheduled for 2011 in the Jiama Technical Report. Prior to the commissioning of the rail system, ore will be trucked down the valley from the mine to the processing plants, which will mean higher unit transport costs.

The long-term processing unit cost when the plants are in full operation is estimated to be RMB60.6/t ($8.94/t). This unit cost is forecast to be slightly higher for the ramp up period in the initial 2 years as well as during the last two years of the mine life when the plants will be operating at a reduced rate.

The total unit operating cost, adding unit mining cost, processing costs and estimates of general and administrative, concentrate sale and transport costs, ranges from RMB168.3/t ($24.82/t) to RMB234.4/t ($34.57), with a life-of-mine average of RMB200.7/t ($29.6/t). The total unit production cost, which consists of total unit operating cost and unit depreciation and amortization costs, ranges from RMB216.9/t ($31.99/t) of processed ore to RMB339.3/t ($50.04/t), with a life-of-mine average of RMB239.2 ($35.98/t).

Unit copper equivalent operating costs range from a low of approximately $2,500/t to a high of approximately $4,000/t, and average approximately $2,800/t over the life of mine. Unit copper equivalent production costs average approximately $3,500/t over the life of mine.

Capital Costs

In the Jiama Technical Report, BDASIA reported an aggregate, initial capital cost estimate for the Jiama Project of approximately $400 million over the period 2008 to 2012. A substantial portion of these capital expenditures have been completed. The balance, being those expenditures contemplated for the Phase II expansion, has been suspended pending completion of the updated feasibility study.

The Jiama Technical Report included additional capital cost estimates of RMB519 million ($76.0 million) in 2020 and 2021 to expand underground capacity, including the development of the steeply-dipping ore zone above the 4,550-m level. Replacement capital expenditures of RMB781 million ($114 million) in 2020 and RMB1,056 million ($155 million) in 2032 have also been estimated for the Jiama Project. This replacement capital may be spread over several years of the operation rather than two distinct amounts as forecast. Total working capital required for the Jiama Project was estimated at RMB133.6 million ($19.6 million).

Base Case Economic Analysis

Metal prices used for the base case economic analysis of the Jiama Project are listed in the table below. A VAT of 17% is applied to all metal sales except for gold in the PRC. The copper, molybdenum, and lead prices represent the actual average metal market prices for the last 3 to 5 years in the PRC. 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. BDASIA used the same metal prices in the base case economic analysis of the Jiama Project. In addition to the metal prices, a copper concentrate transportation credit of RMB200/t ($29.50/t) of copper metal contained in the copper concentrate was applied based on the current sales contract with the 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	U.S.$	RMB	U.S.$	RMB	U.S.$
Copper	55,000/t	8,112.09/t	49,275/t[2]	7,267.70/t	42,115.39/t	6,211.71/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

Notes:
(1) VAT is 17% for all metals except gold; gold sales are not subject to VAT.
(2) Cu price in copper concentrate includes a grade bonus of RMB600/t based on the concentrate sales contract as the copper concentrate to be produced by Jiama is expected to have an average Cu grade of 26%, which is 6% higher than the base Cu grade of 20%.

Under the base case analysis, revenue from metal sales amounts to between $200 million to $300 million per year once full production from Phase 2 Operations is achieved, with after tax cash flow amounting to approximately $100 million per year for most years, with negative after tax cash flow recorded in 2010, 2011 and 2020 when substantial capital programs are contemplated.

BDASIA adopted a discount rate of 9% for the NPV calculation. Based on these assumptions, BDASIA calculated that the Jiama Project had a total after-tax discounted cash flow of RMB6,157 million ($908.1 million) as of June 30, 2010. Subtracting the debt of approximately RMB888 million ($131.0 million) at June 30, 2010, the after-tax NPV of the Jiama Project as of December 31, 2009 was RMB5,269 million ($777.2 million). The payback period to recover all the capital investment for the Jiama Project is approximately 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.

Sensitivity analysis for after-tax NPV as of December 31, 2009 for the Jiama Project					
	After-Tax NPV Variation (RMB M)				
Sensitivity Item Variation	**-20%**	**-10%**	**Base Case**	**+10%**	**+20%**
Metal Prices	2,401	3,835	5,269	6,703	8,138
Metal Recoveries	2,401	3,835	5,269	6,703	8,138
Operating Costs	6,520	5,895	5,269	4,644	4,019
Capital Costs	5,580	5,425	5,269	5,114	4,958
	After-Tax NPV Variation (U.S.$ M)				
Sensitivity Item Variation	**-20%**	**-10%**	**Base Case**	**+10%**	**+20%**
Metal Prices	354.1	565.7	777.2	988.7	1200.2
Metal Recoveries	354.1	565.7	777.2	988.7	1200.2
Operating Costs	961.7	869.4	777.2	684.9	592.7
Capital Costs	823.1	800.1	777.2	754.2	731.3

Environment and Community

On September 28, 2008, an environmental permit was issued for the construction phase of the Jiama Project by the Ministry of Environment Protection of China. An environmental assessment for the Jiama Project was completed in the Fall of 2010. A site soil and water conservation plan was approved by the Tibetan Autonomous Region Water Bureau on October 8, 2008.

Environment protection measures for the mine site comprise a zero discharge water management system, dust and air quality, 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.

Huatailong employs numerous local Tibetan mine workers, is providing training and around thirty tertiary education scholarships to local people and is ensuring that non-Tibetan staff are learning the local language.

Further Development Analysis

The Company is undertaking a full review of its mining operations, and in particular analyzing the potential to significantly increase the production rate beyond the currently modelled 12,000 tpd. As a result of this review, the Company may substantially reorganize production and mine plans at the Jiama Project.

Human Resources

At December 31, 2010, China Gold International had 1,018 employees and consultants working at various locations.

DESCRIPTION OF CAPITAL STRUCTURE

China Gold International's authorized capital consists of an unlimited number of Common Shares without par value. As of March 30, 2011, China Gold International had 396,138,753 Common Shares issued and outstanding. All of the issued Common Shares are fully paid and are not subject to any future call or assessment. All of the issued Common Shares rank equally as to voting rights, participation and distribution of China Gold International's assets upon liquidation, dissolution or winding-up and the entitlement to dividends. Holders of Common Shares are entitled to receive notice of, attend and vote at all meetings of shareholders of China Gold International. Each Common Share carries one vote at such meetings. Holders of Common Shares are entitled to dividends if and when declared by the directors and, upon liquidation, to receive such portion of the assets of China Gold International as may be distributable to such holders.

DIVIDENDS

China Gold International has not, since its incorporation, paid any dividends on any of its Common Shares. China Gold International has no present intention to pay dividends, but China Gold International's Board of Directors will determine any future dividend policy on the basis of earnings, financial requirements and other relevant factors. See also "General Development of Business – Risk Factors".

MARKET FOR SECURITIES

The Common Shares of China Gold International are traded in Canada on the TSX under the symbol CGG and HKSE under the stock code 2099. The closing price of China Gold International's Common Shares on the TSX on March 30, 2011 was Cdn.$5.47 and on the HKSE on March 31, 2011 was HK$43.60.

The following sets forth the high and low market prices and the volume of the Common Shares traded on the TSX during the periods indicated (stated in Canadian dollars):

	High	Low	Volume
January 2010	3.45	2.40	11,108,232
February 2010	4.02	2.50	14,243,238
March 2010	5.38	3.85	22,088,601
April 2010	6.60	5.30	18,451,288
May 2010	5.65	3.60	18,963,983
June 2010	4.44	3.56	6,613,803
July 2010	4.25	2.75	5,833,150
August 2010	5.09	3.91	4,064,342
September 2010	4.96	4.00	5,916,323
October 2010	5.36	4.52	5,736,053
November 2010	6.05	4.92	6,657,014
December 2010	5.90	5.12	7,965,114

As part of the Global Offering, each of Rapid and CNG HK entered into an agreement by which they agreed to not dispose of any Common Shares for a period of six months commencing from December 1, 2010.

DIRECTORS AND OFFICERS

The name, province or state and country of residence and position with the Company of each director and executive officer of the Company, and the principal business or occupation in which each director or executive officer has been engaged during the immediately preceding five years, effective on the date of this AIF, is as follows:

Name, Province and Country of Residence and Position with Company[(1)]	Present and Principal Occupation during the last five years	Date of Appointment as Director
Zhaoxue Sun Director, Chairman Beijing, China	President of China National Gold (October 2006 to present); Vice President of Aluminum Corporation of China (alumina producing company) (October 2005 to October 2006)	May 12, 2008
Xin Song Director, Chief Executive Officer Beijing, China	Chief Executive Officer of the Company (October 2009 to present); Vice President of China National Gold in charge of resource development (July 2003 to present)	October 9, 2009
Bing Liu Director Beijing, China	Vice President and Chief Financial Officer of China National Gold (July 2003 to present)	May 12, 2008

Name, Province and Country of Residence and Position with Company[1]	Present and Principal Occupation during the last five years	Date of Appointment as Director
Zhanming Wu Vice President, Business Development Director Beijing, China	Manager of Capital Markets of China National Gold (September 2007 to present); Director of Strategic Investment of Digital China Financial Service Holdings Limited (IT product distributor and IT services provider) (January 2006 to August 2007); Assistant General Manager of Great Wall Computer Software and Systems Limited (network and technical support company) (January 2004 to January 2005)	May 12, 2008
Ian He Director BC, Canada[2][3][4][5]	President of Tri-River Ventures Inc. (July 2007 to present); President of Spur Ventures Inc. (phosphate mining and fertilizer production in China) (August 1995 to June 2006)	May 31, 2000
Yunfei Chen[2][3][4][5] Director Hong Kong	Independent Advisor (August 2007 to present); Managing Director of Deutsche Bank Hong Kong (Corporate and Investment Bank) (July 2001 to August 2007)	May 12, 2008
Gregory Hall[2][3][4][5] Director Western Australia, Australia	Independent Geological Consultant (August 2006 to present); Chief Geologist of Placer Dome Group (gold exploration and mining company) (2000 to July 2006)	October 9, 2009
John King Burns[2][3][4][5] Director Pennsylvania, USA	Director of several public and private mineral and energy companies (1998 to present)	October 27, 2009
X.D. Jiang Director, Vice President of Production BC, Canada	Vice President of Production of the Company (March 2009 to present); Vice President of Production and Technology of the Company (September 2008 to March 2009); Vice President of Business Development of the Company (May 2004 to September 2008); General Manager of IMPM (August 2007 to present); China Project Manager of the Company (July 2002 to May 2004)	June 17, 2010
Derrick Zhang Interim Chief Financial Officer BC, Canada	Interim Chief Financial Officer of the Company (February 2011 to present); Controller of the Company (January 2010 to February 2011); Financial and Accounting Supervisor for E-One Moli Energy (Canada) Ltd. (May 2008 to December 2009); Financial Analyst for Teleflex (Canada) Ltd. (November 2007 to April 2008); Cost Accountant for E-One Moli Energy (Canada) Ltd. (September 2006 to November 2007); Accountant for Docuport Inc. (May 2005 to May 2006)	N/A
Heather King Vice President of Finance BC, Canada	Vice President of Finance of the Company (November 2009 to present); Independent Consultant of the Company (January 2009 to November 2009); Independent Consultant providing assistance with financial operations for public companies and accounting for small businesses (June 2008 to December 2008); Director of Finance for Creation Technologies Inc. (private electronics manufacturing company) (November 2006 to June 2008);	N/A

Name, Province and Country of Residence and Position with Company[(1)]	Present and Principal Occupation during the last five years	Date of Appointment as Director
Jerry Xie Executive Vice President and Corporate Secretary BC, Canada	Executive vice President of the Company and Corporate Secretary of the Company (March 11, 2010 to present); Executive Vice President and Secretary to the Board of the Company (October 9, 2009 to March 11, 2010); Vice President and Secretary to the Board of the Company (March 24, 2009 to October 8, 2009); Manager of Piping Engineering Department of Asset Service Group in heavy oil units of WorleyParsons Calgary (resource and energy engineering support company) (February 2006 to March 2009); Project Engineer and Senior Mechanical & Piping Engineer of Tri-Ocean Engineering Ltd. (engineering, procurement and construction management company) (August 2003 to February 2006)	N/A

Notes:
(1) The information as to country of residence and principal occupation has been furnished by the respective directors and officers individually.
(2) Denotes member of the Audit Committee.
(3) Denotes member of the Compensation and Benefits Committee.
(4) Denotes member of the Nominating and Corporate Governance Committee.
(5) Denotes member of the Health, Safety and Environmental Committee.

Each director's term of office expires at the next annual general meeting of China Gold International.

Shareholdings of Directors and Senior Officers

As at March 30, 2010, the directors and executive officers, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, 23,500 Common Shares of China Gold International representing approximately 0.01% of the outstanding Common Shares of China Gold International.

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director, officer or promoter of China Gold International has, within the last ten years: (i) been a director, officer or promoter of any reporting issuer that, while such person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied China Gold International access to any statutory exemption for a period of more than 30 consecutive days or was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold the assets of that person; or (ii) been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, promotion or management of a publicly traded issuer or theft or fraud.

No director, officer or promoter of China Gold International, or a shareholder holding sufficient securities of China Gold International to affect materially the control of China Gold International, or a personal holding company of any such persons, has, within the 10 years preceding the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the individual.

Conflicts of Interest

Directors and officers of China Gold International may, from time to time, be involved with the business and operations of other mining companies, in which case a conflict may arise. See "Description of the Business – Risk Factors" for more details.

Audit Committee Information

Information Concerning the Audit Committee of the Company, as required by NI 52-110, is provided in Schedule B to this Annual Information Form.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

China Gold International is unaware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of (i) any director or executive officer of China Gold International, (ii) a person or company that is, as of the date hereof, the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10% of any class or series of China Gold International's outstanding securities, and (iii) any associate or affiliate of any person or company referred to in either (i) or (ii) above, in any transaction within the three most recently completed financial years or during the current financial year which has materially affected or would materially affect China Gold International or any of its subsidiaries other than the following:

(a) the interest of China Gold HK in the CNG Term Loan Facility. See "General Development of the Business – Three Year History – 2009";

(b) an unconditional guarantee by China National Gold for the benefit of China Gold International under the ABC Term Loan. China National Gold received a commitment fee of $410,000 as compensation for providing this guaranty and for providing a bridge loan in 2008 that has since been repaid;

(c) the interest of China National Gold in the Skyland Purchase Agreement. See "General Development of the Business – Acquisition of the Jiama Project"; and

(d) the CGG Non-Compete and the CNG Non-Compete. See "General Development of the Business – Acquisition of the Jiama Project".

In addition, China National Gold purchases all of the gold doré from the CSH Gold Project pursuant to a Refining Agreement. China National Gold also provides support to mining and exploration operations at the CSH Gold Project and the Jiama Project from time to time.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for China Gold International is CIBC Mellon Trust Company, Vancouver, British Columbia, Canada.

MATERIAL CONTRACTS

Reference is made to the material contracts that China Gold International has filed with the Canadian securities regulatory authorities on the SEDAR website at www.sedar.com.

Below are the particulars of each contract, other than those entered into in the ordinary course of business, that is material to China Gold International and was entered into between January 2010 and the date of this AIF or was entered into before that date but is still in effect. No disclosure is made regarding any contract that was entered into prior to January 1, 2002.

1. CJV between Brigade 217 and Pacific Gold Mining Inc. dated April 5, 2002 to establish IMPM as a CJV. This is the joint venture agreement that relates to the CSH Gold Project and grants to China Gold International a 96.5% interest in the CJV.

2. ABC Term Loan Facility. See "General Development of the Business – Three Year History – 2009".

3. Bank of China Loan Agreement. Under an agreement entitled RMB Loan Contract dated March 16, 2009, Huatailong borrow RMB$700 million from Bank of China Limited for purposes of developing the Jiama Project. This Agreement was incorporated into the Company's consolidated financial operations following the acquisition of Skyland.

4. Bank of China Credit Facility. Under an agreement entitled Contract of Syndicated Loan for the Mining Technology Renovation Project and the Technology Renovation Project of Tailing Facilities in the Lead Mountain Ore Field of Jiama Polymetallic Copper Deposit dated June 4, 2010 Huatailong borrowed RMB$750 million from a syndicate of banks including Bank of China Limited (lead bank), Postal Savings Bank of China Co., Ltd. (lender), Bank of China Co., Ltd. (lender) and Bank of China Limited (agent bank) for purposes of developing the Jiama Project.

5. Skyland Purchase Agreement. See "General Development of the Business – Acquisition of the Jiama Project".

6. Underwriting Agreements. See "General Development of the Business – Three Year History – 2010."

7. CNG Non-Compete and the CGG Non-Compete. See "General Development of the Business – Three Year History – 2010."

INTERESTS OF EXPERTS

Deloitte Touche Tohmatsu is the independent auditor of China Gold International.

China Gold International has relied on the work of the following experts in connection with the verification of China Gold International's mineral reserve and resource estimates and certain other scientific and technical information in respect of its material mineral properties, as referenced in the Annual Information Form:

- BDASIA in respect of the CSH Technical Report and Jiama Technical Report and BDASIA representatives who acted as the qualified persons in the CSH Technical Report and Jiama Technical Report, being Qingping Deng, Michael D. Marin, Peter D. Ingham, Vuko Lepetic and Janet Epps.

To the knowledge of China Gold International, none of the experts referred to above hold any outstanding Common Shares.

ADDITIONAL INFORMATION

Additional information, including information related to directors' and officers' remuneration and indebtedness, principal holders of China Gold International's securities, options to purchase securities, and interests of insiders in material transactions, is contained in China Gold International's information circular for the 2010 Annual and Special Meeting of Shareholders held on June 17, 2010. Such information for the current year will be included in China Gold International's information circular for its upcoming Annual General Meeting of Shareholders, which is expected to be held in June 2011. Additional financial information is provided in China Gold International's audited financial statements and MD&A for the fiscal period ended December 31, 2010. Copies of the information circulars, financial statements and MD&A can be obtained upon request from China Gold International at Suite 1030, One Bentall Centre, 505 Burrard Street, Box 31, Vancouver, British Columbia, Canada, V7X 1M5, Attention: Corporate Secretary, or on SEDAR at www.sedar.com.

SCHEDULE A - GLOSSARY AND CONVERSION FACTORS

Conversion Factors

For ease of reference, the following conversion factors are provided:

Imperial Measure =	Metric Unit	Metric Unit =	Imperial Measure
2.47 acres	1 hectare	0.4047 hectares	1 acre
3.28 feet	1 metre	0.3048 metres	1 foot
0.62 miles	1 kilometre	1.609 kilometres	1 mile
0.032 ounces (troy)	1 gram	31.1 grams	1 ounce (troy)
2.205 pounds	1 kilogram	0.454 kilograms	1 pound
1.102 tons (short)	1 tonne	0.907 tonnes	1 ton
0.029 ounces (troy)/ton	1 gram/tonne	34.28 grams/tonne	1 ounce (troy)/ton

Glossary of Geological and Mining Terms

andalusite: an aluminium-silicate metamorphic mineral found in high-temperature, low pressure metamorphic terranes.

assay: the chemical analysis of an ore, mineral or concentrate to determine the amount of valuable species.

breccia: rock consisting of more or less angular fragments in a matrix of finer-grained material.

carbonaceous: containing carbon or coal, especially shale or other rock containing small particles of carbon distributed throughout the whole mass.

diabase: a fine-grained intrusive igneous rock.

diorite: intermediate coarse grained igneous rock.

footwall: the underlying side of a fault, ore body, or mine working; particularly the wall rock beneath an inclined vein or fault.

formation: a persistent body of igneous, sedimentary, or metamorphic rock, having easily recognizable boundaries that can be traced in the field without recourse to detailed paleontologic or petrologic analysis, and large enough to be represented on a geologic map as a practical or convenient unit for mapping and description.

granitoid: pertaining to or composed of granite.

hanging wall: the overlying side of an ore body, fault, or mine working, especially the wall rock above an inclined vein or fault.

igneous rock: rock that is magmatic in origin.

indicated mineral resource: that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters to support mine planning and

evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and test information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

inferred mineral resource: that part of a mineral resource for which the quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

intercalated: said of layered material that exists or is introduced between layers of a different character; especially said of relatively thin strata of one kind of material that alternates with thicker strata of some other kind, such as beds of shale intercalated in a body of sandstone.

kriging: A weighted, moving-average interpolation method in which the set of weights assigned to samples minimizes the estimation variance, which is computed as a function of the variogram model and locations of the samples relative to each other, and to the point or block being estimated.

lamprophyre: a group of dark-coloured, porphyritic, medium grained igneous rocks usually occurring as dykes or small intrusions.

leach: to dissolve minerals or metals out of ore with chemicals.

measured mineral resource: that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

meta: a prefix that, when used with the name of a sedimentary or igneous rock, indicates that the rock has been metamorphosed.

mineral reserve: the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined.

mineral resource (deposit): a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource (deposit) are known, estimated or interpreted from specific geological evidence and knowledge.

oxide: a compound of ore that has been subjected to weathering and alteration as a result of exposure to oxygen for a long period of time.

Pegmatite: a very coarse-grained igneous rock that has a grain size of 20 mm or more.

phyllite: a regional metamorphic rock, intermediate in grade between slate and schist. Minute crystals of sericite and chlorite impart a silky sheen to the surfaces of cleavage.

probable reserve: the economically mineable part of an indicated and, in some circumstances, a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

run-of-mine: ore in its natural state as it is removed from the mine that has not been subjected to additional size reduction.

schist: a strongly foliated crystalline rock, which readily splits into sheets or slabs as a result of the planar alignment of the constituent crystals. The constituent minerals are commonly specified (e.g. "quartz-muscovite-chlorite schist").

shear zone: a tabular zone of rock that has been crushed and brecciated by parallel fractures due to "shearing" along a fault or zone of weakness. These can be mineralized with ore-forming solutions.

strike: the direction, or course or bearing of a vein or rock formation measured on a level surface.

strip (or stripping) ratio: the tonnage or volume of waste material that must be removed to allow the mining of one tonne of ore in an open pit.

sulfides: compounds of sulfur with other metallic elements.

tailing: material rejected from a mill after the recoverable valuable minerals have been extracted.

vein: sheet-like body of minerals formed by fracture filling or replacement of host rock.

SCHEDULE B - AUDIT COMMITTEE MATTERS

Mandate

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

1. Audit Committee Charter

I. Purpose

The primary objective of the Audit Committee (the "**Committee**") of China Gold International is to act as a liaison between China Gold International's board of directors (the "**Board**") and China Gold International's independent auditors (the "**Auditors**") and to assist the Board in fulfilling its oversight responsibilities with respect to (a) the financial statements and other financial information provided by China Gold International to its shareholders, the public and others, (b) China Gold International's compliance with legal and regulatory requirements, (c) the qualification, independence and performance of the Auditors and (d) China Gold International's risk management and internal financial and accounting controls, and management information systems.

Although the Committee has the powers and responsibilities set forth in this Charter, the role of the Committee is oversight. The members of the Committee are not full-time employees of China Gold International and may or may not be accountants or auditors by profession or experts in the fields of accounting or auditing and, in any event, do not serve in such capacity. Consequently, it is not the duty of the Committee to conduct audits or to determine that China Gold International's financial statements and disclosures are complete and accurate and are in accordance with International Financial reporting Standards ("**IFRS**"). These are the responsibilities of management and the Auditors.

The responsibilities of a member of the Committee are in addition to such member's duties as a member of the Board.

II. Organization

Members of the committee shall be directors and Committee membership shall satisfy the laws governing China Gold International and the independence, financial literacy, expertise and experience requirements under applicable securities laws, and stock exchange and any other regulatory requirements applicable to China Gold International.

The members of the Committee and the Chair of the Committee shall be appointed by the Board on the recommendation of the Nominating & Governance Committee. A majority of the members of the Committee shall constitute a quorum. A majority of the members of the Committee shall be empowered

to act on behalf of the Committee. Matters decided by the Committee shall be decided by majority votes. The chair of the Committee shall have an ordinary vote.

Any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee as soon as such member ceases to be a director.

The Committee may form and delegate authority to subcommittees when appropriate.

III. Meetings

The Committee shall meet as frequently as circumstances require, but not less frequently than four times per year. The Committee shall meet at least quarterly with management, China Gold International's financial and accounting officer(s) and the Auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately.

The Chair of the Committee shall be an independent chair who is not Chair of the Board. In the absence of the appointed Chair of the Committee at any meeting, the members shall elect a chair from those in attendance at the meeting. The Chair, in consultation with the other members of the Committee, shall set the frequency and length of each meeting and the agenda of items to be addressed at each upcoming meeting.

The Committee will appoint a Secretary who will keep minutes of all meetings. The Secretary may also be the Chief Financial Officer, China Gold International's Corporate Secretary or another person who does not need to be a member of the Committee. The Secretary for the Committee can be changed by simple notice from the Chair. The Chair shall ensure that the agenda for each upcoming meeting of the Committee is circulated to each member of the Committee as well as the other directors in advance of the meeting.

The Committee may invite, from time to time, such persons as it may see fit to attend its meetings and to take part in discussion and consideration of the affairs of the Committee. China Gold International's accounting and financial officer(s) and the Auditors shall attend any meeting when requested to do so by the Chair of the Committee.

IV. Authority and Responsibilities

The Board, after consideration of the recommendation of the Committee, shall nominate the Auditors for appointment by the shareholders of China Gold International in accordance with applicable law. The Auditors report directly to the Audit Committee. The Auditors are ultimately accountable to the Committee and the Board as representatives of the shareholders.

The Committee shall have the following responsibilities:

(a) Auditors

1. Recommend to the Board the independent auditors to be nominated for appointment as Auditors of China Gold International at China Gold International's annual meeting and the remuneration to be paid to the Auditors for services performed during the preceding year; approve all auditing services to be provided by the Auditors; be responsible for the oversight of the work of the Auditors, including the resolution of disagreements between management and the Auditors regarding financial reporting; and recommend to the Board and the shareholders the termination of the appointment of the Auditors, if and when advisable.

2. When there is to be a change of the Auditor, review all issues related to the change, including any notices required under applicable securities laws, and stock exchange or other regulatory requirements, and the planned steps for an orderly transition.

3. Review the Auditor's audit plan and discuss the Auditor's scope, staffing, materiality, and general audit approach.

4. Review on an annual basis the performance of the Auditors, including the lead audit partner.

5. Take reasonable steps to confirm the independence of the Auditors, which include:

(a) Ensuring receipt from the Auditors of a formal written statement in accordance with applicable regulatory requirements delineating all relationships between the Auditors and China Gold International;

(b) Considering and discussing with the Auditors any disclosed relationships or services, including non-audit services, that may impact the objectivity and independence of the Auditors;

(c) Approving in advance any non-audit related services provided by the Auditor to China Gold International, and the fees for such services, with a view to ensure independence of the Auditor, and in accordance with applicable regulatory standards, including applicable stock exchange requirements with respect to approval of non-audit related services performed by the Auditors; and

(d) As necessary, taking or recommending that the Board take appropriate action to oversee the independence of the Auditors.

6. Review and approve any disclosures required to be included in periodic reports under applicable securities laws, and stock exchange and other regulatory requirements with respect to non-audit services provided by the Auditors.

7. Confirm with the Auditors and receive written confirmation at least once per year as to (i) the Auditor's internal processes and quality control procedures; and (ii) disclosure of any material issues raised by the most recent internal quality control review, or per review within the preceding five years respecting an independent audit carried out by the Auditors or investigations or government or professional enquiries, reviews or investigations of the Auditors within the last five years.

8. Consider the tenure of the lead audit partner on the engagement in light of applicable securities laws, and stock exchange or applicable regulatory requirements.

9. Review all reports required to be submitted by the Auditors to the Committee under applicable securities laws, stock exchange or other regulatory requirements.

10. Receive all recommendations and explanations which the Auditors place before the Committee.

(b) Financial Statements and Financial Information

11. Review and discuss with management, the financial and accounting officer(s) and the Auditors, China Gold International's annual audited financial statements, including disclosures made in management's discussion and analysis, prior to filing or distribution of such statements and recommend to the Board, if appropriate, that China Gold International's audited financial statements be included in

China Gold International's annual reports distributed and filed under applicable laws and regulatory requirements.

12. Review and discuss with management, the financial and accounting officer(s) and the Auditors, China Gold International's interim financial statements, including management's discussion and analysis, and the Auditor's review of interim financial statements, prior to filing or distribution of such statements.

13. Review any earnings press releases of China Gold International before China Gold International publicly discloses this information.

14. Be satisfied that adequate procedures are in place for the review of China Gold International's disclosure of financial information and extracted or derived from China Gold International's financial statements and periodically assess the adequacy of these procedures.

15. Discuss with the Auditor the matters required to be discussed by applicable auditing standards requirements relating to the conduct of the audit including:

(a) the adoption of, or changes to, China Gold International's significant auditing and accounting principles and practices;

(b) the management letter provided by the Auditor and China Gold International's response to that letter; and

(c) any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, or personnel and any significant disagreements with management.

16. Discuss with management and the Auditors major issues regarding accounting principles used in the preparation of China Gold International's financial statements, including any significant changes in China Gold International's selection or application of accounting principles. Review and discuss analyses prepared by management and/or the Auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative approaches under IFRS.

17. Review any report under applicable securities laws, and stock exchange or other regulatory requirements, including any reports required to be included in statutory filings, including in China Gold International's annual proxy statement.

(c) Ongoing Reviews and Discussions with Management and Others

18. Obtain and review an annual report from management relating to the accounting principles used in the preparation of China Gold International's financial statements, including those policies for which management is required to exercise discretion or judgments regarding the implementation thereof.

19. Periodically review separately with each of management, the financial and accounting officer(s) and the Auditors; (a) any significant disagreement between management and the Auditors in connection with the preparation of the financial statements, (b) any difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information and (c) management's response to each.

20. Periodically discuss with the Auditors, without management being present, (a) their judgments about the quality and appropriateness of China Gold International's accounting principles and financial

disclosure practices as applied in its financial reporting and (b) the completeness and accuracy of China Gold International's financial statements.

21. Consider and approve, if appropriate, significant changes to China Gold International's accounting principles and financial disclosure practices as suggested by the Auditors or management and the resulting financial statement impact. Review with the Auditors or management the extent to which any changes or improvements in accounting or financial practices, as approved by the Committee, have been implemented.

22. Review and discuss with management, the Auditors and China Gold International's independent counsel, as appropriate, any legal, regulatory or compliance matters that could have a significant impact on China Gold International's financial statements, including applicable changes in accounting standards or rules, or compliance with applicable laws and regulations, inquiries received from regulators or government agencies and any pending material litigation.

23. Enquire of China Gold International's financial and accounting officer(s) and the Auditors on any matters which should be brought to the attention of the Committee concerning accounting, financial and operating practices and controls and accounting practices of China Gold International.

24. Review the principal control risks to the business of China Gold International, its subsidiaries and joint ventures; and verify that effective control systems are in place to manage and mitigate these risks.

25. Review and discuss with management any earnings press releases, including the use of "pro forma" or "adjusted" non-IFRS information, as well as any financial information and earnings guidance provided to analysts and rating agencies. Such discussions may be done generally (i.e., discussion of the types of information to be disclosed and the types of presentations made).

26. Review and discuss with management any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of China Gold International with unconsolidated entities or other persons, that may have a material current or future effect on financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves or significant components of revenues or expenses. Obtain explanations from management of all significant variances between comparative reporting periods.

27. Review and discuss with management China Gold International's major risk exposures and the steps management has taken to monitor, control and manage such exposures, including China Gold International's risk assessment and risk management guidelines and policies.

(d) Risk Management and Internal Controls

28. Review, based upon the recommendation of the Auditors and management, the scope and plan of the work to be done by China Gold International's financial and accounting group and the responsibilities, budget and staffing needs of such group.

29. Ensure that management has designed and implemented effective systems of risk management and internal controls and, at least annually, review the effectiveness of the implementation of such systems.

30. Approve and recommend to the Board for adoption policies and procedures on risk oversight and management to establish an effective system for identifying, assessing, monitoring and managing risk.

31. In consultation with the Auditors and management, review the adequacy of China Gold International's internal control structure and procedures designed to insure compliance with laws and regulations, and discuss the responsibilities, budget and staffing needs of China Gold International's financial and accounting group.

32. Establish procedures for (a) the receipt, retention and treatment of complaints received by China Gold International regarding accounting, internal accounting controls or auditing matters and (b) the confidential, anonymous submission by employees of China Gold International of concerns regarding questionable accounting or auditing matters.

33. Review the internal control reports prepared by management, including (i) management's assessment of the effectiveness of China Gold International's internal control structure and procedures for financial reporting and (ii) the Auditors' attestation, and report, on the assessment made by management.

34. Review the appointment of the chief financial officer and any key financial executives involved in the financial reporting process and recommend to the Board any changes in such appointment.

(e) Other Responsibilities

35. Create an agenda for the ensuing year.

36. Review and approve related-party transactions if required under applicable securities laws, and stock exchange or other regulatory requirements.

37. Review and approve (a) any change or waiver in China Gold International's code of ethics applicable to senior financial officers and (b) any disclosures made under applicable securities laws, and stock exchange or other regulatory requirements regarding such change or waiver.

38. Establish, review and approve policies for the hiring of employees or former employees of China Gold International's Auditors.

39. Review and reassess the duties and responsibilities set out in this Charter annually and recommend to the Nominating and Corporate Governance Committee and to the Board any changes deemed appropriate by the Committee.

40. Review its own performance annually, seeking input from management and the Board.

41. Perform any other activities consistent with this Charter, China Gold International's constating documents and governing law, as the Committee or the Board deems necessary or appropriate.

V. Reporting

The Committee shall report regularly to the Board and shall submit the minutes of all meetings of the Audit Committee to the Board (which minutes shall ordinarily be included in the papers for the next full board meeting after the relevant meeting of the Committee). The Committee shall also report to the Board on the proceedings and deliberations of the Committee at such times and in such manner as the Board may require. The Committee shall review with the full Board any issues that have arisen with respect to the quality or integrity of China Gold International's financial statements, China Gold International's compliance with legal or regulatory requirements, the performance or independence of the Auditors or the performance of China Gold International's financial and accounting group.

VI. Resources and Access to Information

The Committee shall have the authority to retain independent legal, accounting and other consultants to advise the Committee.

The Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities. The Committee has direct access to anyone in the organization and may request any officer or employee of China Gold International or China Gold International's outside counsel or the Auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee with or without the presence of management. In the performance of any of its duties and responsibilities, the Committee shall have access to any and all books and records of China Gold International necessary for the execution of the Committee's obligations.

The Committee shall consider the extent of funding necessary for payment of compensation to the Auditors for the purpose of rendering or issuing the annual audit report and recommend such compensation to the Board for approval. The Audit Committee shall determine the funding necessary for payment of compensation to any independent legal, accounting and other consultants retained to advise the Committee.

2. Composition of the Audit Committee

China Gold International's Committee consists of Ian He, Yunfei Chen, Gregory Hall and John King Burns. Ian He is the Chairman of the Committee. The Board of Directors has determined that all members of the Audit Committee are "independent" and all members are "financially literate" as defined in *National Instrument 52-110 - Audit Committees* ("**NI 52-110**").

3. Relevant Education and Experience

Ian He holds a Masters Degree in Applied Science and a PhD in Metallurgy. Yunfei Chen was an investment banker with Deutsche Bank. Gregory Hall was a graduate of the Australian Institute of Management training in financial analysis. John King Burns holds a bachelor's degree with a major in Economics from the University of Pennsylvania and was a former Vice President and Chief Financial Officer of Drexel Burnham Lambert Commodity Group, a former Managing Director and Global Head of the Derivative Trading and Finance Group of Barclays Metals Group, Barclays Bank PLC and a former Senior Vice President of Frontier Risk Management. Each of the members of the Audit Committee has had several years' experience as a senior executive and a member of the board of directors of significant business enterprises in which they have assumed substantial financial and operational responsibility. In the course of these duties, each of the members of the Committee has gained expertise in analyzing and reviewing financial statements, understanding the basis upon which accounting principles are applied, the process of preparing financial statements and the nature of internal controls and procedures.

4. Reliance on Certain Exemptions

Other than as otherwise disclosed herein, at no time since the commencement of China Gold International's most recently completed financial year has China Gold International relied on (i) the exemption under section 2.4 (*De Minimus Non-audit Services)*; (ii) the exemption in section 3.2 *(Initial Public Offerings)*; (iii) the exemption in section 3.4 *(Events Outside Control of Member)*; (iv) the exemption in section 3.5 *(Death, Disability or Resignation of Audit Committee Member)*; or (v) any exemption, in whole or in part, granted under part 8 of NI 52-110.

5. Reliance on Exemption in Subsection 3.3(2) or Section 3.6

Other than as otherwise disclosed herein, at no time since the commencement of China Gold International's most recently completed financial year has China Gold International relied on the exemption in subsection 3.3(2) *(Controlled Companies)* or section 3.6 *(Temporary Exemption for Limited and Exceptional Circumstances)*.

6. Reliance on Section 3.8

Other than as otherwise disclosed herein, at no time since the commencement of China Gold International's most recently completed financial year has China Gold International relied on the exemption in section 3.8 *(Acquisition of Financial Literacy)*.

7. Audit Committee Oversight

At no time since the commencement of China Gold International's most recently completed financial year has a recommendation of the Committee to nominate or compensate an external auditor not been adopted by the Board.

8. Pre-Approval Policies and Procedures

All services to be performed by China Gold International's independent auditor must be approved in advance by the Committee or a designated member of the Committee (the "**Designated Member**").

The Committee has considered whether the provision of services other than audit services is compatible with maintaining the auditors' independence and has adopted a policy governing the provision of these services. This policy requires the pre-approval by the Committee or the Designated Member of all audit and non-audit services provided by the external auditor, other than any *de minimus* non-audit services allowed by applicable law or regulation. The decision of the Designated Member to pre-approve a permitted service needs to be reported to the Committee at its regularly scheduled meetings.

Pre-approval from the Committee or the Designated Member can be sought for planned engagements based on budgeted or committed fees. No further approval is required to pay pre-approved fees. Additional pre-approval is required for any increase in scope or in final fees.

9. External Auditor Service Fees (By Category)

Deloitte & Touche LLP, Chartered Accountants, served as China Gold International's auditing firm until 2010. In 2010, the Company replaced them with Deloitte Touch Tohmatsu, of Hong Kong, as auditors. The aggregate fees billed by the auditors in fiscal 2010 and fiscal 2009 are detailed below:

	2010 (US$)	**2009 (Cdn$)**
Audit Fees [(a)]	$456,000	$365,000
Audit Related Fees	-	-
Tax Fees [(b)]	$159,864	70,000
All Other Fees [(c)]	$820,000	$834,000
TOTAL:	**$1,435,864**	**$1,269,000**

Notes:

(a) Fees for audit services billed relating to fiscal 2010 and fiscal 2009 consisted of: (i) audit of China Gold International's annual statutory financial statements; and (ii) reviews of China Gold International's quarterly financial statements, comfort letters, consents, and other services related to securities regulatory authorities' matters.

(b) These fees consist of tax compliance for corporate tax returns and assistance with expatriate tax matters in Canada and China, as well as tax planning and advice relating to transactions and proposed transactions of the Company and its subsidiaries.

(c) These fees relate to work conducted by the auditors for the Company in connection with listing on HKSE.