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## **China Gold International Resources Corp. Ltd.**

### **Management's Discussion and Analysis of Financial Condition and Results of Operations Three months ended March 31, 2015 (Stated in U.S. dollars, except as otherwise noted)**

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# MANAGEMENT'S DISCUSSION AND ANALYSIS

*Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended March 31, 2015  
(Stated in U.S. dollars, except as otherwise noted)*

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The following Management Discussion and Analysis of financial condition and results of operations (“MD&A”) is prepared as of May 14, 2015. It should be read in conjunction with the consolidated financial statements and notes thereto of China Gold International Resources Corp. Ltd. (referred to herein as “China Gold International”, the “Company”, “we” or “our” as the context may require) for the three months ended March 31, 2015 and the three months ended March 31, 2014, respectively. Unless the context otherwise provides, references in this MD&A to China Gold International or the Company refer to China Gold International and each of its subsidiaries collectively on a consolidated basis.

The following discussion contains certain forward-looking statements relating to the Company’s plans, objectives, expectations and intentions, which are based on the Company’s current expectations and are subject to risks, uncertainties and changes in circumstances. Readers should carefully consider all of the information set out in this MD&A, including the risks and uncertainties outlined further in the Company’s Annual Information Form (“Annual Information Form” or “AIF”) dated March 25, 2015 on SEDAR at [www.sedar.com](http://www.sedar.com). For further information on risks and other factors that could affect the accuracy of forward-looking statements and the result of operations of the Company, please refer to the sections titled “Forward-Looking Statements” and “Risk Factors” and to discussions elsewhere within this MD&A. China Gold International’s business, financial condition or results of operations could be materially and adversely affected by any of these risks.

## **FORWARD-LOOKING STATEMENTS**

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

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

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

## **THE COMPANY**

### ***Overview***

China Gold International is a gold and base metal mining company based in Vancouver, Canada. The Company’s main business involves the exploration, acquisition, development and operation of gold and base metal mineral properties.

The Company’s principal mining operations are the Chang Shan Hao Gold Mine (“CSH Mine” or “CSH”), located in Inner Mongolia, China and the Jiama Copper-Gold Polymetallic Mine (“Jiama Mine” or “Jiama”), located in Tibet, China. China Gold International holds a 96.5% interest in the CSH Mine, while its Chinese joint venture partner holds the remaining 3.5% interest. The CSH Mine commenced commercial production in July, 2008. The Company owns a 100% interest in the Jiama Mine, which hosts a large scale copper-gold polymetallic deposit containing copper, gold, molybdenum, silver, lead and zinc metals. The Jiama Mine commenced commercial production in September 2010.

China Gold International’s common shares are listed on the Toronto Stock Exchange (“TSX”) and The Stock Exchange of Hong Kong Limited (“HKSE”) under the symbol CGG and the stock code 2099, respectively. Additional information about the Company, including the Company’s Annual Information Form, is available on SEDAR at [atsedar.com](http://atsedar.com) as well as Hong Kong Exchange News at [hkexnews.hk](http://hkexnews.hk).

## Performance Highlights

### Three months ended March 31, 2015

- Revenue increased by 111% to US\$77.4 million from US\$36.7 million for the same period in 2014.
- Net profit after income taxes increased by 354% to US\$6.2 million from US\$1.4 million for the same period in 2014.
- Gold production from the CSH Mine increased by 51% to 41,033 ounces from 27,118 ounces for the same period in 2014.
- Copper production from the Jiama Mine increased by 475% to 4,089 tonnes (approximately 9.0 million pounds from 711 tonnes (approximately 1.6 million pounds) for the same period in 2014.

## OUTLOOK

- Expected production of 226,000 ounces of gold in 2015.
- Expected production of 53 million pounds, or 24,040 tonnes of copper in 2015.
- Jiama's Phase II expansion is progressing well and consistent with the Company's expansion plan. Stage one of the processing plant has undergone a load-free test run at the end of 2014. After some troubleshooting efforts, the plant is basically ready for loaded testing which is expected to start by the end of the second quarter of 2015. The two open pits are ready for mining operations. Stage two of the processing plant expansion program is expected to be completed in the second half of 2016, along with the completion of the underground development system.
- The Company will continue to leverage the technical and operating experience of the Company's controlling shareholder, China National Gold Group Corporation ("CNG"), to improve operations at its mines. In addition, the Company continues to focus its efforts on increasing production while minimizing costs at both mines.
- To fulfill its growth strategy, the Company is continually working with CNG and other interested parties to identify potential international mining acquisition opportunities, namely projects outside of China, which can be readily and quickly brought into production with the possibility of further expansion through continued exploration.

## RESULTS OF OPERATIONS

### Selected Quarterly Financial Data

#### QUARTER ENDED

| (US\$ in thousands except per share) | 2015   | 2014    |        |        |        | 2013   |        |        |
|--------------------------------------|--------|---------|--------|--------|--------|--------|--------|--------|
|                                      | Mar-31 | Dec-31  | Sep-30 | Jun-30 | Mar-31 | Dec-31 | Sep-30 | Jun-30 |
| Revenues                             | 77,387 | 103,326 | 89,257 | 48,541 | 36,659 | 68,507 | 75,733 | 81,622 |
| Cost of sales                        | 56,217 | 70,763  | 56,687 | 29,084 | 22,285 | 50,990 | 48,478 | 53,809 |
| Mine operating earnings              | 21,170 | 32,562  | 32,570 | 19,457 | 14,374 | 17,517 | 27,255 | 27,813 |
| General and administrative expenses  | 6,028  | 7,631   | 5,523  | 5,892  | 6,015  | 5,471  | 7,410  | 5,665  |
| Exploration and evaluation expenses  | 38     | 319     | 129    | 53     | 45     | 83     | 45     | 50     |
| Income from operations               | 15,104 | 24,613  | 26,918 | 13,512 | 8,314  | 11,962 | 19,801 | 22,098 |
| Foreign exchange gain (loss)         | (789)  | 5,631   | (300)  | 182    | 752    | (216)  | 894    | 684    |
| Finance costs                        | 8,524  | 8,913   | 7,826  | 3,781  | 3,398  | 2,916  | 2,665  | 2,500  |
| Profit before income tax             | 10,813 | 24,485  | 21,221 | 11,147 | 5,863  | 8,861  | 19,162 | 24,769 |
| Income tax expense                   | 4,575  | 8,799   | 4,790  | 2,759  | 4,498  | 2,202  | 3,279  | 5,208  |
| Net income                           | 6,238  | 15,683  | 16,431 | 8,388  | 1,365  | 6,659  | 15,883 | 19,561 |
| Basic earnings per share (cents)     | 1.49   | 3.78    | 4.02   | 1.93   | 0.29   | 1.60   | 3.84   | 4.78   |
| Diluted earnings per share (cents)   | 1.49   | 3.78    | 4.02   | 1.93   | 0.29   | 1.60   | 3.84   | 4.78   |

## Selected Quarterly and Annual Production Data and Analysis

| CSH Mine   | Three months ended March 31, |        |
|--|------------------------------|--------|
|  | 2015                         | 2014   |
| Gold sales (US\$ million)                                      | 52.11                        | 31.59  |
| Realized average price <sup>(1)</sup> (US\$) of gold per ounce | 1,186                        | 1,272  |
| Gold produced (ounces)   | 41,033                       | 27,118 |
| Gold sold (ounces)   | 43,949                       | 24,830 |
| Total production cost <sup>(2)</sup> (US\$ per ounce)          | 848                          | 783    |
| Cash production cost <sup>(2)</sup> (US\$ per ounce)           | 653                          | 585    |

(1) Net of resource compensation fees that is based on revenue and paid to PRC government

(2) Non-IFRS measure. See 'Non-IFRS measures' section of this MD&A

Gold production at the CSH Mine increased by 51% from 27,118 ounces for the three months ended March 31, 2014 to 41,033 ounces for the three months ended March 31, 2015. The significant increase in gold production is mainly due to the successful commissioning of the mine expansion program doubling the mine capacity from 30,000 tpd to 60,000 tpd, in October 2014.

The cash production cost of gold per ounce for the three months ended March 31, 2015 increased compared with the same period in 2014, mainly due to the increased operation expenditures of the new processing system as part of the mine expansion program. Total production cost of gold per ounce for the three months ended March 31, 2015 increased compared with the same period in 2014 largely due to the significantly higher mining assets depletion costs as a result of increased gold production volumes.

| Jiama Mine   | Three months ended March 31, |           |
|--|------------------------------|-----------|
|  | 2015                         | 2014      |
| Copper sales <sup>1</sup> (US\$ in millions)   | 18.29                        | 3.57      |
| Realized average price <sup>2</sup> (US\$) of copper per pound after smelting fee discount           | 2.26                         | 2.66      |
| Copper produced (tonnes)   | 4,089                        | 711       |
| Copper produced (pounds)   | 9,015,220                    | 1,568,490 |
| Copper sold (tonnes)   | 3,997                        | 562       |
| Copper sold (pounds)   | 8,812,638                    | 1,238,699 |
| Gold produced (ounces)   | 5,311                        | 744       |
| Gold sold (ounces)   | 5,304                        | 696       |
| Silver produced (ounces)   | 288,824                      | 45,844    |
| Silver sold (ounces)   | 301,304                      | 37,596    |
| Total production cost <sup>3</sup> (US\$) of copper per pound  | 2.72                         | 5.64      |
| Total production cost <sup>3</sup> (US\$) of copper per pound after by-products credits <sup>5</sup> | 1.87                         | 4.32      |
| Cash production cost <sup>4</sup> (US\$) per pound of copper   | 2.22                         | 2.59      |
| Cash production cost <sup>4</sup> (US\$) of copper per pound after by-products credits <sup>5</sup>  | 1.37                         | 1.28      |

1 Net of resource compensation fees that is based on revenue and paid to PRC government agency

2 A discount factor of 19-21% is applied to the copper bench mark price to compensate the refinery costs incurred by the buyers

3 Production costs include expenditures incurred at the mine sites for the activities related to production including mining, processing, mine site G&A and royalties etc.

4 Non-IFRS measure. See 'Non-IFRS measures' section of this MD&A

5 By-products credit refers to the sales of gold and silver during the corresponding period.

During the three months ended March 31, 2015, the Jiama Mine produced 4,089 tonnes (approximately 9.0 million pounds) of copper in concentrate, an increase by 475% compared with the three months ended March 31, 2014 (771 tonnes, or 1.6 million pounds). The increase in production was mainly due to the stable power supply in the first quarter of 2015 compared with the power shortage in the first quarter of 2014.

Both cash production cost and total production cost of copper per pound were decreased, mainly because of the higher equipment utilization rates, and stable power supply during the period.

## ***Review of Quarterly and Annual Data***

### ***Three months ended March 31, 2015 compared to three months ended March 31, 2014***

**Revenue** of US\$77.4 million for the first quarter of 2015 increased by US\$40.7 million or 111%, from US\$36.7 million for the same period in 2014.

Revenue from the CSH Mine was US\$52.1 million (2014: US\$31.6 million), an increase of US\$20.5 million, or 65% compared to the same period in 2014, due to a 77% increase in gold sales volume offset by a 7% decrease in the realized average gold price. Gold produced by the CSH Mine was 41,033 ounces (gold sold: 43,948 ounces), compared to 27,118 ounces (gold sold: 24,830 ounces) for the same period in 2014. The significant increase is directly attributed to the commencement of commercial production of the new heap leaching and processing system in October 2014. The completion of CSH's phase II expansion has increased its processing capacity from 30,000 tpd to 60,000 tpd.

Revenue from the Jiama Mine was US\$25.3 million compared to US\$5.07 million for the same period in 2014. Total copper sold was 3,997 tonnes (9.02 million pounds) for the three months ended March 31, 2015, an increase of 611% from 562 tonnes (1.3 million pounds) for the same period in 2014, primarily due to restored access to the power supply which was temporarily limited during the first quarter of 2014.

**Cost of sales** of US\$56.2 million for the quarter ended March 31, 2015, increased by US\$33.9 million or 152% from US\$22.3 million for the same period in 2014. CSH's US\$17.8 million increase in cost of sales is attributed to its 65% growth in revenue as a result of commercial production from the phase II expansion. Jiama's cost of sales and sales volume during the three month period of 2014 were drastically lower due to an interruption in its power supply, which has resulted in a US\$16.1 million increase in 2015's cost of sales as full power was restored and regular sales volumes were sustained. Cost of sales as a percentage of revenue for the Company increased to 73% from 61% from for the three months ended March 31, 2015 and 2014, respectively.

**Mine operating earnings** of US\$21.2 million for the three months ended March 31, 2015, representing an increase of 47%, or US\$6.8 million, from US\$14.4 million for the same period in 2014. Mine operating earnings as a percentage of revenue decreased from 39% to 27% for the three months ended March 31, 2014 and 2015, respectively. The decrease in mine operating earnings can be attributed to a 15% decrease in the realized average price of copper per pound and a 7% decrease in the realized average price of gold per ounce for the comparative periods of March 31, 2014 and 2015, respectively.

**General and administrative expenses** remained consisted at US\$6 million for the three month periods of March 31, 2015 and 2014, respectively.

**Income from operations** for the first quarter of 2015 of US\$15.1 million, increased by US\$6.8 million from US\$8.3 million for the same period in 2014.

**Finance costs** of US\$8.5 million for the three months ended March 31, 2015, an increase of US\$5.1 million, from US\$3.4 million for the same period in 2014. The increase is primarily due to the interest expense of the US\$500 million bonds issued in July 2014, in addition to short-term loans obtained by CSH. During the three months ended March 31, 2015, interest payments of US\$5.4 million (2014: US\$3.5 million) were capitalized for borrowing costs related to the Jiama Mine expansion.

**Foreign exchange loss** decreased to US\$0.8 million for the three months ended March 31, 2015 from a gain of US\$0.75 million for the same period in 2014. The 2015 loss is related to the revaluation of monetary items held in Chinese RMB and Hong Kong Dollars, which was based on changes in the RMB/HKD/USD exchange rates.

**Interest and other income** of US\$5 million for the three months ended March 31, 2015 increased from US\$195,000 for the three months ended March 31, 2014. The significant increase is due to interest income earned on term deposits and intercompany loans using the proceeds of the bonds issued in July 2014.

**Income tax expense** of US\$4.6 million for the first quarter of 2015, increased from US\$4.5 million for the comparative 2014 period. During the current quarter, the Company had US\$1.7 million of deferred income tax expense compared to US\$2.9 million in 2014.

**Net income** of the Company increased by US\$4.8 million from US\$1.4 million for the three months ended March 31, 2014 to US\$6.2 million for the three months ended March 31, 2015.

## NON-IFRS MEASURES

The following table provides certain unit cost information on a cash cost of production per ounce (non-IFRS) basis for the CSH Mine for the three months ended March 31, 2015 and 2014:

### CSH Mine

|   | Three months ended March 31, |      |
|---|------------------------------|------|
|   | 2015                         | 2014 |
|   | US\$                         | US\$ |
| Cost of mining per tonne of ore               | 1.38                         | 1.37 |
| Cost of mining waste per tonne of ore         | 1.37                         | 1.20 |
| Other mining costs per tonne of ore           | 0.30                         | 0.42 |
| <b>Total mining costs per tonne of ore</b>    | <b>3.05</b>                  | 2.99 |
| Cost of reagents per tonne of ore             | 0.74                         | 0.63 |
| Other processing costs per tonne of ore       | 1.15                         | 0.64 |
| <b>Total processing cost per tonne of ore</b> | <b>1.89</b>                  | 1.27 |

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

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

The following table provides a reconciliation of cost of sales to the cash costs of production in total dollars and in dollars per gold ounce for the CSH Mine or per copper tonne for the Jiama Mine:

### CSH Mine (Gold)

|                                    | Three months ended March 31, |                   |             |                   |
|------------------------------------|------------------------------|-------------------|-------------|-------------------|
|                                    | 2015                         |                   | 2014        |                   |
|                                    | US\$                         | US\$<br>Per ounce | US\$        | US\$<br>Per ounce |
| Total production costs             | 37,283,377                   | 848               | 19,449,005  | 783               |
| Adjustments                        | (8,575,122)                  | (195)             | (4,927,107) | (198)             |
| <b>Total cash production costs</b> | <b>28,708,255</b>            | <b>653</b>        | 14,521,898  | 585               |

### Jiama Mine (Copper with by-products credits)

|  | Three months ended March 31, |                   |             |                   |
|--|------------------------------|-------------------|-------------|-------------------|
|  | 2015                         |                   | 2014        |                   |
|  | US\$                         | US\$<br>Per Pound | US\$        | US\$<br>Per pound |
| Total production costs                                       | 23,987,348                   | 2.72              | 6,982,112   | 5.64              |
| Adjustments  | (4,439,645)                  | (0.50)            | (3,771,627) | (3.04)            |
| <b>Total cash production costs</b>                           | <b>19,547,703</b>            | <b>2.22</b>       | 3,210,485   | 2.59              |
| By-products credits  | (7,496,489)                  | (0.85)            | (1,628,293) | (1.31)            |
| <b>Total cash production costs after by-products credits</b> | <b>12,051,214</b>            | <b>1.37</b>       | 1,582,192   | 1.28              |

The adjustments above include depreciation and depletion, amortization of intangible assets, and selling expenses included in total production costs.

## MINERAL PROPERTIES

### *The CSH Mine*

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

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

The CSH mine has two open-pit mining operations and was operating at a 30,000 tpd capacity during Phase I. The Company completed Phase II expansion construction and entered into commercial production in the fourth quarter of 2014. Since the commencement of Phase II commercial production, CSH has increased its processing capacity to 60,000 tpd.

### Production Update

#### CSH Mine

|                                      | Three months ended<br>March 31, |            |
|--------------------------------------|---------------------------------|------------|
|                                      | 2015                            | 2014       |
| Ore mined and placed on pad (tonnes) | 4,735,680                       | 5,019,143  |
| Average ore grade (g/t)              | 0.53                            | 0.51       |
| Recoverable gold (ounces)            | 46,454                          | 48,896     |
| Ending ore inventory (ounces)        | 165,347                         | 85,452     |
| Waste rock mined (tonnes)            | 16,911,023                      | 13,584,923 |

For the three months ended March 31, 2015, the total amount of ore placed on the leach pad was 4.7 million tonnes, with total contained gold of 46,454 ounces (1,445 kilograms). The accumulative project-to-date gold recovery rate has slightly increased from approximately 50.82% at the end of December 2014 to 51.02% at the end of March 2015.

### Exploration

The Company continues to conduct surface reconnaissance and exploration for expansion opportunities around the CSH Mine, with specific focus for 2015 on the mineralization below the current final open pit shell, especially the west end of the Northeast Pit, where a 2012 deep drill hole intersected over 306 meters (from 391.42m to 697.66m) of continuous gold mineralization averaging 0.54 g/t Au, which may further increase the open-pitable resource for the Northeast Pit and lead to possible joining up the Northeast Pit and Southwest Pit. Additional deep drilling has been planned for 2015 in this area.

### Mineral Reserves Update

The ore reserves reported using the 2011 year-end topographic surface and a cutoff grade of 0.28 g/t are increased to 213.5 million tonnes with an average diluted grade of 0.59 g/t Au. The stripping ratio is 3.31 with a total 707.4 million tonnes of waste stripped. Total material moved from the pit will be 920.9 million tonnes over the entire mine life.

CSH Mine Resources by category, Northeast and Southwest pits combined at December 31, 2014 under NI 43-101:

| Type      | Quantity Mt | Au g/t | Contained Gold |      |
|-----------|-------------|--------|----------------|------|
|           |             |        | tonne          | Moz  |
| Measured  | 50.67       | 0.65   | 32.90          | 1.06 |
| Indicated | 152.10      | 0.60   | 90.65          | 2.91 |
| M+I       | 202.77      | 0.61   | 123.55         | 3.97 |
| Inferred  | 85.40       | 0.51   | 43.38          | 1.39 |



CSH Mine Reserves by category, Northeast and Southwest pits combined at December 31, 2014 under NI 43-101:

| Type         | Quantity Mt   | Au g/t      | Contained Gold |             |
|--------------|---------------|-------------|----------------|-------------|
|              |               |             | tonne          | Moz         |
| Proven       | 49.83         | 0.65        | 32.55          | 1.05        |
| Probable     | 108.82        | 0.61        | 66.64          | 2.14        |
| <b>Total</b> | <b>158.65</b> | <b>0.63</b> | <b>99.19</b>   | <b>3.19</b> |

### *The Jiama Mine*

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

The Jiama Mine has both underground mining and open-pit mining operations. Phase I of the Jiama Mine commenced mining operations in the latter half of 2010 and reached its design capacity of 6,000 tpd in early 2011.

### **Phase II Expansion**

#### **The Jiama Expansion Program**

The Company retained Mining One Pty Ltd, an engineering firm, in conjunction with independent consulting engineers and management to conduct a feasibility study on the Jiama Mine expansion program. On December 20, 2013, Mining One Pty Ltd. produced an NI 43-101 Technical report – Phase II Expansion Project (“Jiama Technical Report”) based on the “Feasibility Study for the Phase II Expansion Project” as prepared by the Changchun Gold Design Institute. The Jiama Technical Report was filed on sedar.com and hkexnews.hk on February 4, 2014. The Jiama Technical Report proposes to expand the Jiama Mine from its initial mining and processing capacity of 6,000 tpd to 50,000 tpd of ore. The expansion program includes the development of four open pit mines and one underground mine, and construction of a new flotation plant with a processing capacity of 44,000 tpd. The annual mill processing capacity will be increased from the current 1.8 million tonnes of ore per year to 16.5 million tonnes of ore per year, producing approximately 67,000 tonnes (148 million pounds) of copper, 2,400 tonnes (5.3 million pounds) of molybdenum, 42,000 ounces of gold, 2.8 million ounces of silver, 10,400 tonnes of lead and 4,000 tonnes of zinc annually over a 35 year mine life. The estimated capital expenditure is US\$716.2 million. The project has after-tax Net Present Value (NPV) of US\$1.3 billion at a discount rate of 9% at metal price assumptions of US\$2.90/lb copper, US\$15.5/lb molybdenum, US\$1,300/oz gold, and US\$20/oz silver. The project has after-tax Internal Rate of Return (IRR) of 24% and payback period of 6.7 years.

The expansion program is implemented in two stages, adding 22,000 tpd mineral processing capacity in each stage. Stage one of the expansion has undergone a load-free test run at the end of 2014, with its two source pits ready to provide ore feed. After some trouble shooting efforts, stage one is also ready for loaded test run, which is scheduled by the second quarter of 2015. Stage two of the expansion has been started and construction is expected to be completed in the second half of 2016, along with the completion of the underground development system.

### **Production Update**

| Jiama Mine                     | Three months ended<br>March 31, |         |
|--------------------------------|---------------------------------|---------|
|                                | 2015                            | 2014    |
| Ore mined (tonnes)             | 466,347                         | 237,480 |
| Waste mined (tonnes)           | -                               | -       |
| Average copper ore grade (%)   | 0.80                            | 1.34    |
| Copper recovery rate (%)       | 91                              | 93      |
| Average gold ore grade (g/t)   | 0.41                            | 0.57    |
| Gold recovery rate (%)         | 67                              | 65      |
| Average silver ore grade (g/t) | 21.82                           | 34.57   |
| Silver recovery rate (%)       | 67                              | 64      |

## Exploration

The Company has not carried out any additional exploration at the Jiama Mine in the three months ended March 31, 2015 as it has been focusing on the phase II expansion program.

## Mineral Resources Estimate

An NI 43-101 compliant mineral resource estimate was independently completed by Mining One Pty Ltd. in November 2013, based on information collected up to November 12, 2012. The drilling program subsequent to November 2012, including an extensive drill program conducted in 2013, will be included in future updates of the Mineral Resources and Reserves.

Mining One Pty Ltd. noted that gold and silver mineralization within the ore body had a significantly higher spatial variability than the other elements, and as a result, classified the Au and Ag resource presented in the Table separately. This classification takes into account the proposed large scale mining techniques where Au and Ag will only be credits to the overall products from the operations. Mining One Pty Ltd has assumed that Au and Ag will not be assigned a single cut-off grade for a selected mining block and will be mined in conjunction with the other elements.

### Jiama Project - Cu, Mo, Pb, Zn, Au, and Ag Mineral Resources under NI 43-101

Reported at a 0.3% Cu Equivalent Cut off grade\*, as of December 31, 2014

| Class     | Quantity Mt | Cu % | Mo % | Pb % | Zn % | Au g/t | Ag g/t | Cu Metal (kt) | Mo Metal (kt) | Pb Metal (kt) | Zn Metal (kt) | Au Moz | Ag Moz  |
|-----------|-------------|------|------|------|------|--------|--------|---------------|---------------|---------------|---------------|--------|---------|
| Measured  | 99.00       | 0.41 | 0.04 | 0.04 | 0.02 | 0.11   | 6.53   | 405           | 35            | 43            | 23            | 0.306  | 19.526  |
| Indicated | 1385.00     | 0.41 | 0.03 | 0.05 | 0.03 | 0.11   | 6.11   | 5716          | 468           | 751           | 471           | 4.985  | 272.349 |
| M+I       | 1484.10     | 0.41 | 0.03 | 0.05 | 0.03 | 0.11   | 6.14   | 6121          | 503           | 794           | 494           | 5.334  | 293.389 |
| Inferred  | 406.10      | 0.31 | 0.03 | 0.08 | 0.04 | 0.10   | 5.13   | 1247          | 123           | 311           | 175           | 1.317  | 66.926  |

Note: Figures reported are rounded which may result in small tabulation errors.

The Copper Equivalent basis for the reporting of resources has been compiled on the following basis:

CuEq Resources = (Ag Grade \* Ag Price + Au Grade \* Au Price + Cu Grade \* Cu Price + Pb Grade \* Pb Price + Zn Grade \* Zn Price + Mo Grade \* Mo Price) / Copper Price

## Mineral Reserves Estimate

A Mineral Reserve estimate, dated November 20, 2013, has been independently verified by Mining One Pty Ltd. in accordance with the CIM Definitions Standards under NI 43-101.

Jiama Project Statement of NI 43-101 Mineral Reserve Estimate as of December 31, 2014

| Class    | Quantity Mt | Cu % | Mo % | Pb % | Zn % | Au g/t | Ag g/t | Cu Metal (kt) | Mo Metal (kt) | Pb Metal (kt) | Zn Metal (kt) | Au Moz | Ag Moz  |
|----------|-------------|------|------|------|------|--------|--------|---------------|---------------|---------------|---------------|--------|---------|
| Proven   | 23.76       | 0.63 | 0.04 | 0.05 | 0.03 | 0.24   | 10.72  | 150           | 10            | 11            | 8             | 0.185  | 8.192   |
| Probable | 415.07      | 0.61 | 0.03 | 0.13 | 0.08 | 0.19   | 11.50  | 2541          | 133           | 551           | 319           | 2.490  | 153.495 |
| P+P      | 438.83      | 0.61 | 0.03 | 0.13 | 0.07 | 0.19   | 11.46  | 2692          | 143           | 562           | 326           | 2.674  | 161.686 |

Notes:

- All Mineral Reserves have been estimated in accordance with the JORC code and have been reconciled to CIM standards as prescribed by the NI 43-101.
- Mineral Reserves were estimated using the following mining and economic factors:

Open Pits:

- 5% dilution factor and 95% recovery were applied to the mining method;
- overall slope angles of 43 degrees;
- a copper price of US\$2.9/lbs;
- an overall processing recovery of 88 - 90% for copper

Underground:

- 10% dilution added to all Sub-Level Open Stopping;
- Stope recovery is 87% for Sub-Level Open Stopping;
- An overall processing recovery of 88 – 90% for copper.

- The cut-off grade for Mineral Reserves has been estimated at copper equivalent grades of 0.3% Cu (NSR) for the open pits and 0.45% Cu (NSR) for the underground mine.

## LIQUIDITY AND CAPITAL RESOURCES

The Company operates in a capital intensive industry. The Company's liquidity requirements arise principally from the need for financing the expansion of its mining and processing operations, exploration activities and acquisition of exploration and mining rights. The Company's principal sources of funds have been proceeds from borrowing from commercial banks in China, equity financings, and cash generated from operations. The Company's liquidity primarily depends on its ability to generate cash flow from its operations and to obtain external financing to meet its debt obligations as they become due, as well as the Company's future operating and capital expenditure requirements.

At March 31, 2015, the Company had an accumulated surplus of US\$200 million, working capital deficit of US\$21.9 million and borrowings of US\$1,165 million. The Company's cash balance at March 31, 2015 was US\$457 million.

Management believes that its forecast operating cash flows are sufficient to cover the next twelve months of the Company's operations including its planned capital expenditures and current debt repayments. The Company's borrowings are comprised of US\$498.5 million of 3.5% unsecured bonds maturing on July 17, 2017 and US\$524 million of short term debt facilities with interest rates ranging from 3.62% to 6.00% per annum arranged through various banks in China. The Company has utilized short term debt facilities to fund part of its expansions for its CSH Mine and Jiama Mine. The Company believes that it has been able to achieve more favourable rates and terms through this strategy, and has not encountered any difficulty in rolling over such debt facilities through its lenders in China. The Company believes that the availability of debt financing in China at favourable rates will continue for the foreseeable future.

### Cash flows

The following table sets out selected cash flow data from the Company's condensed consolidated interim cash flow statements for the periods ended March 31, 2015 and March 31, 2014.

|  | Three Months ended |                |
|--|--------------------|----------------|
|  | March 31,          |                |
|  | 2015               | 2014           |
|  | US\$'000           | US\$'000       |
| Net cash from operating activities                                   | 638                | 1,558          |
| Net cash used in investing activities                                | (88,053)           | (85,107)       |
| Net cash (used in) from financing activities                         | (20,998)           | 100,016        |
| Net increase (decrease) in cash and cash equivalents                 | (108,413)          | 16,467         |
| Effect of foreign exchange rate changes on cash and cash equivalents | 70                 | (1,372)        |
| Cash and cash equivalents, beginning of period                       | 565,578            | 105,887        |
| <b>Cash and cash equivalents, end of period</b>                      | <b>457,235</b>     | <b>120,982</b> |

### Operating cash flow

For the three months ended March 31, 2015, the net cash inflow from operating activities was US\$0.64 million which is primarily attributable to (i) depreciation and depletion of US\$16.2 million, (ii) profit before income tax of US\$10.8 million, and (iii) increase in prepaid expense and deposits of US\$9.7 million, partially offset by (i) increase in accounts receivable of US\$19.6 million; (ii) increase in interest paid of US\$13.3 million and (iii) decrease in accounts payable and accrued liabilities of US\$5.0 million.

### Investing cash flow

For the three months ended March 31, 2015, the net cash outflow from investing activities was US\$88.1 million, which is primarily attributable to payment for the acquisition of property, plant and equipment of US\$86.8 million and deposits paid for acquisition of property, plant and equipment of US\$2.8 million.

### Financing cash flow

For the three months ended March 31, 2015, the net cash outflow from financing activities was US\$21.0 million, which is primarily attributable to repayments of borrowings of US\$178.8 million, partially offset by proceeds from borrowings of US\$158.1 million.

## Gearing ratio

Gearing ratio is defined as the ratio of consolidated total debt to consolidated total equity. As at March 31, 2015, the Company's total debt was US\$1,490 million and the total equity was US\$1,471million. The Company's gearing ratio was therefore 1.01 as at March 31, 2015 and 0.42 as at March 31, 2014.

## Restrictive covenants

The Company is subject to various customary conditions and covenants under the terms of its financing agreements.

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

## COMMITMENTS AND CONTINGENCIES

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

The Company has leased certain properties in China and Canada, which are all under operating lease arrangements and are negotiated for terms of between one and seventeen years. The Company is required to pay a fixed rental amount under the terms of these leases.

The Company's capital commitments relate primarily to the payments for purchase of equipment and machinery for both mines and payments to third-party contractors for the provision of mining and exploration engineering work and mine construction work for both mines. The Company has entered into contracts that prescribe such capital commitments; however, liabilities relating to them have not yet been incurred. Therefore, capital commitments are not included in the Company's consolidated financial statements.

There were no significant changes in capital commitments and operating lease commitments between December 31, 2014 and March 31, 2015. The following table outlines principal payments on bank loans for the periods indicated:

|                                   | <b>Total</b>     | <b>Within<br/>One year</b> | <b>Within<br/>Two to five years</b> | <b>Over 5 years</b> |
|-----------------------------------|------------------|----------------------------|-------------------------------------|---------------------|
|                                   | <b>US\$'000</b>  | <b>US\$'000</b>            | <b>US\$'000</b>                     | <b>US\$'000</b>     |
| Principal repayment of bank loans | <b>665,602</b>   | 524,448                    | 141,154                             | -                   |
| Repayment of bonds                | <b>499,324</b>   | 24,049                     | 475,275                             | -                   |
| <b>Total</b>                      | <b>1,164,926</b> | <b>548,497</b>             | <b>616,429</b>                      | -                   |

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

## RELATED PARTY TRANSACTIONS

CNG owned 39.3 percent of the outstanding common shares of the Company as at March 31, 2015 and December 31, 2014.

The Company had major related party transactions with the following companies related by way of shareholders and shareholder in common:

On October 24, 2008, the Company's subsidiary, Inner Mongolia Pacific entered into a non-exclusive contract for the purchase and sale of doré with CNG (the "2008 Contract") pursuant to which Inner Mongolia Pacific occasionally sold gold doré bars to CNG through to December 31, 2011. The pricing was based on the daily average price of gold ingot as quoted on the Shanghai Gold Exchange and the daily average price of silver as quoted on the Shanghai Huatong Platinum & Silver Exchange prevailing at the time of each relevant purchase order during the contract period. On January 27, 2012, the 2008 Contract was renewed for another three years ending December 31, 2014 and subsequently on June 30, 2014 for the period of January 1, 2015 to December 31, 2017. Revenue from sales of gold doré bars to CNG increased from US\$31.6 million for the three months ended March 31, 2014 to US\$52.1 million for the three months ended March 31, 2015.

On April 26, 2013, Huatailong, an indirectly wholly-owned subsidiary of the Company, entered into a two-year Contract for Purchase and Sale of Copper Concentrate with China National Gold Group International Trading Co. Ltd, which is ultimately controlled by CNG, the sale and purchase of copper concentrates produced at the Jiama Mine ending December 31, 2013 and 2014, with pricing based on the monthly average bench mark prices of copper, gold and silver. The first sales transaction under the contract occurred in July 2013. Revenue from sales of copper and other products to CNG was nil for the three months ended March 31, 2015, compared with US\$5.1 million in the same period in 2014.

For the three months ended March 31, 2015, the Company paid US\$32.4 million for construction and engineering services to subsidiaries of CNG (US\$53.2 million in the same period in 2014).

In addition to the three aforementioned major related party transactions, the Company also obtains additional services from related parties in its normal course of business. Further detailed information regarding such services is disclosed in the Company's annual directors' report.

## **PROPOSED TRANSACTIONS**

The Board of Directors has given the Company approval to conduct reviews of a number of projects that may qualify as acquisition targets through joint venture, merger and/or outright acquisitions. The Group did not have any material acquisition and disposal of subsidiaries and associated companies in the three months ended March 31, 2015.

## **CRITICAL ACCOUNTING ESTIMATES**

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

Key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months are described in Note 4 of the audited annual consolidated financial statements for the year ended December 31, 2014.

## **CHANGE IN ACCOUNTING POLICIES**

A summary of new and revised IFRS standards and interpretations are outlined in Note 2 of the audited annual consolidated financial statements as at December 31, 2014.

## **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

The Company holds a number of financial instruments, the most significant of which are available-for-sale investments, accounts receivable, accounts payable, cash and loans. The financial instruments are recorded at either fair values or amortized amount on the balance sheet.

The Company did not have any financial derivatives or outstanding hedging contracts as at March 31, 2015.

## **OFF-BALANCE SHEET ARRANGEMENTS**

As at March 31, 2015, the Company had not entered into any off-balance sheet arrangements.

## **DIVIDEND AND DIVIDEND POLICY**

The Company has not paid any dividends since incorporation and does not currently have a fixed dividend policy. The Board of Directors will determine any future dividend policy on the basis of, among others things, the results of operations, cash flows and financial conditions, operating and capital requirements, the rules promulgated by the regulators affecting dividends in both Canada and Hong Kong and at both the TSX and HKSE, any restrictive covenants of existing borrowings, and the amount of distributable profits and other relevant factors.

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

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

## **OUTSTANDING SHARES**

As of March 31, 2015 the Company had 396,413,753 common shares issued and outstanding.

## **DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING**

Management is responsible for the design of disclosure controls and procedures (“DC&P”) and the design of internal control over financial reporting (“ICFR”) to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to the Company’s certifying officers. The Company’s Chief Executive Officer and Chief Financial Officer have each evaluated the Company’s DC&P and ICFR as of March 31, 2015 and, in accordance with the requirements established under Canadian National Instrument 52-109 – Certification of Disclosure in Issuer’s Annual and Interim Filings, the Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures were effective as March 31, 2015, and provide reasonable assurance that material information relating to the Company is made known to them by others within the Company and that the information required to be disclosed in reports that are filed or submitted under Canadian securities legislation are recorded, processed, summarized and reported within the time period specified in those rules.

The Company’s Chief Executive Officer and Chief Financial Officer have used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 2013 framework to evaluate the Company’s ICFR as of March 31, 2015 and have concluded that these controls and procedures were effective as of March 31, 2015 and provide reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner. Management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means design of controls cannot provide absolute assurance that all control issues and instances of fraud will be detected. During the three months ended March 31, 2015, there were no changes in the Company’s DC&P or ICFR that materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

## **RISK FACTORS**

There are certain risks involved in the Company’s operations, some of which are beyond the Company’s control. Aside from risks relating to business and industry, the Company’s principal operations are located within the People’s Republic of China and are governed by a legal and regulatory environment that in some respects differs from that which prevails in other countries. Readers of this MD&A should give careful consideration to the information included in this document and the Company’s audited annual consolidated financial statements and related notes. Significant risk factors for the Company are metal prices, government regulations, foreign operations, environmental compliance, the ability to obtain additional financing, risk relating to recent acquisitions, dependence on management, title to the Company’s mineral properties, and litigation. China Gold International’s business, financial condition or results of operations could be materially and adversely affected by any of these risks. For details of risk factors, please refer to the Company’s annual audited consolidated financial statements, and Annual Information Form filed from time to time on SEDAR at [www.sedar.com](http://www.sedar.com).

## **QUALIFIED PERSON**

Disclosure of a scientific or technical nature in this section of the MD&A in respect of updates at the CSH Gold Project was prepared by or under the supervision of Mr. Songlin Zhang, a qualified person for the purposes of NI 43-101.

Disclosure of a scientific or technical nature in this MD&A in respect of the Jiama Mine for the Mineral Resources, Mineral Reserves and Phase II Expansion was prepared by or under the supervision of Mr. Bin Guo and Anthony R Cameron, both qualified person for the purposes of NI 43-101; all remaining information in regards to the Jiama project contained in this MD&A was prepared by or under the supervision of Mr. Songlin Zhang, a qualified person for the purposes of NI 43-101.

May 14, 2015

CHINA GOLD INTERNATIONAL RESOURCES  
CORP. LTD.

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(incorporated in British Columbia, Canada with  
limited liability)

Report and Condensed Consolidated Financial Statements  
For the three months ended March 31, 2015

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

REPORT AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2015

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CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE THREE MONTHS ENDED MARCH 31, 2015

|   | NOTES | Three months<br>ended March 31, |                  |
|---|-------|---------------------------------|------------------|
|   |       | 2015<br>US\$'000                | 2014<br>US\$'000 |
| Revenues  | 15    | 77,387                          | 36,659           |
| Cost of sales   |       | (56,217)                        | (22,285)         |
| Mine operating earnings   |       | 21,170                          | 14,374           |
| Expenses  |       |                                 |                  |
| General and administrative expenses   | 3     | (6,028)                         | (6,015)          |
| Exploration and evaluation expenditure                                      |       | (38)                            | (45)             |
|   |       | (6,066)                         | (6,060)          |
| Income from operations  |       | 15,104                          | 8,314            |
| Other (expenses) income   |       |                                 |                  |
| Foreign exchange (loss) gain, net   |       | (789)                           | 752              |
| Interest and other income   |       | 5,022                           | 195              |
| Finance costs   | 4     | (8,524)                         | (3,398)          |
|   |       | (4,291)                         | (2,451)          |
| Profit before income tax  |       | 10,813                          | 5,863            |
| Income tax expense  | 5     | (4,575)                         | (4,498)          |
| Profit for the period   |       | 6,238                           | 1,365            |
| Other comprehensive income for the period                                   |       |                                 |                  |
| <i>Items that may be reclassified subsequently to<br/>  profit or loss:</i> |       |                                 |                  |
| Exchange difference arising on translation                                  |       | 1,067                           | (7,451)          |
| Fair value loss on available-for-sale investment                            |       | (1,184)                         | (2,645)          |
| Total comprehensive income for the period, net of income tax                |       | 6,121                           | (8,731)          |
| Profit for the period attributable to                                       |       |                                 |                  |
| Non-controlling interests   |       | 333                             | 207              |
| Owners of the Company   |       | 5,905                           | 1,158            |
|   |       | 6,238                           | 1,365            |
| Total comprehensive income for the period attributable to                   |       |                                 |                  |
| Non-controlling interests   |       | 237                             | 291              |
| Owners of the Company   |       | 5,884                           | (9,022)          |
|   |       | 6,121                           | (8,731)          |
| Earnings per share  |       |                                 |                  |
| - Basic and diluted (US)  | 6     | 1.49 cents                      | 0.29 cents       |
| Weighted average number of<br>common shares outstanding                     |       |                                 |                  |
| - Basic and diluted   | 6     | 396,413,753                     | 396,413,753      |

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT MARCH 31, 2015

|  | <u>NOTES</u> | March 31,<br><u>2015</u><br>US\$'000 | December 31,<br><u>2014</u><br>US\$'000<br>(audited) |
|--|--------------|--------------------------------------|--|
| <b>Current assets</b>                        |              |                                      |  |
| Cash and cash equivalents                    |              | 457,235                              | 565,578  |
| Trade and other receivables                  | 7            | 32,850                               | 13,058   |
| Prepaid expenses and deposits                |              | 7,417                                | 17,719   |
| Prepaid lease payments                       |              | 232                                  | 232  |
| Inventory                                    | 8            | 162,926                              | 159,580  |
|  |              | <u>660,660</u>                       | <u>756,167</u>                                       |
| <b>Non-current assets</b>                    |              |                                      |  |
| Prepaid expense and deposits                 |              | 8,611                                | 6,466  |
| Prepaid lease payments                       |              | 8,102                                | 8,140  |
| Deferred tax assets                          |              | 7,623                                | 9,037  |
| Available-for-sale investment                | 16           | 20,364                               | 21,544   |
| Property, plant and equipment                | 9            | 1,319,071                            | 1,274,334  |
| Mining rights                                |              | 936,813                              | 937,806  |
|  |              | <u>2,300,584</u>                     | <u>2,257,327</u>                                     |
| <b>Total assets</b>                          |              | <u>2,961,244</u>                     | <u>3,013,494</u>                                     |
| <b>Current liabilities</b>                   |              |                                      |  |
| Accounts payable and accrued expenses        | 10           | 124,909                              | 162,669  |
| Borrowings                                   | 11           | 548,497                              | 526,839  |
| Tax liabilities                              |              | 9,108                                | 8,912  |
|  |              | <u>682,514</u>                       | <u>698,420</u>                                       |
| <b>Net current (liabilities) assets</b>      |              | <u>(21,854)</u>                      | <u>57,747</u>  |
| <b>Total assets less current liabilities</b> |              | <u>2,278,730</u>                     | <u>2,315,074</u>                                     |
| <b>Non-current liabilities</b>               |              |                                      |  |
| Borrowings                                   | 11           | 616,429                              | 658,936  |
| Deferred tax liabilities                     |              | 125,767                              | 126,036  |
| Deferred income                              |              | 1,659                                | 1,791  |
| Entrusted loan payable                       | 12           | 32,264                               | 32,221   |
| Environmental rehabilitation                 |              | 31,633                               | 30,932   |
|  |              | <u>807,752</u>                       | <u>849,916</u>                                       |
| <b>Total liabilities</b>                     |              | <u>1,490,266</u>                     | <u>1,548,336</u>                                     |

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

|   | <u>NOTE</u> | March 31,<br><u>2015</u><br>US\$'000 | December 31,<br><u>2014</u><br>US\$'000<br>(audited) |
|---|-------------|--------------------------------------|--|
| <b>Owners' equity</b>                       |             |                                      |  |
| Share capital                               | 13          | 1,229,061                            | 1,229,061  |
| Reserves                                    |             | 29,406                               | 29,427   |
| Retained profits                            |             | 200,410                              | 194,505  |
|   |             | <u>1,458,877</u>                     | <u>1,452,993</u>                                     |
| Non-controlling interests                   |             | 12,101                               | 12,165   |
| <b>Total owners' equity</b>                 |             | <u>1,470,978</u>                     | <u>1,465,158</u>                                     |
| <b>Total liabilities and owners' equity</b> |             | <u>2,961,244</u>                     | <u>3,013,494</u>                                     |

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The condensed consolidated financial statements were approved and authorized for issue by the Board of Directors on May 14, 2015 and are signed on its behalf by:

\_\_\_\_\_  
(Signed by) Xin Song  
Xin Song  
Director

\_\_\_\_\_  
(Signed by) Bing Liu  
Bing Liu  
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE THREE MONTHS ENDED MARCH 31, 2015

|  | Number<br>of shares | Share<br>capital<br>US\$'000 | Equity<br>reserve<br>US\$'000<br>(note a) | Investment<br>revaluation<br>reserve<br>US\$'000 | Exchange<br>reserve<br>US\$'000 | Statutory<br>reserve<br>US\$'000<br>(note b) | Retained<br>profits<br>US\$'000 | Subtotal<br>US\$'000 | Non-<br>controlling<br>interests<br>US\$'000 | Total<br>owners'<br>equity<br>US\$'000 |
|--|---------------------|------------------------------|---|--|---------------------------------|--|---------------------------------|----------------------|--|--|
| At January 1, 2014 (audited)                     | 396,413,753         | 1,229,061                    | 11,169                                    | 187  | 14,883                          | 10,065                                       | 156,066                         | 1,421,431            | 10,094                                       | 1,431,525                              |
| Profit for the period                            | -                   | -                            | -   | -  | -                               | -  | 1,158                           | 1,158                | 207  | 1,365                                  |
| Fair value loss on available-for-sale investment | -                   | -                            | -   | (2,645)  | -                               | -  | -                               | (2,645)              | -  | (2,645)                                |
| Exchange difference arising on translation       | -                   | -                            | -   | -  | (7,535)                         | -  | -                               | (7,535)              | 84   | (7,451)                                |
| Total comprehensive income for the period        | -                   | -                            | -   | (2,645)  | (7,535)                         | -  | 1,158                           | (9,022)              | 291  | (8,731)                                |
| Exercise of stock options                        | -                   | -                            | 6   | -  | -                               | -  | -                               | 6                    | -  | 6                                      |
| Dividend paid to a non-controlling shareholder   | -                   | -                            | -   | -  | -                               | -  | -                               | -                    | (116)  | (116)                                  |
| At March 31, 2014 (unaudited)                    | 396,413,753         | 1,229,061                    | 11,175                                    | (2,458)  | 7,348                           | 10,065                                       | 157,224                         | 1,412,415            | 10,269                                       | 1,422,684                              |
| At January 1, 2015 (audited)                     | 396,413,753         | 1,229,061                    | 11,179                                    | (722)  | 7,615                           | 11,355                                       | 194,505                         | 1,452,993            | 12,165                                       | 1,465,158                              |
| Profit for the period                            | -                   | -                            | -   | -  | -                               | -  | 5,905                           | 5,905                | 333  | 6,238                                  |
| Fair value loss on available-for-sale investment | -                   | -                            | -   | (1,184)  | -                               | -  | -                               | (1,184)              | -  | (1,184)                                |
| Exchange difference arising on translation       | -                   | -                            | -   | -  | 1,163                           | -  | -                               | 1,163                | (96)   | 1,067                                  |
| Total comprehensive income for the period        | -                   | -                            | -   | (1,184)  | 1,163                           | -  | 5,905                           | 5,884                | 237  | 6,121                                  |
| Dividend paid to a non-controlling shareholder   | -                   | -                            | -   | -  | -                               | -  | -                               | -                    | (301)  | (301)                                  |
| At March 31, 2015 (unaudited)                    | 396,413,753         | 1,229,061                    | 11,179                                    | (1,906)  | 8,778                           | 11,355                                       | 200,410                         | 1,458,877            | 12,101                                       | 1,470,978                              |

Notes:

- (a) Amounts represent equity reserve arising from share based compensation provided to employees under the stock option plan of the Company and deemed contribution from shareholders in previous years.
- (b) Statutory reserve which consists of appropriations from the profit after taxation of the subsidiaries established in the People's Republic of China ("PRC"), forms part of the equity of PRC subsidiaries. In accordance with the PRC Company Law and the Articles of Association of the PRC subsidiaries, the PRC subsidiaries are required to appropriate an amount equal to minimum of 10% of their profits after taxation each year to a statutory reserve until the reserve reaches 50% of the registered capital of the respective subsidiaries.

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE THREE MONTHS ENDED MARCH 31, 2015

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|   | Three months<br>ended March 31, |                       |
|---|---------------------------------|-----------------------|
|   | <u>2015</u>                     | <u>2014</u>           |
|   | US\$'000                        | US\$'000              |
| <b>Net cash from operating activities</b>                               | <u>638</u>                      | <u>1,558</u>          |
| <b>Investing Activities</b>   |                                 |                       |
| Payment for acquisition of property, plant and equipment                | (85,308)                        | (83,198)              |
| Deposit paid for acquisition of property, plant and equipment           | <u>(2,745)</u>                  | <u>(1,909)</u>        |
| <b>Net cash used in investing activities</b>                            | <u>(88,053)</u>                 | <u>(85,107)</u>       |
| <b>Financing Activities</b>   |                                 |                       |
| Proceeds from borrowings  | 158,093                         | 107,778               |
| Proceeds from entrusted loan  | -                               | 32,172                |
| Dividend paid to a non-controlling shareholder                          | (301)                           | (116)                 |
| Repayment of borrowings   | <u>(178,790)</u>                | <u>(39,818)</u>       |
| <b>Net cash (used in) from financing activities</b>                     | <u>(20,998)</u>                 | <u>100,016</u>        |
| <b>Net (decrease) increase in cash and cash equivalents</b>             | (108,413)                       | 16,467                |
| Effect of foreign exchange rate changes on<br>cash and cash equivalents | 70                              | (1,372)               |
| Cash and cash equivalents, beginning of period                          | <u>565,578</u>                  | <u>105,887</u>        |
| <b>Cash and cash equivalents, end of period</b>                         | <u><u>457,235</u></u>           | <u><u>120,982</u></u> |
| Cash and cash equivalents are comprised of                              |                                 |                       |
| Cash and saving deposits in banks                                       | <u><u>457,235</u></u>           | <u><u>120,982</u></u> |

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2015

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1. GENERAL

China Gold International Resources Corp. Ltd., formerly known as Jinshan Gold Mines Inc., (the "Company") is a publicly listed company incorporated in British Columbia on May 31, 2000 with limited liability under the legislation of the Province of British Columbia and its shares are listed on the Toronto Stock Exchange ("TSX") and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company together with its subsidiaries (collectively referred to as the "Group") is principally engaged in the acquisition, exploration, development and mining of mineral reserves in the PRC. The Group consider that China National Gold Group Corporation ("CNG"), a state owned company registered in Beijing, PRC which is controlled by State-owned Assets Supervision and Administration Commission of the State Council of the PRC, is able to exercise significant influence over the Company.

The head office, principal address and registered and records office of the Company are located at Suite 660, One Bentall Centre, 505 Burrard Street, Vancouver, British Columbia, Canada, V7X 1M4.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with International Accounting Standard 34 ("IAS 34"), *Interim Financial Reporting*.

The condensed consolidated financial statements are presented in United States Dollars ("US\$"), which is the functional currency of the Company.

At March 31, 2015, the Group's current liabilities exceeded its current assets by approximately US\$21.9 million. In view of these circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Taking into account the Group's cash flow projection, including the Group's unutilized bank facilities, ability to renew or refinance the banking facilities upon maturity and the Group's future capital expenditure in respect of its non-cancellable capital commitments, the directors of the Company consider that it has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, the financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the three months ended March 31, 2015 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2014.

In the current interim period, the Group has applied the following amendments to IFRSs which are mandatorily effective for the current interim period:

|                      |   |
|----------------------|---|
| Amendments to IAS 19 | Defined Benefit Plans: Employee Contributions |
| Amendments to IFRSs  | Annual Improvements to IFRSs 2010-2012 Cycle  |
| Amendments to IFRSs  | Annual Improvements to IFRSs 2011-2013 Cycle  |

The application of the amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosure set out in these condensed consolidated financial statements.

3. GENERAL AND ADMINISTRATIVE EXPENSES

|   | Three months<br>ended March 31, |              |
|---|---------------------------------|--------------|
|   | <u>2015</u>                     | <u>2014</u>  |
|   | US\$'000                        | US\$'000     |
| Administration and office                     | 2,071                           | 2,300        |
| Depreciation of property, plant and equipment | 674                             | 635          |
| Professional fees                             | 367                             | 1,013        |
| Salaries and benefits                         | 2,693                           | 1,730        |
| Others  | 223                             | 337          |
| Total general and administrative expenses     | <u>6,028</u>                    | <u>6,015</u> |

4. FINANCE COSTS

|   | Three months<br>ended March 31, |                         |
|---|---------------------------------|-------------------------|
|   | <u>2015</u><br>US\$'000         | <u>2014</u><br>US\$'000 |
| Effective interests on borrowings                         | 13,253                          | 6,222                   |
| Accretion on environmental rehabilitation                 | <u>656</u>                      | <u>668</u>              |
|   | 13,909                          | 6,890                   |
| Less: Amount capitalised to property, plant and equipment | <u>(5,385)</u>                  | <u>(3,492)</u>          |
|   | <u><u>8,524</u></u>             | <u><u>3,398</u></u>     |

5. INCOME TAX EXPENSE

|                           | Three months<br>ended March 31, |                         |
|---------------------------|---------------------------------|-------------------------|
|                           | <u>2015</u><br>US\$'000         | <u>2014</u><br>US\$'000 |
| PRC Enterprise Income Tax | 2,900                           | 1,526                   |
| Deferred tax expense      | <u>1,675</u>                    | <u>2,972</u>            |
| Total income tax expense  | <u><u>4,575</u></u>             | <u><u>4,498</u></u>     |

6. EARNINGS PER SHARE

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

|   | Three months<br>ended March 31, |                          |
|---|---------------------------------|--------------------------|
|   | <u>2015</u>                     | <u>2014</u>              |
| Profit for the period attributable to owners of the Company<br>for the purposes of basic and diluted EPS (US\$'000) | <u><u>5,905</u></u>             | <u><u>1,158</u></u>      |
| Weighted average number of shares for the purpose of<br>calculation, basic and diluted                              | 396,413,753                     | 396,413,753              |
| Basic and diluted EPS (US)  | <u><u>1.49 cents</u></u>        | <u><u>0.29 cents</u></u> |

The computation of diluted EPS does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for the three months ended March 31, 2015 and 2014.



CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

7. TRADE AND OTHER RECEIVABLES

|                                    | March 31,<br><u>2015</u><br>US\$'000 | December 31,<br><u>2014</u><br>US\$'000 |
|------------------------------------|--------------------------------------|---|
| Trade receivables                  | 28,325                               | 8,303                                   |
| Less: allowance for doubtful debts | <u>(233)</u>                         | <u>(167)</u>                            |
|                                    | 28,092                               | 8,136                                   |
| Amounts due from related companies | 4,499                                | 4,591                                   |
| Other receivables                  | <u>259</u>                           | <u>331</u>                              |
| Total trade and other receivables  | <u><u>32,850</u></u>                 | <u><u>13,058</u></u>                    |

The Group allows an average credit period of 90 days and 180 days to its trade customers for gold doré bars sales and copper sales, respectively.

Below is an aged analysis of trade receivables presented based on invoice dates, which approximated the respective revenue recognition dates, at the end of the reporting period:

|                   | March 31,<br><u>2015</u><br>US\$'000 | December 31,<br><u>2014</u><br>US\$'000 |
|-------------------|--------------------------------------|---|
| Less than 30 days | 10,748                               | 7,852                                   |
| 31 to 90 days     | 17,171                               | 202                                     |
| 91 to 180 days    | -                                    | 21                                      |
| Over 180 days     | <u>173</u>                           | <u>61</u>                               |
|                   | <u><u>28,092</u></u>                 | <u><u>8,136</u></u>                     |

8. INVENTORY

|                 | March 31,<br><u>2015</u><br>US\$'000 | December 31,<br><u>2014</u><br>US\$'000 |
|-----------------|--------------------------------------|---|
| Gold in process | 129,182                              | 124,850                                 |
| Gold doré bars  | 9,664                                | 11,861                                  |
| Consumables     | 6,989                                | 5,674                                   |
| Copper          | 6,999                                | 7,327                                   |
| Spare parts     | 10,092                               | 9,868                                   |
| Total inventory | <u>162,926</u>                       | <u>159,580</u>                          |

Inventory totalling US\$55 million for the three months ended March 31, 2015 (three months ended March 31, 2014: US\$21 million) was recognised in cost of sales.

9. PROPERTY, PLANT AND EQUIPMENT

During the three month period ended March 31, 2015, the Group incurred approximately US\$40.4 million on construction in progress (for the period ended March 31, 2014: approximately US\$55.1 million) and approximately US\$16.7 million on mineral assets (for the period ended March 31, 2014: approximately US\$18.5 million), respectively.

Depreciation of property, plant and equipment was US\$16.2 million for the period ended March 31, 2015 (US\$10.4 million for the three months ended March 31, 2014). The depreciation amount were partly recognised in cost of sales, general and administrative expenses and partly capitalised in inventory.

10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payables and accrued expenses comprise the following:

|                              | March 31,<br><u>2015</u><br>US\$'000 | December 31,<br><u>2014</u><br>US\$'000 |
|------------------------------|--------------------------------------|---|
| Accounts payable             | 37,762                               | 54,374                                  |
| Construction cost payables   | 51,238                               | 84,095                                  |
| Advances from customers      | 14                                   | 14                                      |
| Mining cost accrual          | 19,731                               | 6,895                                   |
| Payroll and benefit payables | 3,048                                | 4,249                                   |
| Other accruals               | 4,256                                | 5,976                                   |
| Other tax payable            | 5,099                                | 4,847                                   |
| Other payables               | 3,761                                | 2,219                                   |
|                              | <u>124,909</u>                       | <u>162,669</u>                          |

The following is an aged analysis of the accounts payable presented based on invoice date at the end of the reporting period:

|                   | March 31,<br><u>2015</u><br>US\$'000 | December 31,<br><u>2014</u><br>US\$'000 |
|-------------------|--------------------------------------|---|
| Less than 30 days | 18,529                               | 44,446                                  |
| 31 to 90 days     | 1,566                                | 2,521                                   |
| 91 to 180 days    | 10,748                               | 1,584                                   |
| Over 180 days     | 6,919                                | 5,823                                   |
|                   | <u>37,762</u>                        | <u>54,374</u>                           |

11. BORROWINGS

The borrowings are repayable as follows:

|   | March 31,<br><u>2015</u><br>US\$'000 | December 31,<br><u>2014</u><br>US\$'000 |
|---|--------------------------------------|---|
| Carrying amount repayable within one year (note)                    | 548,497                              | 526,839                                 |
| Carrying amount repayable within one to two years                   | 108,890                              | 183,661                                 |
| Carrying amount repayable within two to five years                  | <u>507,539</u>                       | <u>475,275</u>                          |
|   | 1,164,926                            | 1,185,775                               |
| Less: Amounts due within one year (shown under current liabilities) | <u>(548,497)</u>                     | <u>(526,839)</u>                        |
| Amounts shown under non-current liabilities                         | <u>616,429</u>                       | <u>658,936</u>                          |

Note: As at March 31, 2015, two loans with principal amounts of RMB397 million, equivalent to approximately US\$64 million (December 31, 2014: RMB397 million, equivalent to US\$64 million) and RMB100 million, equivalent to approximately US\$16 million (December 31, 2014: RMB230 million, equivalent to US\$37 million) with original repayment terms due in November and June 2015, respectively, did not meet the loan covenants primarily related to the assets/debt ratio of a PRC subsidiary of the Company. The lender did not request accelerated repayment of these loans.

Analysed as:

|           |                  |                  |
|-----------|------------------|------------------|
| Secured   | 80,660           | 80,553           |
| Unsecured | <u>1,084,266</u> | <u>1,105,222</u> |
|           | <u>1,164,926</u> | <u>1,185,775</u> |

Borrowings carry interest at effective interest rates ranging from 3.5% to 6.0% (December 31, 2014: 3.5% to 6.00%) per annum.

12. ENTRUSTED LOAN PAYABLE

On January 17, 2014, the Group entered into a three year entrusted loan agreement with China National Gold Group Corporation ("CNG"), a substantial shareholder (Note 14) and China Construction Bank ("CCB") in which CNG provided a loan of RMB200 million (equivalent to approximately US\$32,264,000) to the Group through CCB as the entrusted bank. The entrusted loan is unsecured and carries interest at a fixed rate of 3% per annum. The principal amount is to be repaid on January 17, 2017.

13. SHARE CAPITAL AND OPTIONS

(a) Common shares

Authorized - Unlimited common shares without par value

Issued and outstanding – 396,413,753 (December 31, 2014: 396,413,753) common shares at March 31, 2015.

(b) Stock options

The Group had a stock option plan which permits the board of directors of the Company to grant options to directors, employees to acquire common shares of the Company at the price approved by the board of directors. A portion of the stock options vest immediately on the grant date and the balance vests over a period of up to five years from the grant date.

The stock options have a life of up to six years from grant date. The fair market value of the exercise price is the volume weighted average price of the common shares for the five days on which they were traded immediately preceding the date of approval by the board of directors.

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

|                              | January 1, 2015<br>to<br>March 31, 2015 |  | January 1, 2014<br>to<br>March 31, 2014 |  |
|------------------------------|---|--|---|--|
|                              | Number of<br><u>options</u>             | Weighted<br>average<br>exercise<br><u>price</u><br>CAD | Number of<br><u>options</u>             | Weighted<br>average<br>exercise<br><u>price</u><br>CAD |
| Balance, beginning of period | 400,000                                 | 5.56   | 400,000                                 | 5.56   |
| Options exercised            | -                                       | -  | -                                       | -  |
| Options expired              | -                                       | -  | -                                       | -  |
| Balance, end of period       | <u>400,000</u>                          | <u>5.56</u>  | <u>400,000</u>                          | <u>5.56</u>  |

No stock options were granted during the three months ended March 31, 2015 and 2014.

The following table summarizes information about stock options outstanding and exercisable at March 31, 2015.

|                    | <u>Options outstanding</u>                              |   |  | <u>Options exercisable</u>                              |  |
|--------------------|---|---|--|---|--|
|                    | Number<br>outstanding<br>at<br>March 31,<br><u>2015</u> | Remaining<br>contractual<br>life (years)<br><u>life (years)</u> | Weighted<br>average<br>exercise<br><u>price</u><br>CAD | Number<br>exercisable<br>at<br>March 31,<br><u>2015</u> | Weighted<br>average<br>exercise<br><u>price</u><br>CAD |
| <u>Expiring in</u> |   |   |  |   |  |
| June 2015          | <u>400,000</u>  | 0.17  | <u>5.56</u>  | <u>400,000</u>  | <u>5.56</u>  |

13. SHARE CAPITAL AND OPTIONS - continued

(b) Stock options - continued

The following table summarizes information about stock options outstanding and exercisable at December 31, 2014:

| <u>Expiring in</u> | <u>Options outstanding</u>                                 |   |   | <u>Options exercisable</u>                                 |   |
|--------------------|--|---|---|--|---|
|                    | Number<br>outstanding<br>at<br>December 31,<br><u>2014</u> | Remaining<br>contractual<br>life (years)<br><u>life (years)</u> | Weighted<br>average<br>exercise<br>price<br>CAD | Number<br>exercisable<br>at<br>December 31,<br><u>2014</u> | Weighted<br>average<br>exercise<br>price<br>CAD |
| June 2015          | <u>400,000</u>   | 0.42  | <u>5.56</u>                                     | <u>400,000</u>   | <u>5.56</u>                                     |

14. RELATED PARTY TRANSACTIONS

The Group operates in an economic environment currently predominated by enterprises directly or indirectly owned or controlled or significantly influenced by the PRC government (hereinafter collectively referred to as "Government-related entities"). In addition, the Group itself is a Government-related entity. CNG, a substantial shareholder with significant influence over the Group, is a state owned company registered in Beijing, PRC, which is controlled by State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

During the period/year, except as disclosed below, the Group did not have any individually significant transactions with other Government-related entities in its ordinary and usual course of business.

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

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

|     | March 31,<br><u>2015</u><br>% | December 31,<br><u>2014</u><br>% |
|-----|-------------------------------|----------------------------------|
| CNG | <u>39.3</u>                   | <u>39.3</u>                      |

14. RELATED PARTY TRANSACTIONS - continued

(a) Transactions/balances with Government-related entities in the PRC

(i) Transactions/balances with CNG and its subsidiaries

The Group had the following significant transactions with CNG and CNG's subsidiaries:

|   | Three months ended March 31, |             |
|---|------------------------------|-------------|
|   | <u>2015</u>                  | <u>2014</u> |
|   | US\$'000                     | US\$'000    |
| Gold doré sales by the Group                | 52,110                       | 31,593      |
| Copper and other product sales by the Group | -                            | 5,066       |
| Provision of transportation by the Group    | 1,070                        | 1,187       |
| Construction service provided to the Group  | 32,409                       | 53,207      |
| New entrusted loan provided to the Group    | -                            | 32,172      |

The Group has the following significant balances with CNG and its subsidiaries at the end of each reporting period:

|   | March 31,   | December 31, |
|---|-------------|--------------|
|   | <u>2015</u> | <u>2014</u>  |
|   | US\$'000    | US\$'000     |
| <u>Assets</u>                                   |             |              |
| Amount due from related companies               | 4,499       | 4,591        |
| Deposits  | 927         | 926          |
| Total amounts due from CNG and its subsidiaries | 5,426       | 5,517        |

The amounts due from CNG and its subsidiaries, which are included in other receivables and prepaid expenses and deposits are non-interest bearing, unsecured and repayable on demand.

|  | March 31,   | December 31, |
|--|-------------|--------------|
|  | <u>2015</u> | <u>2014</u>  |
|  | US\$'000    | US\$'000     |
| <u>Liabilities</u>                               |             |              |
| Entrusted loan payable (Note 12)                 | 32,264      | 32,221       |
| Other payable to CNG's subsidiaries              | 1,168       | 1,687        |
| Customer advance paid by CNG's subsidiary        | -           | 37           |
| Construction cost payables to CNG's subsidiaries | 4,768       | 9,597        |
| Total amounts due to CNG's subsidiaries          | 38,200      | 43,542       |

Except for entrusted loan payable to CNG, the amounts due to CNG and its subsidiaries which are included in accounts payables and accrued expenses, are non-interest bearing, unsecured and have no fixed terms of repayments.

14. RELATED PARTY TRANSACTIONS - continued

(a) Transactions/balances with Government-related entities in the PRC - continued

(ii) Transactions/balances with other government-related entities in the PRC

Apart from the transactions with CNG and its subsidiaries disclosed above, the Group has also entered into transactions of bank deposits, borrowings and other general banking facilities with other government-related entities in its ordinary course of business.

(b) Transactions/balances with other non-government related parties/entities

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

|   | March 31,<br><u>2015</u><br>US\$'000 | December 31,<br><u>2014</u><br>US\$'000 |
|---|--------------------------------------|---|
| <u>Asset</u>  |                                      |   |
| Amount due from a non-controlling shareholder<br>of a subsidiary (included in prepaid expenses) | 403                                  | 449                                     |
|   | <u>          </u>                    | <u>          </u>                       |

The amounts due from the related parties are non-interest bearing, unsecured and repayable on demand.

The Group has the following compensation to key management personnel during the period:

|                             | Three months ended March 31,<br><u>2015</u><br>US\$'000 | <u>2014</u><br>US\$'000 |
|-----------------------------|---|-------------------------|
| Salaries and other benefits | 184   | 206                     |
| Post-employment benefits    | 6   | 7                       |
|                             | <u>          </u>                                       | <u>          </u>       |
|                             | 190   | 213                     |
|                             | <u>          </u>                                       | <u>          </u>       |



15. SEGMENT INFORMATION

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

The chief operating decision-maker, which is responsible for allocating resources and assessing performance of the operating segments, has been defined as the Executive Directors of the Company. The chief operating decision - maker has identified two operating segments as follows:

- (i) The mine-produced gold segment - the production of gold bullion through the Group's integrated processes, i.e., mining, metallurgical processing, production and selling of gold doré bars to external clients.
  - (ii) The mine-produced copper segment - the production of copper concentrate and other by-products through the Group's integrated separation, i.e., mining, metallurgical processing, production and selling copper concentrate and other by - products to external clients.
- (a) Segment revenues and results

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

For the three months ended March 31, 2015

|                                      | Mine -<br>Produced<br><u>gold</u><br>US\$'000 | Mine -<br>Produced<br><u>copper</u><br>US\$'000 | Segment<br><u>total</u><br>US\$'000 | <u>Unallocated</u><br>US\$'000 | <u>Consolidated</u><br>US\$'000 |
|--------------------------------------|---|---|-------------------------------------|--------------------------------|---------------------------------|
| Revenue - External                   | 52,110  | 25,277  | 77,387                              | -                              | 77,387                          |
| Cost of sales                        | <u>(37,283)</u>                               | <u>(18,934)</u>                                 | <u>(56,217)</u>                     | -                              | <u>(56,217)</u>                 |
| Mining operating earnings            | <u>14,827</u>                                 | <u>6,343</u>                                    | <u>21,170</u>                       | -                              | <u>21,170</u>                   |
| Income from operations               | 14,789  | 1,960   | 16,749                              | (1,645)                        | 15,104                          |
| Foreign exchange (loss)<br>gain, net | (957)   | 168   | (789)                               | -                              | (789)                           |
| Interest and other income            | 207   | 2,676   | 2,883                               | 2,139                          | 5,022                           |
| Finance costs                        | <u>(2,334)</u>                                | <u>(1,447)</u>                                  | <u>(3,781)</u>                      | <u>(4,743)</u>                 | <u>(8,524)</u>                  |
| Profit (loss) before<br>income tax   | <u>11,705</u>                                 | <u>3,357</u>                                    | <u>15,062</u>                       | <u>(4,249)</u>                 | <u>10,813</u>                   |

15. SEGMENT INFORMATION - continued

(a) Segment revenues and results - continued

For the three months ended March 31, 2014

|                                      | Mine -<br>Produced<br><u>gold</u><br>US\$'000 | Mine -<br>Produced<br><u>copper</u><br>US\$'000 | Segment<br><u>total</u><br>US\$'000 | <u>Unallocated</u><br>US\$'000 | <u>Consolidated</u><br>US\$'000 |
|--------------------------------------|---|---|-------------------------------------|--------------------------------|---------------------------------|
| Revenue - External                   | 31,593  | 5,066   | 36,659                              | -                              | 36,659                          |
| Cost of sales                        | <u>(19,449)</u>                               | <u>(2,836)</u>                                  | <u>(22,285)</u>                     | -                              | <u>(22,285)</u>                 |
| Mining operating earnings            | 12,144  | 2,230   | 14,374                              | -                              | 14,374                          |
| Income from operations               | 12,099  | (1,781)   | 10,318                              | (2,004)                        | 8,314                           |
| Foreign exchange gain<br>(loss), net | 882   | (130)   | 752                                 | -                              | 752                             |
| Interest and other income            | 113   | (745)   | (632)                               | 827                            | 195                             |
| Finance costs                        | <u>(1,148)</u>                                | <u>(2,250)</u>                                  | <u>(3,398)</u>                      | -                              | <u>(3,398)</u>                  |
| Profit (loss) before<br>income tax   | <u>11,947</u>                                 | <u>(4,906)</u>                                  | <u>7,041</u>                        | <u>(1,178)</u>                 | <u>5,863</u>                    |

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit (loss) before income tax attributable to the respective segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

There were no inter-segment sales for the three months ended March 31, 2015 and 2014.

(b) Segment assets and liabilities

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

|                                | Mine -<br>Produced<br><u>gold</u><br>US\$'000 | Mine -<br>Produced<br><u>copper</u><br>US\$'000 | Segment<br><u>Total</u><br>US\$'000 | <u>Unallocated</u><br>US\$'000 | <u>Consolidated</u><br>US\$'000 |
|--------------------------------|---|---|-------------------------------------|--------------------------------|---------------------------------|
| <b>As of March 31, 2015</b>    |   |   |                                     |                                |                                 |
| Total assets                   | 593,364                                       | 1,930,377                                       | 2,523,741                           | 437,503                        | 2,961,244                       |
| Total liabilities              | 176,612                                       | 817,952   | 994,564                             | 495,702                        | 1,490,266                       |
| <b>As of December 31, 2014</b> |   |   |                                     |                                |                                 |
| Total assets                   | 590,157                                       | 1,898,623                                       | 2,488,780                           | 524,714                        | 3,013,494                       |
| Total liabilities              | 199,809                                       | 848,552   | 1,048,361                           | 499,975                        | 1,548,336                       |

16. FINANCIAL INSTRUMENTS

As at March 31, 2015 and December 31, 2014, the Group's available-for-sale investment include investment in equity securities listed in Hong Kong and investment in an unlisted company incorporated in the PRC.

Subsequent to initial recognition at fair value, investment in equity securities listed on the Stock Exchange is measured from quoted price (unadjusted) in active market (Level 1 fair value measurement). As at March 31, 2015, US\$18,105,000 (December 31, 2014: US\$19,289,000 investment in equity securities is measured at fair value on a recurring basis. The Group's investment in listed equity securities represent investment in a company engaged in mining, processing and trading of nonferrous metals in the PRC. For the three months period ended March 31, 2015, the fair value decrease of US\$1,184,000 was recorded in other comprehensive income.

As at March 31, 2015, US\$2,259,000 (December 31, 2014: US\$2,255,000 investment in an unlisted company incorporated in the PRC is measured at cost since the investment in unlisted equity instrument does not have a quoted market price and the fair value cannot be measured reliably.

Fair value hierarchy has been defined in the Group's consolidated financial statements for the year ended December 31, 2014. There was no transfer between Level 1 and 2 in the current and prior periods.

17. CONTINGENT LIABILITIES

During the year ended December 31, 2012, the Company received a notice from China International Economic and Trade Arbitration Commission (the "Commission") alleging that the Company breached the agreement with one of its construction suppliers. The Company filed a countersuit against the construction supplier to the Commission for the unsatisfactory result of the construction and the destruction of certain plant, property and equipment. As a result, the Commission assigned a third party expert for evaluation of the validity of the claims made by both parties. As of the date of the report, the evaluation is still in progress, and therefore, management considers the arbitration to be in a preliminary stage and the potential loss cannot be measured reliably.

18. EVENT AFTER THE REPORTING PERIOD

The Group has no material event after the end of the reporting period.