China Gold International Resources Corp. Ltd.

Management's Discussion and Analysis of Financial Condition and Results of Operations
Three months ended March 31, 2017
(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 quarter ended March 31, 2017
(Stated in U.S. dollars, except as otherwise noted)

The following Management Discussion and Analysis of financial condition and results of operations ("MD&A") is prepared as of May 12, 2017. It should be read in conjunction with the condensed 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, 2017 and the three months ended March 31, 2016, 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 30, 2017 on SEDAR at 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 operation, acquisition, development and exploration of gold and base metal 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 ("CJV") partner holds the remaining 3.5% interest. The CSH Mine commenced commercial production on July 1, 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 sedar.com as well as Hong Kong Exchange News at hkexnews.hk.

Performance Highlights

Three months ended March 31, 2017

- Revenue increased by 25% to US$82.1 million from US$65.6 million for the same period in 2016.
- Mine operating earnings increased by 155% to US$19.1 million from US$7.5 million for the same period in 2016.
- Net profit/loss after income taxes increased to net profit of US$6.4 million from a net loss of US$3.5 million for the same period in 2016.
- Gold production from the CSH Mine decreased by 6% to 34,540 ounces from 36,703 ounces for the same period in 2016.
- Copper production from the Jiama Mine increased by 39% to 5,716 tonnes (approximately 12.6 million pounds) from 4,106 tonnes (approximately 9.05 million pounds) for the same period in 2016. The copper production of 5,716 tonnes does not include the copper output of 1,866 tonnes (approximately 4.11 million pounds) from phase II series I commissioning during the first quarter of 2017.

OUTLOOK

- Projected gold production of 218,700 ounces in 2017.
- Projected copper production of approximately 79 million pounds in 2017.
- The Jiama Mine's Phase II expansion consists of two series, with each series having a mining and mineral processing capacity of 22,000 tpd. The Phase II series I construction is now complete. The commissioning started in December 2016. It is expected that the output of series I will be ramped up to its full capacity around the middle of 2017. With Phase II series I put in production, the total nameplate capacity will be increased from the current 6,000 tpd to 28,000 tpd.
- The Company will continue to leverage the technical and operating experience of the Company's substantial 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							
	2017	2016				2015		
(US$ in thousands except per share)	**31-Mar**	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun
Revenues	**82,110**	93,552	109,560	69,904	65,585	78,967	99,948	83,647
Cost of sales	**62,986**	80,517	85,681	58,162	58,039	74,798	82,752	63,336
Mine operating earnings	**19,124**	13,035	23,879	11,742	7,546	4,169	17,196	20,311
General and administrative expenses	**5,776**	5,127	5,902	5,361	5,049	6,483	5,330	5,988
Exploration and evaluation expenses	**36**	216	65	53	46	157	45	62
Income (loss) from operations	**13,312**	7,692	17,912	6,328	2,451	(2,471)	11,821	14,261
Foreign exchange gain (loss)	**2,845**	(9,154)	2,493	(5,980)	1,198	(5,624)	(8,606)	1,482
Finance costs	**4,914**	4,264	3,793	4,063	4,453	(868)	7,181	6,570
Profit (loss) before income tax	**13,709**	(2,703)	13,972	(8,198)	(2,986)	(13,640)	692	13,742
Income tax expense	**7,332**	6,431	6,276	5,563	500	4,836	5,850	3,173
Net profit (loss)	**6,377**	(9,134)	7,696	(7,401)	(3,486)	(18,476)	(5,158)	10,569
Basic earnings (loss) per share (cents)	**1.60**	(2.32)	1.82	(1.95)	(0.91)	(4.69)	(1.41)	2.54
Diluted earnings (loss) per share (cents)	**N/A**	N/A	1.82	(1.95)	(0.91)	(4.69)	(1.41)	2.54

Selected Quarterly Production Data and Analysis

CSH Mine	**Three months ended March 31,**	
	2017	**2016**
Gold sales (US$ million)	**45.20**	41.64
Realized average price[(1)] (US$) of gold per ounce	**1,236**	1,146
Gold produced (ounces)	**34,540**	36,703
Gold sold (ounces)	**36,557**	36,344
Total production cost[(2)] (US$ per ounce)	**1,127**	1,034
Cash production cost[(2)] (US$ per ounce)	**741**	739

(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 decreased by 6% from 36,703 ounces for the three months ended March 31, 2016 to 34,540 ounces for the three months ended March 31, 2017. The decrease in gold production is mainly due to the lower grades of ores mined during the current period.

The total production cost of gold for the three months ended March 31, 2017 increased compared with the same period in 2016, due to higher depletion and depreciation costs. The cash production cost of gold for the three months ended March 31, 2017 remained consistent with the same period 2016.

Jiama Mine	**Three months ended March 31,**	
	2017	**2016**
Copper sales[1] (US$ in millions)	**24.75**	15.51
Realized average price [2](US$) of copper per pound after smelting fee discount	**2.06**	1.57
Copper produced [6] (tonnes)	**5,716**	4,106
Copper produced [6] (pounds)	**12,602,426**	9,053,250
Copper sold (tonnes)	**5,492**	4,467
Copper sold (pounds)	**12,108,853**	9,847,553
Gold produced [6] (ounces)	**8,160**	5,124
Gold sold (ounces)	**7,964**	5,983
Silver produced [6] (ounces)	**352,759**	314,517
Silver sold (ounces)	**338,712**	346,237
Total production cost [3] (US$) of copper per pound	**2.14**	2.50
Total production cost [3] (US$) of copper per pound after by-products credits [5]	**1.15**	1.60
Cash production cost [4](US$) per pound of copper	**1.79**	2.09
Cash production cost [4] (US$) of copper per pound after by-products credits [5]	**0.80**	1.19

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

2 A discount factor of 22.4% to 27% 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.

6 Copper, gold and silver produced does not include output from phase II series I commissioning on above table

During the three months ended March 31, 2017, the Jiama Mine produced 5,716 tonnes (approximately 12.6 million pounds) of copper in concentrate, an increase of 39% compared with the three months ended March 31, 2016 (4,106 tonnes, or 9.05 million pounds). The increase in production was mainly due to the higher volume of ore processed and the higher copper grade of ore during the period.

Both cash production cost and total production cost of copper per pound decreased, mainly because of the higher ore grade mined and processed during the period.

Review of Quarterly Data

Three months ended March 31, 2017 compared to three months ended March 31, 2016

Revenue of US$82.1 million for the first quarter of 2017 increased by US$16.5 million or 25%, from US$65.6 million for the same period in 2016.

Revenue from the CSH Mine was US$45.2 million, an increase of US$3.6 million, compared to US$41.6 million for the same period in 2016. Gold produced by the CSH Mine was 34,540 ounces (gold sold: 36,557), compared to 36,703 ounces (gold sold: 36,344) for the same period in 2016. CSH's decreased production volumes are attributed to lower grades of ore mined.

Revenue from the Jiama Mine was US$36.9 million, an increase of US$13.0 million, compared to US$23.9 million for the same period in 2016. Total copper sold was 5,492 tonnes (12.1 million pounds) for the three months ended March 31, 2017, an increase of 23% from 4,467 tonnes (9.8 million pounds) for the same period in 2016.

Cost of sales of US$63.0 million for the quarter ended March 31, 2017, an increase of US$4.9 million or 9% from US$58.0 million for the same period in 2016. The overall increase is primarily attributed to an increase of 10% at CSH. Cost of sales as a percentage of revenue for the Company decreased from 88% to 77% for the three months ended March 31, 2016 and 2017, respectively.

Mine operating earnings of US$19.1 million for the three months ended March 31, 2017 an increase of 155%, or US$11.6 million, from US$7.5 million for the same period in 2016. Mine operating earnings as a percentage of revenue increased from 12% to 23% for the three months ended March 31, 2016 and 2017, respectively. The increase in mine operating earnings as a percentage of revenue can be attributed to a 31% increase in the realized average price of copper per pound and an 8% increase in the realized average price of gold per ounce for the three months ended March 31, 2017.

General and administrative expenses increased by US$0.8 million, from US$5.0 million for the quarter ended March 31, 2016 to US$5.8 million for the quarter ended March 31, 2017.

Income from operations of US$13.3 million for the first quarter of 2017, increased by US$10.8 million, compared to US$2.5 million for the same period in 2016.

Finance costs of US$4.9 million for the three months ended March 31, 2017, increased by US$0.5 million compared to the same period in 2016. During the three months ended March 31, 2017, interest payments of US$6.3 million (2016: US$5.1 million) were capitalized for borrowing costs related to the Jiama Mine expansion.

Foreign exchange gain increased to US$2.8 million for the three months ended March 31, 2017 from US$1.2 million for the same period in 2016. The increase is related to the revaluation of monetary items held in Chinese RMB, which was based on changes in the RMB/USD exchange rates.

Interest and other income of US$2.5 million for the three months ended March 31, 2017 increased from US$1.6 million for the same period in 2016, due to higher income earned on term deposits and related party loans.

Income tax expense of US$7.3 million for the quarter ended March 31, 2017 increased by US$6.8 million from US$0.5 million for the comparative period in 2016. The increase is mainly due to US$4.9 million withholding tax paid in China. During the current quarter, the Company had US$1.7 million of deferred tax expense compared to US$2.3 million of deferred tax credit for same period in 2016.

Net income of the Company increased by US$9.9 million from a loss of US$3.5 million for the three months ended March 31, 2016 to a gain of US$6.4 million for the three months ended March 31, 2017.

NON-IFRS MEASURES

The following table provides certain unit cost information on a cost of production per tonne of ore processed (non-IFRS) basis for the CSH Mine for the three months ended March 31, 2017 and 2016:

CSH Mine

	Three months ended March 31,	
	2017	2016
	US$	US$
Cost of mining per tonne of ore	**1.33**	1.29
Cost of mining waste per tonne of ore	**2.16**	2.97
Other mining costs per tonne of ore	**0.28**	0.29
Total mining costs per tonne of ore	**3.77**	4.55
Cost of reagents per tonne of ore	**1.08**	0.94
Other processing costs per tonne of ore	**1.07**	0.96
Total processing cost per tonne of ore	**2.15**	1.90

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 pound for the Jiama Mine:

CSH Mine (Gold)

	Three months ended March 31,			
	2017		2016	
	US$	**US$ Per ounce**	US$	US$ Per ounce
Total production costs	**41,188,718**	**1,127**	37,592,471	1,034
Adjustments	**(14,094,871)**	**(386)**	(10,704,129)	(295)
Total cash production costs	**27,093,847**	**741**	26,888,342	739

Jiama Mine (Copper with by-products credits)

	Three months ended March 31,			
	2017		2016	
	US$	**US$ Per Pound**	US$	US$ Per pound
Total production costs	**25,938,453**	**2.14**	24,571,438	2.50
Adjustments	**(4,278,158)**	**(0.35)**	(3,963,264)	(0.40)
Total cash production costs	**21,660,295**	**1.79**	20,608,174	2.09
By-products credits	**(11,976,941)**	**(0.99)**	(8,857,513)	(0.90)
Total cash production costs after by-products credits	**9,683,354**	**0.80**	11,750,661	1.19

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. Limited, a Chinese 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 has a mining and processing capacity of 60,000 tpd.

Production Update

CSH Mine

	Three months ended March 31,	
	2017	2016
Ore mined and placed on pad (tonnes)	**3,768,853**	4,210,775
Average ore grade (g/t)	**0.48**	0.49
Recoverable gold (ounces)	**35,804**	38,317
Ending ore inventory (ounces)	**180,728**	169,183
Waste rock mined (tonnes)	**19,320,451**	19,224,227

For the three months ended March 31, 2017, the total amount of ore placed on the leach pad was 3.8 million tonnes, with total contained gold of 35,804 ounces (1,114 kilograms). The accumulative project-to-date gold recovery rate has slightly increased from approximately 52.07% at the end of December 2016 to 52.22% at the end of March 2017.

Exploration

The Company is reviewing the proposed plan for mineral exploration work in 2017 and 2018, for 10 drilling holes with 11,350 meters. The drilling work was suspended due to the winter conditions in the first quarter of 2017.

Mineral Resource Update

CSH Mine Resources by category, Northeast and Southwest pits combined at December 31, 2016 under NI 43-101:

			Metal	
Type	**Quantity Mt**	**Au g/t**	**Au t**	**Au Moz**
Measured	26.72	0.67	17.94	0.58
Indicated	136.59	0.61	83.35	2.68
M+I	163.31	0.62	101.29	3.26

Mineral Reserves Update

CSH Mine Reserves by category, Northeast and Southwest pits combined at December 31, 2016 under NI 43-101:

			Metal	
Type	**Quantity Mt**	**Au g/t**	**Au t**	**Au Moz**
Proven	25.87	0.68	17.59	0.57
Probable	93.32	0.64	59.34	1.91
Total	**119.19**	**0.65**	**76.93**	**2.48**

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 Jiama Mine's Phase II expansion consists of two series, with each series having a mining and mineral processing capacity of 22,000 tpd. The Phase II series I construction is now complete. The commissioning started in December 2016. It is expected that the output of Series I will be ramped up to its full capacity around the middle of 2017. With Phase II series I in production, the total nameplate capacity will be increased from the current 6,000 tpd to 28,000 tpd. Given the recent global economic volatility and uncertainty and their potential impact on commodity prices and market conditions, the Company will re-optimize the mining plan and production schedules accordingly .

During the first quarter of 2017, 19,136 tons of concentrate was produced from commissioning of Phase II Series I, which contained copper 1,866 tonnes, lead 5,067 tonnes, zinc 2,425 tonnes, gold 1,730 ounces and silver 360,096 ounces.

Production Update

Jiama Mine	Three months ended March 31,	
	2017	2016
Ore mined (tonnes)	**613,598**	406,066
Waste mined (tonnes)	**-**	-
Average copper ore grade (%)	**1.03**	0.75
Copper recovery rate (%)	**90**	89
Average gold ore grade (g/t)	**0.58**	0.37
Gold recovery rate (%)	**71**	70
Average silver ore grade (g/t)	**26.22**	21.57
Silver recovery rate (%)	**68**	68

Exploration

The Company has planned peripheral prospecting and mineral exploration work in 2017 and 2018, for 5 drilling holes with 5,670 meters and 14 underground exploration drilling holes with 10,155 meters. The surface drilling work has been suspended due to the winter conditions in the first quarter of 2017.

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 programs 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. 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, 2016

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	96.6	0.40	0.04	0.04	0.02	0.09	5.71	384	35	43	23	0.268	17.729
Indicated	1,382.7	0.41	0.03	0.05	0.03	0.11	6.08	5,695	467	751	470	4.947	270.472
M+I	1,479.4	0.41	0.03	0.05	0.03	0.11	6.06	6,079	502	794	493	5.215	288.201
Inferred	406.1	0.31	0.03	0.08	0.04	0.10	5.13	1,247	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, 2016

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	21.4	0.61	0.05	0.05	0.03	0.21	9.35	131	10	11	7	0.148	6.431
Probable	412.8	0.61	0.03	0.13	0.08	0.18	11.42	2,520	132	549	318	2.451	151.583
P+P	434.2	0.61	0.03	0.13	0.07	0.19	11.32	2,651	142	560	325	2.599	158.014

Notes:

1. 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.
2. Mineral Reserves were estimated using the following mining and economic factors:

Open Pits:

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

Underground:

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

3. 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, 2017, the Company had an accumulated surplus of US$178.5 million, working deficit of US$337.2 million and borrowings of US$1,211 million. The Company's cash balance at March 31, 2017 was US$73.3 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$502.9 million of 3.5% unsecured bonds maturing on July 17, 2017 and US$134.5 million of short term debt facilities with interest rates ranging from 2.35% to 4.35% per annum arranged through various banks in China. In addition, on November 3, 2015, the Company entered into a Loan Facility agreement with a syndicate of banks, led by Bank of China. The lenders agreed to lend to the aggregate principle amount of RMB 3.98 billion, approximately US$613 million with the interest rate of 2.83% per annum currently. The People's Bank of China Lhasa Center Branch's interest rate serves as a benchmark for the interest on the drawdowns. The bank's interest rate is then discounted by 7 basis points (or 0.07%) to calculate the interest on the drawdowns. The proceeds from the Loan Facility are to be used for the development of the Jiama Mine. The loan is secured by the mining rights for the Jiama Mine. As of March 31, 2017, the Company has drawdown RMB3.17 billion, approximately US$458.7 million under the Loan Facility. As of March 31, 2017 the Company has approximately US$415 million unutilized banking facilities. The Company believes that the availability of debt financing in China at favorable rates will continue for the foreseeable future. The Company is currently assessing various strategic alternatives for the repayment of its 3.5% unsecured bonds maturing on July 17, 2017. As part of this assessment, the Company has currently engaged an underwriter and is pursuing a new bond issuance while also at the same time reviewing other financing options.

Given the challenging market conditions in the global mining industry, the Company continues to rigorously test its assets for impairment as part of its financial reporting processes. To date, the testing procedures carried out by the Company support the carrying values of the Company's assets, and no impairment has been required. However, management of the Company, together with its auditors, continues to evaluate and test key assumptions on estimates and management judgments in order to determine the fair value less cost of disposal of the CSH Mine and the Jiama Mine.

Cash flows

The following table sets out selected cash flow data from the Company's condensed consolidated interim cash flow statements for the three months ended March 31, 2017 and March 31, 2016.

	Three Months ended March 31,	
	2017	2016
	US$'000	US$'000
Net cash from operating activities	**12,314**	5,986
Net cash used in investing activities	**(51,756)**	(36,588)
Net cash from financing activities	**52,676**	34,338
Net increase in cash and cash equivalents	**13,234**	3,736
Effect of foreign exchange rate changes on cash and cash equivalents	**111**	79
Cash and cash equivalents, beginning of period	**59,930**	112,399
Cash and cash equivalents, end of period	**73,275**	116,214

Operating cash flow

For the three months ended March 31, 2017, the net cash inflow from operating activities was US$12.3 million which is primarily attributable to (i) depreciation and depletion of US$19.2 million (ii) increase in accounts and other payables and accrued expenses of US$4.9 million, and (iii) finance cost of US$4.9 million, partially offset by (i) interest paid of US$10.5 million and (ii) income taxes paid of US$8.2 million.

Investing cash flow

For the three months ended March 31, 2017, the net cash outflow from investing activities was US$51.8 million, which is primarily attributable to (i) payment for the acquisition of property, plant and equipment of US$52.4 million and (ii) placement of restricted cash bank balance of US$33.4 million, partially offset by a release of restricted bank balance of US$34.8 million

Financing cash flow

For the three months ended March 31, 2017, the net cash inflow from financing activities was US$52.7 million, which is primarily due to (i) proceeds from bank borrowings of US$56.3 million partially offset by repayments of borrowings of US$4.0 million.

Expenditures Incurred

For the three months ended March 31, 2017, the Company incurred mining costs of US$19.9 million, processing costs of US$30.4 million, transportation costs of US$1.6 million.

Gearing ratio

Gearing ratio is defined as the ratio of consolidated total debt to consolidated total equity. As at March 31, 2017, the Company's total debt was US$1,211 million and the total equity was US$1,428 million. The Company's gearing ratio was therefore 0.85 as at March 31, 2017 and 0.81 as at December 31, 2016.

Restrictive covenants

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

Under a Loan Facility agreement entered on November 3, 2015 between the Company and a syndicated of banks, led by Bank of China pursuant to which the banks agreed to lend to Tibet Huatailong, the Company's subsidiary, the aggregate principle amount of RMB 3.98 billion (approximately US$613 million), the debt to assets ratio of Huatailong should be less than 75% during the term of the agreement.

CHARGE ON ASSETS

Other than as disclosed elsewhere in this MD&A, none of the Group's assets were pledged as at March 31, 2017.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates for the monetary assets and liabilities denominated in the currencies other than the functional currencies to which they relate. The Company has not hedged its exposure to currency fluctuation. However, the Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. Refer to Note 30, Financial Instruments, in the annual consolidated financial statements for the year ended December 31, 2016.

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.

The following table outlines payments for commitments for the periods indicated:

	Total	**Within One year**	**Within Two to five years**	**Over 5 years**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Principal repayment of bank loans	**707,753**	134,506	234,806	338,441
Repayment of bonds	**502,851**	502,851	-	-
Total	**1,210,604**	**637,357**	**234,806**	338,441

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 performed and to be performed 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, 2017 and March 31, 2016.

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$41.6 million for the three months ended March 31, 2016 to US$45.2 million for the three months ended March 31, 2017.

On May 29, 2015, the Company entered into a revised continuing connected transaction and major transaction amending the Product and Service Framework Agreement with CNG. According to the amendments, CNG purchases the copper concentrates produced at the Jiama Mine. The quantity of copper concentrates, pricing terms and payment terms be established from time to time by the parties with reference to the pricing principles for connected transactions set out under the Product and Service Framework Agreement. For the three months ended March 31, 2017, revenue from sales of copper concentrate and other products to CNG was US$23.5 million, compared to US$12.2 million for the same period in 2016.

For the three months ended March 31, 2017, construction services of US$2.5 million were provided to the Company by subsidiaries of CNG (US$ 49.7 million for the three months March 31, 2016).

In addition to the two aforementioned major related party transactions, the Company also obtains additional services from related parties in its normal course of business, including a Financial Services Agreement entered on May 29, 2015 among Inner Mongolia Pacific, Huatailong and China Gold Finance.

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, 2017. The Company continues to review possible acquisition targets, including the Jinfeng Mine acquired by CNG in September 2016. However, there can be no assurances that such review will result in any acquisition transactions.

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, 2016.

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, 2016.

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, 2017.

OFF-BALANCE SHEET ARRANGEMENTS

As at March 31, 2017, 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, 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, 2017 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, 2017 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 of March 31, 2017, 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, 2017 and have concluded that these controls and procedures were effective as of March 31, 2017 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, 2017, 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.

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 12, 2017

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

(incorporated in British Columbia, Canada with limited liability)

Report and Condensed Consolidated Financial Statements
For the three months ended March 31, 2017

REPORT AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2017

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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, 2017

	NOTES	Three months ended March 31, 2017 US$'000	Three months ended March 31, 2016 US$'000
Revenues	3	82,110	65,585
Cost of sales		(62,986)	(58,039)
Mine operating earnings		19,124	7,546
Expenses			
General and administrative expenses	4	(5,776)	(5,049)
Exploration and evaluation expenditure		(36)	(46)
		(5,812)	(5,095)
Income from operations		13,312	2,451
Other income (expenses)			
Foreign exchange gain, net		2,845	1,198
Interest and other income		2,466	1,649
Finance costs	5	(4,914)	(4,453)
Impairment loss on available-for-sale investment		-	(3,831)
		397	(5,437)
Profit (loss) before income tax		13,709	(2,986)
Income tax expense	6	(7,332)	(500)
Profit (loss) for the period		6,377	(3,486)
Other comprehensive income (expense) for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation		1,049	767
Fair value gain (loss) on available-for-sale investment		515	(3,831)
Reclassification adjustment upon impairment of available-for-sale investment		-	3,831
Total comprehensive income (expense) for the period		7,941	(2,719)
Profit (loss) for the period attributable to			
Non-controlling interests		46	115
Owners of the Company		6,331	(3,601)
		6,377	(3,486)
Total comprehensive income (expense) for the period attributable to			
Non-controlling interests		48	114
Owners of the Company		7,893	(2,833)
		7,941	(2,719)
Earnings (loss) per share - Basic (US)	7	1.60 cents	(0.91) cents
Weighted average number of common shares - Basic	7	396,413,753	396,413,753

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT MARCH 31, 2017

	NOTES	March 31, 2017 US$'000	December 31, 2016 US$'000 (audited)
Current assets			
Cash and cash equivalents		73,275	59,930
Restricted bank balance		19,795	21,085
Trade and other receivables	8	175,960	163,228
Prepaid expenses and deposits		5,138	5,633
Prepaid lease payments		382	366
Inventories	9	220,028	220,557
		494,578	470,799
Non-current assets			
Prepaid expense and deposits		12,272	12,156
Prepaid lease payments		15,091	14,403
Deferred tax assets		-	382
Available-for-sale investments	16	15,282	14,755
Property, plant and equipment	10	1,583,546	1,531,307
Mining rights		921,658	922,817
		2,547,849	2,495,820
Total assets		3,042,427	2,966,619
Current liabilities			
Accounts and other payables and accrued expenses	11	188,995	176,464
Borrowings	12	637,357	596,233
Entrusted loan payable	13	-	28,831
Tax liabilities		5,391	7,944
		831,743	809,472
Net current liabilities		(337,165)	(338,673)
Total assets less current liabilities		2,210,684	2,157,147
Non-current liabilities			
Borrowings	12	573,247	558,599
Deferred tax liabilities		126,173	124,808
Deferred income		4,144	4,214
Entrusted loan payable	13	28,988	-
Environmental rehabilitation		50,278	49,337
		782,830	736,958
Total liabilities		1,614,573	1,546,430

	NOTE	March 31, 2017 US$'000	December 31, 2016 US$'000 (audited)
Owners' equity			
Share capital	14	1,229,061	1,229,061
Reserves		6,753	5,191
Retained profits		178,536	172,205
		1,414,350	1,406,457
Non-controlling interests		13,504	13,732
Total owners' equity		1,427,854	1,420,189
Total liabilities and owners' equity		3,042,427	2,966,619

The condensed consolidated financial statements were approved and authorized for issue by the Board of Directors on May 12, 2017 and are signed on its behalf by:

(Signed by) Xin Song
Xin Song
Director

(Signed by) Bing Liu
Bing Liu
Director

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED MARCH 31, 2017

	Number of shares	Share capital US$'000	Equity reserve US$'000 (note a)	Investment revaluation reserve US$'000	Exchange reserve US$'000	Statutory reserve US$'000 (note b)	Retained profits US$'000	Subtotal US$'000	Non-controlling interests US$'000	Total owners' equity US$'000
At January 1, 2016 (audited)	396,413,753	1,229,061	11,179	-	(3,685)	11,355	186,317	1,434,227	13,027	1,447,254
(Loss) profit for the period	-	-	-	-	-	-	(3,601)	(3,601)	115	(3,486)
Fair value loss on available-for-sale investment	-	-	-	(3,831)	-	-	-	(3,831)	-	(3,831)
Reclassified adjustment upon impairment of available-for-sale investment	-	-	-	3,831	-	-	-	3,831	-	3,831
Exchange difference arising on translation	-	-	-	-	768	-	-	768	(1)	767
Total comprehensive income (expenses) for the period	-	-	-	-	768	-	(3,601)	(2,833)	114	(2,719)
At March 31, 2016 (unaudited)	396,413,753	1,229,061	11,179	-	(2,917)	11,355	182,716	1,431,394	13,141	1,444,535
At January 1, 2017 (audited)	396,413,753	1,229,061	11,179	1,278	(19,429)	12,163	172,205	1,406,457	13,732	1,420,189
Profit for the period	-	-	-	-	-	-	6,331	6,331	46	6,377
Fair value gain on available-for-sale investment	-	-	-	515	-	-	-	515	-	515
Exchange difference arising on translation	-	-	-	-	1,047	-	-	1,047	2	1,049
Total comprehensive income for the period	-	-	-	515	1,047	-	6,331	7,893	48	7,941
Dividend paid to a non-Controlling shareholder	-	-	-	-	-	-	-	-	(276)	(276)
At March 31, 2017 (unaudited)	396,413,753	1,229,061	11,179	1,793	(18,382)	12,163	178,536	1,414,350	13,504	1,427,854

Notes:

(a) Amounts represent equity reserve arising from share-based compensation provided to directors and employees under the stock option plan of the Company.

(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, 2017

	Three months ended March 31, 2017 US$'000	Three months ended March 31, 2016 US$'000
Net cash from operating activities	12,314	5,986
Investing Activities		
Payment for acquisition of property, plant and equipment	(52,406)	(36,358)
Deposit paid for acquisition of property, plant and equipment	(49)	(1,391)
Payment for acquisition of land use right	(709)	-
Placement of restricted bank deposits	(33,401)	(5,030)
Release of restricted bank deposits	34,809	6,191
Net cash used in investing activities	(51,756)	(36,588)
Financing Activities		
Proceeds from borrowings	56,345	124,066
Repayment of borrowings	(4,007)	(89,728)
Proceeds from entrusted loan	29,186	-
Repayment of entrusted loan	(28,572)	-
Dividend paid to a non-controlling shareholder of a subsidiary	(276)	-
Net cash from financing activities	52,676	34,338
Net increase in cash and cash equivalents	13,234	3,736
Cash and cash equivalents, beginning of period	59,930	112,399
Effect of foreign exchange rate changes on cash and cash equivalents	111	79
Cash and cash equivalents, end of period	73,275	116,214
Cash and cash equivalents are comprised of		
Cash and bank deposits	73,275	116,214

1. GENERAL AND BASIS OF PREPARATION

China Gold International Resources Corp. Ltd., formerly known as Jinshan Gold Mines Inc., (the "Company") is a publicly listed company incorporated in British Columbia, Canada 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 considers that China National Gold Group Corporation ("CNG"), a state owned company registered in Beijing, the 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") as well as International Accounting Standard 34 ("IAS 34"), *Interim Financial Reporting* issued by the International Accounting Standard Board.

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

At March 31, 2017, the Group's current liabilities exceeded its current assets by approximately US$337 million. In view of these circumstances, the directors of the Company have given careful 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 of approximately US$415 million, proposed plan to issue bonds to independent third parties in an aggregate principal amount of US$500 million, 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 condensed consolidated 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, 2017 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2016.

In the current interim period, the Group has applied the following amendments to International Financial Reporting Standards ("IFRSs") which are mandatorily effective for the current interim period:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	Clarification of the Scope of IFRS 12 (from Annual Improvements to IFRSs 2014 – 2016 Cycle)

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

3. REVENUE AND 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 and reportable 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 processes, i.e., mining, metallurgical processing, production and selling copper concentrate and other by - products to external clients.

Information regarding the above segments is reported below:

3. REVENUE AND SEGMENT INFORMATION - continued

(a) Segment revenues and results

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

For the three months ended March 31, 2017

	Mine - produced gold US$'000	Mine - produced copper US$'000	Segment total US$'000	Unallocated US$'000	Consolidated US$'000
Revenue - external and segment revenue	45,197	36,913	82,110	-	82,110
Cost of sales	(41,189)	(21,797)	(62,986)	-	(62,986)
Mining operating earnings	4,008	15,116	19,124	-	19,124
Income (expenses) from operations	3,973	10,974	14,947	(1,635)	13,312
Foreign exchange gain, net (Note)	1,139	1,664	2,803	42	2,845
Interest and other income	204	361	565	1,901	2,466
Finance costs	(1,175)	(1,171)	(2,346)	(2,568)	(4,914)
Profit (loss) before income tax	4,141	11,828	15,969	(2,260)	13,709

For the three months ended March 31, 2016

	Mine - produced gold US$'000	Mine - produced copper US$'000	Segment total US$'000	Unallocated US$'000	Consolidated US$'000
Revenue - external and segment revenue	41,643	23,942	65,585	-	65,585
Cost of sales	(37,592)	(20,447)	(58,039)	-	(58,039)
Mining operating earnings	4,051	3,495	7,546	-	7,546
Income (expenses) from operations	4,004	5	4,009	(1,558)	2,451
Foreign exchange (loss) gain, net (Note)	(1,042)	2,319	1,277	(79)	1,198
Interest and other income	77	832	909	740	1,649
Finance costs	(896)	(1,744)	(2,640)	(1,813)	(4,453)
Impairment loss on available-for-sale investment	-	-	-	(3,831)	(3,831)
Profit (loss) before income tax	2,143	1,412	3,555	(6,541)	(2,986)

Note: Due to the appreciation of RMB against US$, the Group incurred net exchange gain amounting to US$2,845,000 for the period ended March 31, 2017 (for the period ended March 31, 2016: US$1,198,000), which was mainly from the translation of US$ denominated intra-group borrowing of Tibet Huatailong Mining Development Co. Ltd. ("Huatailong") from Skyland Mining (BVI) Limited to RMB, the functional currency of Huatailong, for the Jiama Mine development in mine-produced copper segment.

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

There were no inter-segment sales for the three months ended March 31, 2017 and 2016.

3. REVENUE AND SEGMENT INFORMATION - continued

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by segment representing assets/liabilities directly attributable to respective segment:

	Mine - produced gold US$'000	Mine - produced copper US$'000	Segment total US$'000	Unallocated US$'000	Consolidated US$'000
As of March 31, 2017					
Total assets	746,905	2,112,790	2,859,695	182,732	3,042,427
Total liabilities	250,656	867,450	1,118,106	496,467	1,614,573
As of December 31, 2016					
Total assets	726,956	2,049,043	2,775,999	190,620	2,966,619
Total liabilities	229,336	816,873	1,046,209	500,221	1,546,430

4. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended March 31, 2017 US$'000	Three months ended March 31, 2016 US$'000
Administration and office	2,120	1,673
Depreciation of property, plant and equipment	679	698
Professional fees	292	644
Salaries and benefits	2,365	1,894
Others	320	140
Total general and administrative expenses	5,776	5,049

5. FINANCE COSTS

	Three months ended March 31, 2017 US$'000	Three months ended March 31, 2016 US$'000
Effective interests on borrowings	10,523	8,813
Accretion on environmental rehabilitation	674	755
	11,197	9,568
Less: Amount capitalized to property, plant and equipment	(6,283)	(5,115)
Total finance costs	4,914	4,453

6. INCOME TAX EXPENSE

	Three months ended March 31, 2017 US$'000	Three months ended March 31, 2016 US$'000
PRC Enterprise Income Tax	7,740	2,801
Overprovision of PRC Enterprise /Income Tax in prior year	(2,100)	-
Deferred tax expense (credit)	1,692	(2,301)
Total income tax expense	7,332	500

7. EARNINGS (LOSS) PER SHARE

Profits (loss) used in determining earnings (loss) per share are presented below:

	Three months ended March 31, 2017	Three months ended March 31, 2016
Profit (loss) for the period attributable to owners of the Company for the purposes of basic earnings (loss) per share (US$'000)	6,331	(3,601)
Weighted average number of shares, basic	396,413,753	396,413,753
Basic earnings (loss) per share (US)	1.60 cents	(0.91) cents

The Group has no outstanding potential dilutive instruments issued as at March 31, 2017 and 2016 and during the period ended March 31, 2017 and 2016. Therefore, no diluted earnings (loss) per share is presented.

8. TRADE AND OTHER RECEIVABLES

	March 31, 2017 US$'000	December 31, 2016 US$'000
Trade receivables	15,371	4,054
Less: allowance for doubtful debts	(68)	(94)
	15,303	3,960
Amounts due from related companies (note 15(a))[1]	14	128
Loans to related companies (note 15(a))	159,739	158,433
Other receivables[2]	904	707
Total trade and other receivables	175,960	163,228

8. TRADE AND OTHER RECEIVABLES - continued

(1) The outstanding balances represent related service fee receivables arising from provision of transportation services to the subsidiaries of CNG during the period/year ended March 31, 2017 and December 31, 2016. The amounts are unsecured, interest free and repayable on demand.

(2) Included in the balance as at March 31, 2017 is an amount of approximately US$44,000 (December 31, 2016: US$279,000) value-added tax recoverable which is expected to be recovered within twelve months after the end of the reporting period.

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

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

	March 31, 2017 US$'000	December 31, 2016 US$'000
Less than 30 days	14,148	-
31 to 90 days	160	1,307
91 to 180 days	190	2,387
Over 180 days	805	266
	15,303	3,960

9. INVENTORIES

	March 31, 2017 US$'000	December 31, 2016 US$'000
Gold in process	192,122	190,832
Gold doré bars	11,934	14,118
Consumables	5,736	4,923
Copper	1,118	544
Spare parts	9,118	10,140
Total inventories	220,028	220,557

Inventories totaling US$62 million for the three months ended March 31, 2017 (three months ended March 31, 2016: US$57 million) was recognized in cost of sales.

10. PROPERTY, PLANT AND EQUIPMENT

During the three month period ended March 31, 2017, the Group incurred approximately US$43.4 million on construction in progress (for the period ended March 31, 2016: approximately US$27.1 million) and approximately US$16.4 million on mineral assets (for the period ended March 31, 2016: approximately US$13.0 million), respectively.

Depreciation of property, plant and equipment was US$19.3 million for the period ended March 31, 2017 (for the period ended March 31, 2016: US$16.3 million). The depreciation amount were partly recognized in cost of sales and general and administrative expenses and partly capitalized in inventory.

11. ACCOUNTS AND OTHER PAYABLES AND ACCRUED EXPENSES

Accounts and other payables and accrued expenses comprise the following:

	March 31, 2017 US$'000	December 31, 2016 US$'000
Accounts payable	21,106	17,738
Bills payable	62,593	73,785
Construction cost payables	76,888	69,582
Advances from customers	131	46
Mining cost accrual	19,218	5,453
Payroll and benefit payables	4,544	4,967
Other accruals	559	1,138
Other tax payable	1,721	1,762
Other payables	2,235	1,993
Total accounts and other payables and accrued expenses	188,995	176,464

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

	March 31, 2017 US$'000	December 31, 2016 US$'000
Less than 30 days	7,904	7,277
31 to 90 days	8,108	5,445
91 to 180 days	1,844	2,396
Over 180 days	3,250	2,620
Total accounts payable	21,106	17,738

The credit period for bills payable is 180 days from the bills issue date.

11. ACCOUNTS AND OTHER PAYABLES AND ACCRUED EXPENSES - continued

The following is an ageing analysis of bills payable, presented based on bills issue date at the end of the reporting period:

	March 31, 2017 US$'000	December 31, 2016 US$'000
Less than 30 days	11,864	18,739
31 to 60 days	14,494	7,208
61 to 90 days	11,595	11,799
91 to 180 days	24,640	36,039
Total bills payable	62,593	73,785

12. BORROWINGS

The borrowings are repayable as follows:

	March 31, 2017 US$'000	December 31, 2016 US$'000
Carrying amount repayable within one year	637,357	596,233
Carrying amount repayable within one to two years	28,988	57,662
Carrying amount repayable within two to five years	205,818	204,699
Carrying amount repayable over five years	338,441	296,238
	1,210,604	1,154,832
Less: Amounts due within one year (shown under current liabilities)	(637,357)	(596,233)
Amounts shown under non-current liabilities	573,247	558,599
Analysed as:		
Secured	458,742	415,886
Unsecured	751,862	738,946
	1,210,604	1,154,832

12. BORROWINGS – continued

The carrying value of the pledged asset to secure borrowing by the Group are as follows:

	March 31, 2017 US$'000	December 31, 2016 US$'000
Mining rights	921,658	922,817

Borrowings carry interest at effective interest rates ranging from 2.35% to 4.35% (December 31, 2016: 2.35% to 4.35%) per annum.

13. ENTRUSTED LOAN PAYABLE

On January 17, 2014, the Group entered into a three-year entrusted loan agreement with CNG (note 15) and China Construction Bank ("CCB") in which CNG provided a loan of RMB200 million (equivalent to approximately US$32,221,000 based on the spot rate at the withdrawal date) to the Group through CCB as the entrusted bank. The entrusted loan was unsecured and carried interest at a fixed rate of 3% per annum. The principal amount was fully repaid on January 18, 2017.

On January 16, 2017, the Group entered into a three-year entrusted loan agreement with CNG and China National Gold Group Finance Company Limited ("China Gold Finance"), a subsidiary of CNG, in which CNG provided a loan of RMB200 million (equivalent to approximately US$29,186,000 based on the spot rate at the withdrawal date) to the Group through China Gold Finance as the entrusted bank. The entrusted loan is unsecured and carries interest at a fixed rate of 2.75% per annum. The principal amount is repayable on January 15, 2020.

14. SHARE CAPITAL AND OPTIONS

Common shares

(i) Authorized - Unlimited common shares without par value

(ii) Issued and outstanding

	Number of shares	Amount US$'000
Issued and fully paid:		
At January 1, 2016, December 31, 2016 and March 31, 2017	396,413,753	1,229,061

15. 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 are as follows:

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

	March 31, 2017	December 31, 2016
	%	%
CNG	39.3	39.3

(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, 2017	Three months ended March 31, 2016
	US$'000	US$'000
Gold doré sales by the Group	45,197	41,643
Copper and other product sales by the Group	23,454	12,227
Provision of transportation services by the Group	217	263
Construction, stripping and mining service provided to the Group	2,470	49,725
Office lease to the Group	272	287
Loan provided to the Group	7,247	24,763

15. RELATED PARTY TRANSACTIONS – continued

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

(i) Transactions/balances with CNG and its subsidiaries- continued

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

	March 31, 2017 US$'000	December 31, 2016 US$'000
Assets		
Loans receivable from CNG subsidiaries (note 8)	159,739	158,433
Amounts due from related companies (note 8)	14	128
Cash and cash equivalents held by a CNG subsidiary	19,665	31,052
Trade receivable from CNG subsidiaries (note 8)	11,001	490
Deposits	53	168
Total amounts due from CNG and its subsidiaries	190,472	190,271

Loans receivable from CNG subsidiaries, which is included in trade and other receivables, carry fixed interest rate at the range from 3.9% to 5% (December 31, 2016: 3.9% to 5%) per annum and are unsecured and repayable within one year. The remaining amounts due from CNG and its subsidiaries which are included in other receivables is non-interest bearing, unsecured and repayable on demand.

	March 31, 2017 US$'000	December 31, 2016 US$'000
Liabilities		
Loans payable to a CNG subsidiary	50,729	43,304
Entrusted loan payable (note 13)	28,988	28,831
Construction costs payables to CNG's subsidiaries	12,708	14,970
Trade payable to CNG subsidiaries	1,944	-
Customer advance paid by CNG's subsidiary	33	33
Total amounts due to CNG's subsidiaries	94,402	87,138

The loans payable to a CNG subsidiary, which are included in borrowings, carry fixed interest rates at the range from 4.35% (December 31, 2016: 4.35%) per annum and are unsecured and repayable within one year. With the exception of the entrusted loan payable to CNG and loans payable to a CNG subsidiary, the amounts due to CNG and its subsidiaries which are included in other payables and construction costs payable, are non-interest bearing, unsecured and have no fixed terms of repayments.

15. 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) Compensation of key management personnel

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

	Three months ended March 31,	
	2017	2016
	US$'000	US$'000
Salaries and other benefits	222	190
Post-employment benefits	7	6
	229	196

16. FINANCIAL INSTRUMENTS

As at March 31, 2017 and December 31, 2016, the Group's available-for-sale investments 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 based on the quoted price (unadjusted) available on the stock exchange (Level 1 fair value measurement). As at March 31, 2017, US$13,253,000 December 31, 2016: US$12,737,000) 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 month period ended March 31, 2017, no impairment loss was recognized, (for the period ended March 31, 2016: US$3,831,000 was recognized as impairment loss).

As at March 31, 2017, US$2,029,000 (December 31, 2016: US$2,018,000) 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, 2016.

17. EVENT AFTER THE REPORTING PERIOD

On May 11, 2017, the Board of Directors approved the Company, through its wholly owned subsidiary, Skyland Mining (BVI) Limited, to issue bonds in an aggregate principal amount of up to US$500 million, which will be listed on the Stock Exchange of Hong Kong Limited. The Bonds will be unconditionally and irrevocably guaranteed by the Company and the completion date is expected in June 2017.