



ANNUAL REPORT 2016

Incorporated in British Columbia, Canada with limited liability
HK Stock Exchange Stock Code: 2099
Toronto Stock Exchange Stock Code: CGG



中國黃金國際資源有限公司
China Gold International Resources Corp. Ltd.



MESSAGE FROM THE CHAIRMAN



Xin Song

Chairman of the Board, Executive Director

SUCSESSES, CHALLENGES AND OPPORTUNITIES.

Dear Shareholders and Friends of the Company

Even though 2016 was another challenging year in the mining industry, China Gold made significant progress during the year. The Company's consolidated gold production was 211,302 ounces and copper production was 40.4 million pounds. Company operations continue to expand and efforts from the entire team have proven to be remarkable. This progress would not be possible without our incredible team of dedicated executives, employees and directors, and I wish to extend my heartfelt appreciation to them.

However, the Company continues to direct our attention and focus to the operational and financial challenges it faces, which we believe better equips the Company for future success and to maximize shareholder value.

China Gold International is also strengthening our work in health safety and environmental protection. Both of the Company's mines have been improving their management system in these three areas, enhancing the intrinsic safety, and strengthening the management of construction units.

The Company is also planning to speed up the resource development, external mergers and acquisitions and seize opportunities with quality projects to achieve its goal of developing into a premier international mining company.

MESSAGE FROM THE CHAIRMAN

In 2017, The Company will face a new challenge – the global economy is in a period of significant volatility and uncertainty. China Gold will face these issues directly and focus on the work to ensure the Company's success.

Sincerely,

Xin Song

Chairman of the Board, Executive Director





MESSAGE FROM THE CEO



Bing Liu

Message from the CEO

Dear Shareholders and Friends of the Company,

In 2016, China Gold International made full use of the great support the Company's controlling shareholder, to strengthen the production and operation control, promote the construction of key projects, and enhance the management level; further analyze the dynamics of overseas market, seize resource development opportunities, push the improvement of the Company's development quality, and continuously create new value for shareholders, employees, and the communities in which we operate. The Company also actively participates in and supports social welfare and charity causes, sponsoring a highly successful annual event with the Canadian Cancer Society.

Over the last year, China Gold International has grown continuously and steadily. The Company's 100% owned subsidiary, Tibet Huatailong has overcome challenges in expanding our Jiama Mine. Series I of the Jiama Phase II construction was completed and commissioned smoothly and a significant leap in production development was realized. Our other operating subsidiary, Inner Mongolia Pacific, which operates the CSH Mine, completed a new leaching plant project ahead of schedule, making a positive contribution to the CSH Mine's production in 2016. The Company was awarded first place in the Awards of Science and Technology

MESSAGE FROM THE CEO

of Land Resources, and its 2015 social responsibility report obtained the leading 4.5 star evaluation from Chinese Academy of Social Sciences.

In 2016, both of the Company's mines carried out geological work required to improve their operations. At the Jiama Mine, infill exploration in the South Pit and peripheral geophysical prospecting have provided the basis for selecting the new target areas. The CSH Mine has implemented deep prospecting and exploration programs to expand the ore body and the Company is working towards new breakthroughs in deep and peripheral prospecting.

The Company is also working to lower costs and improve efficiency at both its mines by taking practical and effective measures to optimize mine plans, manage power costs and promote greater scientific innovation in its operations. The Company has also been successful in reducing general and administrative, foreign exchange exposure and net interest expenses.

These remarkable results could not have been made possible without the strong support of all directors, leaders, departments and employees of the Company. Extra recognition should go to our workers on the front lines, who work tenaciously on the Tibetan Plateau in the extreme environment with high cold and oxygen deficit; those who struggle hard on the Inner Mongolia grassland with vast sand. These individuals have created brilliant achievements for the Company with their devotion, dedication, and sincerity.

Sincerely,

Bing Liu

Chief Executive Officer, Executive Director



BOARD OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Xin Song

CHAIRMAN OF THE BOARD, EXECUTIVE DIRECTOR

Mr. Song, age 54, was elected as Chairman of the Board on February 24, 2014 having joined the Company on October 9, 2009. From October 9, 2009 to February 24, 2014, Mr. Song served as the Chief Executive Officer and an Executive Director and was responsible for the Company's strategic planning and business operations. Mr. Song has served as the President of China National Gold, the Company's principal shareholder and the largest gold producer in China, since December 2013. From 2003 to December 2013, Mr. Song served as Vice President of China National Gold, where he was responsible for resources development, geological exploration and international operations. Mr. Song served as Chairman of the Board of Skyland Mining Limited ("Skyland") from April 2008 to May 2015 and served as the Chairman of the Board of Tibet Jia Ertong Mining Development Co., Ltd. ("Tibet Jia Ertong") from April 2008 to February 2014, which are shareholders of Tibet Huatailong Mining Development Co., Ltd. ("Tibet Huatailong") that hold the Company's Jiama Mine. Mr. Song served as the Chairman of the board of Tibet Huatailong from October 2007 to June 2010. Mr. Song has served as Chairman of the board of Zhongjin Gold Corporation Limited ("Zhongjin Gold"), a public company listed on the Shanghai Stock Exchange, since February 2014, for which he served as a director from March 2007 to February 2014 and Chairman of the Board from September 2003 to March 2007. Mr. Song has served as a Director of China National Gold Group Hong Kong Limited ("China Gold Hong Kong"), since March 2008. Mr. Song has served as a director of China Gold Hong Kong Holding Corp. Limited ("China Gold Hong Kong Holding"), since August 2011. He has served as a director of Mundoro Mining Inc. ("Mundoro"), a private British Columbia based junior natural resource company, since October 2011.

Mr. Song holds a Ph.D. doctorate degree in resources economics and management from the University of Science and Technology Beijing, a Master's degree in business administration from the China Europe International Business School, a Master's degree in mining engineering from the University of Science and Technology Beijing and a Bachelor's Degree in mineral processing engineering from the Central South Institute of Mining and Metallurgy.

Bing Liu

CHIEF EXECUTIVE OFFICER, EXECUTIVE DIRECTOR

Mr. Liu, age 54, was elected as Chief Executive Officer and an Executive Director on February 24, 2014 and joined the Company on May 12, 2008. From May 12, 2008 to February 24, 2014, Mr. Liu served as a non-Executive Director, and was responsible for the supervision of finance related matters and the Company's overall strategic planning. Mr. Liu has extensive experience in mine financing, construction and development. Mr. Liu has served as Vice President of China National Gold, a director of China Gold Hong Kong, a director of China Gold Hong Kong Holding and Mundoro, since November 1999, August 2011 and October 2011 respectively. Mr. Liu has served as Chief Accountant of China National Gold since October 2006 to March 2016. He has served as chairman of China Gold Finance from December 2014 to the present. Mr. Liu has served as the chairman of the board of Skyland since May 2015, and has served as the chairman of the board of Tibet Jia Ertong since February 2014. Mr. Liu served as a director of the board of Zhongjin Gold from September 2003 to May 2013, and served as a chairman of the supervisory committee of Zhongjin Gold since May 2013 up to now. Mr. Liu served as a chairman of China Gold Reserve from August 2011 to October 2016. Prior to joining China National Gold, Mr. Liu served as Senior Secretary of the China National Economy and Trade Commission from April 1992 to October 1997 and from March 1998 to November 1999, and as Senior Secretary of the China Textile General Association from October 1997 to March 1998. He also served as an Accountant of China Automobile Industry Corporation from July 1987 to April 1992. Mr. Liu is a senior accountant, senior economist and associate researcher in China.

Mr. Liu holds a Master's degree in business administration from the Department of Business Administration, Asia International Open University in Macau, holds a Bachelor's Degree in accounting from Capital University of Economics and Business and is a post-graduate of currency and banking of Graduate School of China Academy of Social Sciences.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Lianzhong Sun

NON-EXECUTIVE DIRECTOR

Mr. Sun, age 59, joined the Company on February 24, 2014 as a non-Executive Director and is responsible for the supervision of operation related matters and the Company's overall strategic planning. Mr. Sun serves as Vice President of China National Gold, the Company's principal shareholder, where he is mainly responsible for resources development. Mr. Sun served as chairman of the board of Tibet Huatailong, from June 2010 to February 2012, which holds the Company's Jiama Mine. Mr. Sun has served as a director of China Gold Hong Kong since February 2014.

From March 2005 to January 2009, Mr. Sun served as Vice President of Zhongjin Gold. He has served as chairman of the board of Kichi-chaarat Company, a mining company based in The Kyrgyz Republic, since February 2012, and has served as a director of China Gold Hong Kong Buchuk Mining Company Limited ("Buchuk") since May 2015, which controls a mining company based in The Kyrgyz Republic. From December 2000 to July 2011, Mr. Sun served as Chairman of the Board of four other mining enterprises which are subsidiaries of China National Gold. Mr. Sun has nearly 40 years of experience in the mining industry. In addition to senior management experience, Mr. Sun also has extensive management experience in on-site operation of mining enterprises. From March 1993 to December 2000, Mr. Sun served as head and general manager of three mining enterprises, through which he had first-hand insight of the operation and management of mine-site production and became an expert in cost-control and management enhancement. Since 2005, Mr. Sun has been responsible for resource development of China National Gold.

Mr. Sun graduated from Shenyang Gold Institute and majored in Mining Engineering.

Liangyou Jiang

SENIOR EXECUTIVE VICE PRESIDENT, EXECUTIVE DIRECTOR

Mr. Jiang, age 51, was appointed as Senior Executive Vice President of the Company on August 18, 2014 and an Executive Director on October 23, 2014. Mr. Jiang joined the Company in August 2010 as the General Manager of Tibet Huatailong, the Company's wholly-owned subsidiary, and served as the Chairman of Tibet Huatailong from February 2012 to August 2014. Mr. Jiang has served as a director of Sino Mining Guizhou Pty and Guizhou Jinfeng Mining from August 2016 to the present. Mr. Jiang has served as a director of Tibet Jia Ertong since August 2014, has served as a director of Skyland since October 2014, and has served as a director of Buchuk since May 2015. Mr. Jiang has served as the director of China Gold Hong Kong Holding and Mundoro since January 2015 and August 2014 respectively. Mr. Jiang worked as Chief Engineer of China National Gold since August 2014. From September 2007, Mr. Jiang has served as the Head of Engineering Management Division of the Investment Management Department of China National Gold. In February 2008, he was appointed as a Manager of the Investment Management Department of China National Gold. Prior to joining China National Gold Group's headquarters, Mr. Jiang served as a General Manager of China Kazakhstan Mining Corp. Ltd., a subsidiary of China National Gold Group. From August 1987 to March 2005, Mr. Jiang worked at Changchun Gold Design Institute. He was appointed as a Chief Engineer of the Institute in February 2000 and then as Vice President and Chief Engineer of the Institute since April 2002. Mr. Jiang won more than 20 provincial-level scientific and technological achievement awards and numerous honorary titles from various agencies. In 2005, Mr. Jiang was awarded the special allowance by the State Council.

Mr. Jiang is a Senior Professional Engineer, holds a Bachelor's Degree in mineral processing from Northeastern University.



BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Xiangdong Jiang

VICE PRESIDENT OF PRODUCTION, EXECUTIVE DIRECTOR

Mr. Jiang, age 58, was elected as an Executive Director on June 17, 2010 and serves as the Company's Vice President of Production, since March 24, 2009. Mr. Jiang joined the Company in July 2002 as a manager in charge of projects in China and was responsible for the supervision of all exploration projects including the establishment of the gold exploration and drilling program at the CSH Gold Mine. Mr. Jiang served as Vice President of Business Development of the Company from May 20, 2004 to September 8, 2008 and was, during this time, primarily responsible for undertaking property review and evaluation and exploring business opportunities for the Company. Mr. Jiang served as Vice President of Production and Technology from September 8, 2008 to March 23, 2009 and was promoted to Vice President of Production on March 24, 2009. Mr. Jiang has served as a director of Inner Mongolia Pacific Mining Co. Ltd. ("Inner Mongolia Pacific"), since September 2008, which operates the Company's CSH Gold Mine and as General Manager of the CSH Gold Mine since August 2007.

Mr. Jiang has over 30 years of experience in the mining industry. Prior to joining the Company, Mr. Jiang worked on projects ranging from grass roots to bankable feasibility studies for global mining companies including Cyprus Amax Minerals, Placer Dome, Barrick Resources and First Quantum Minerals.

Mr. Jiang holds a Bachelor's Degree in Geology and Mineral Exploration from Changchun College of Geology.

Ian He

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. He, age 55, joined the Company on May 31, 2000 as a non-Executive Director and serves as an independent Director. Mr. He has more than 30 years of experience in the mining industry. Mr. He has served as President and a director of Tri-River Ventures Inc., a public company listed on the TSX Venture Exchange since October 2006, as a director of several TSX Venture Exchange listed companies, Huaxing Machinery Corp. since January 2011, and, as a director of Zhongrun Resources Investment Corporation, a public company listed on the Shenzhen Stock Exchange, since December 2010, as a director of Vatukoula Gold Mines, a public company listed on AIM of London Stock Exchange since February 2013. From August 1995 to June 2006, Mr. He served as President and a director of Spur Ventures Inc., a public company listed on the Toronto Stock Exchange with phosphate mining and fertilizer operations in China. Mr. He served as a director of Jiulian Resources Inc. from October 2006 to November 2015, and as a director of Dolly Varden Silver Corp. from June 2013 to September 2015.

Mr. He holds a Ph.D. degree and a M.A.Sc degree both in mineral process engineering from the University of British Columbia and a Bachelor's Degree in coal preparation from the Heilongjiang University of Technology (formerly Heilongjiang Institute of Mining and Technology), China.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Yunfei Chen

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Chen, age 45, joined the Company on May 12, 2008 as a non-Executive Director and serves as an independent Director. Mr. Chen is based in Hong Kong where he provides independent advisory services. Mr. Chen is currently the independent director of Dongfeng Motor Group Company Limited; a Hong Kong listed Chinese auto company since October 2013. Previously, Mr. Chen served as the board chairman of Asia Coal Limited, a company listed in Hong Kong from October 2010 to June 2011, and worked for Deutsche Bank Hong Kong from July 2001 to August 2007, where he served as a director and managing director in charge of general industries and mining for Asia at various times. Prior to joining Deutsche Bank, Mr. Chen was an attorney with Sullivan & Cromwell based in New York and Hong Kong, from March 1997 to July 2001.

Mr. Chen graduated from Southern Illinois University, United States, with a juris doctor degree. Mr. Chen obtained his bachelor of law degree from Wuhan University, China and is qualified to practice law in New York.

Gregory Hall

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Hall, age 67, joined the Company on October 9, 2009 as a non-Executive Director and serves as an independent Director. Mr. Hall is a seasoned geologist with over 40 years of experience in the mining industry and has extensive experience working with global mining companies. In his career, Mr. Hall has been involved in the discoveries of Gold's Field's Granny Smith and Wallaby gold mines and Rio Tinto's Yandicoogina iron ore mine in Western Australia. Mr. Hall serves as a director of Montero Mining and Exploration Limited, a public company listed on the TSX Venture Exchange, since January 2010, as a director of Zeus Resources Ltd., a public company listed on the Australian Stock Exchange since August 2010 and as a director of Dateline Resources a public company listed on the Australian Stock Exchange since January 2015. Mr. Hall serves as a director of three private companies including Oryx Mining and Exploration Limited, Central Exploration Limited and Golden Phoenix International Pty. Ltd. From 2000 to 2006, Mr. Hall served as Chief Geologist of the Placer Dome Group.

Mr. Hall holds a Bachelor of Science Degree in Applied Geology from the University of New South Wales, Australia in 1973.

John King Burns

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Burns, age 66, joined the Company on October 27, 2009 as a non-Executive Director and serves as an independent Director. Mr. Burns has extensive experience in the global resource sector. Mr. Burns serves as Chairman of Simba Energy Inc., a public company listed on the TSX Venture Exchange, since September 2009, as Managing Director of Finance and Global Business Development, of First Pac West US Corp., as director of Urban Select Capital Corporation since 2015, as Senior Advisor for Potomac Energy and Strategic Resources Fund, since September 2010 and as Chairman of the Advisory Board of Lockwood Financial Group, since September 2010. Mr. Burns has served as Chairman of Dolly Varden Silver Corporation, a public company listed on the TSX Venture Exchange, until March 2015, as Chairman of Amana Copper Ltd., formerly Titan Goldworx Resources Inc., a public company listed on the CNSX Exchange, until June 2015 and as a director of Corazon Gold Corp., a public company listed on the TSX Venture, until 2013. In his career, Mr. Burns has served as Vice President and Chief Financial Officer of the Drexel Burnham Lambert Commodity Group in New York, London and Chicago, Managing Director and global head of the Derivative Trading and Finance Group of Barclays Metals Group, Barclays Bank PLC in London and Managing Director of Frontier Risk Management LLC in Chicago and has served as Lead Director and an audit committee member for a number of public companies in the extractive natural resources and information technology spaces.

Mr. Burns holds a Bachelor of Arts Degree in economics from the University of Pennsylvania.



BOARD OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Jerry Xie

EXECUTIVE VICE PRESIDENT AND CORPORATE SECRETARY

Mr. Xie, age 56, joined the Company on March 24, 2009 and serves as Executive Vice President and Corporate Secretary. Mr. Xie is responsible for overseeing corporate secretarial matters and managing compliance. Mr. Xie plays an important role in business development, project evaluation, investor relations, public relations as well as manages the daily operations at the Company's Vancouver office. Mr. Xie served as Vice President and Secretary to the Board of the Company from March 24, 2009 to October 9, 2009 at which time he was promoted to Executive Vice President and Corporate Secretary. After joining the Company, Mr. Xie was involved in the Company's HK IPO process, Jiama Mine evaluation, merger and acquisitions and bond issuance. Mr. Xie has over 25 years of experience of Engineering and Project Management in the petro-chemical and oil-sand industry. Prior to joining the Company, Mr. Xie worked as Project Manager, Project Engineer and a Senior Piping Stress Analyst for LPEC/SINOPEC, Fluor, Bantrel, Tri-Ocean and WorleyParsons Canada Ltd., resource and energy engineering companies in China and Canada, from February 1982 to March 2009.

Mr. Xie holds a Master Degree in Engineering from the University of Calgary, a Master's Degree in Engineering from the Beijing University of Science & Technology and a diploma from the Mechanical Department of Shanghai Institute of Chemical Industry. Mr. Xie is a Professional Engineer with Association of Professional Engineers and Geoscientists of Alberta.

Derrick Zhang

CHIEF FINANCIAL OFFICER

Mr. Zhang, age 47, joined the Company on January 4, 2010 and serves as Chief Financial Officer responsible for financing, internal control and the planning and management of the Company's accounting and financial reporting, since August 10, 2011. Mr. Zhang served as interim Chief Financial Officer of the Company from February 28, 2011 to August 10, 2011 and served as Controller of the Company from January 4, 2010 to February 28, 2011. Mr. Zhang has over 20 years of experience in financial reporting and engineering for public and private companies including experience leading financial reporting for mergers and acquisitions. Mr. Zhang was a Financial and Accounting Supervisor and Cost Accountant for E-One Moli Energy (Canada) Ltd., an operating subsidiary of China Synthetic Rubber Corporation, a public company listed on the Taiwan Stock Exchange, from May 2008 to December 2009 and September 2006 to November 2007, respectively. Mr. Zhang was a Financial Analyst for Teleflex (Canada) Ltd., an operating subsidiary of Teleflex Incorporated, a public company listed on the New York Stock Exchange, from November 2007 to April 2008. Mr. Zhang was an accountant with Docuport Inc., a private technology company, from May 2005 to May 2006. From 1991 to 2001, Mr. Zhang worked as a Mining and Construction Cost Engineer in China and Singapore.

Mr. Zhang is a member of the Chartered Professional Accountants of British Columbia and a member of the Association of Chartered Certified Accountants in the United Kingdom. Mr. Zhang is also a Member of the Society of Economic Geologists in United States. Mr. Zhang holds a Bachelor of Commerce degree with a major in Accountancy from Concordia University in Montreal, Quebec, Canada and a Bachelor of Engineering degree in Geology from Southwest University of Science and Technology in China.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Songlin Zhang

VICE PRESIDENT AND CHIEF ENGINEER

Mr. Zhang, age 56, joined the Company on February 15, 2012 and was appointed as Chief Engineer and promoted as Vice President in the same year. Mr. Zhang has over 23 years of experience in the mining industry in both North America and China and is experienced in mine project evaluation, reserve and resource estimation and mine economic analysis. Prior to joining the Company, Mr. Zhang served as a technical director for White Tiger Gold where he managed all aspects of reserve and resource evaluation activities for various projects. Mr. Zhang was formerly a Consulting Engineer for Newmont Gold Corp., where he was involved in valuating production drilling and developing mine planning and ore grade control protocols in Newmont Northern Nevada and Peru Yanacocha operations. He was formerly a Senior Mine Engineer for Echo Bay Mines Ltd. (which merged with Kinross Gold Corporation) at the McCoy/Cove mine where he developed methodology for reserve and resource estimation, served as a member of the reserve committee for the company and conducted a full due diligence study of the Nevada Phoenix project. Mr. Zhang conducted various research projects for open-pit and underground mines in China while working as an assistant professor at the University of Science and Technology Beijing, China.

Mr. Zhang holds a Master Degree in Mining Engineering from Mackay School of Mines, University of Nevada-Reno in Nevada, USA, a Master Degree in Mining Engineering from the University of Science and Technology Beijing, China and a Bachelor's Degree in Mining Engineering from the University of Science and Technology Beijing, China. Mr. Zhang is a registered member of The Society for Mining, Metallurgy and Exploration and is a Qualified Person as defined in National Instrument 43-101 of the Canadian Securities Administrators.

Lisheng Zhang

VICE PRESIDENT

Mr. Zhang, age 56, serves as the Company's Vice President responsible for overseeing overall management of the CSH Gold Mine, since March 2013. Mr. Zhang joined the Company in September 2008 as a chairman of Inner Mongolia Pacific Mining Co. Ltd., a subsidiary of the Company, which owns and operates CSH Gold Mine. Mr. Zhang serves as an Executive Officer of two large mining companies which are subsidiaries of China National Gold, since 1995. Mr. Zhang has over 35 years of experience in the mining industry. Mr. Zhang's knowledge of local culture of Inner Mongolia and his working experience contributed to the rapid and sustainable development of CSH Gold Mine.

Shiliang Guan

VICE PRESIDENT

Mr. Guan, age 49, was appointed as the Vice President of the Company on September 22, 2016. Mr. Guan joined the Company in 2015 becoming the Board Chairman of Tibet Huatailong Mining Development Corp. Ltd., the Company's wholly-owned subsidiary. Mr. Guan started his career in 1991 and has 25 years of experience in the mining industry. Mr. Guan is a senior professional engineer, holding a bachelor's degree in mining engineering from Northeastern University of China.



DIRECTORS' REPORT

The Directors are pleased to present this report and the audited consolidated financial statements of the Company for the year ended December 31, 2016 (the "Reporting Period").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company 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 principal activities of the subsidiaries are set out in note 33 of the Financial Statements. There were no significant changes in the nature of the Company's principal activities during the year.

Further discussion and analysis of the business review as required by Schedule 5 to the Hong Kong Companies Ordinance, including a fair view of the business and a discussion of the principal risks and uncertainties facing the Company, particulars of important events affecting the Company that have occurred since the end of the financial year 2016, an indication of likely future development in the Company's business, the Group's environmental policies and performance, compliance with relevant laws and regulations which have a significant impact on the Company, outlook of the Company's business, and an account of the Company's relationships with its key stakeholders can be found in the "Five-Year Financial Summary", "Message From the Chairman", "Message From the CEO", "Management Discussion and Analysis" and "Corporate Government Report" sections of this annual report.

SHARE CAPITAL

Details of the movement in the share capital of the Group during the Reporting Period are set out in Note 27 of the Financial Statements.

RESERVES

Details of the reserves available for distribution to the shareholders as at December 31, 2016 are set out in Note 35 of the Financial Statements.

RESULTS

The results of the Group as at December 31, 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 68 and page 69.

DIVIDEND

The Directors do not recommend the payment of a final dividend as at December 31, 2016.

DIRECTORS

The directors during the Reporting Period and up to the date of this report are as follows:

Executive Directors

Xin Song (*Chairman*)

Bing Liu

Liangyou Jiang

Xiangdong Jiang

Non-Executive Director

Lianzhong Sun

Independent Non-Executive Directors

Ian He

Yunfei Chen

Gregory Hall

John King Burns

In accordance with article 14.1 of the Company's articles of association (the "Articles"), each of the Directors shall retire at the 2017 annual general meeting of the Company (the "2017 AGM") and, being eligible, shall offer themselves to be re-elected and re-appointed at the 2017 AGM.

DIRECTORS' REPORT

THE BIOGRAPHY OF THE DIRECTORS AND THE SENIOR MANAGEMENT

The biographical details of the Directors and the senior management of the Company are set out in the Directors and senior management's profile from page 8 to page 13 of this annual report.

DISCLOSURE OF INFORMATION OF DIRECTOR PURSUANT TO RULE 13.51B(1) OF THE HONG KONG LISTING RULES

Saved as disclosed in this annual report, there are no other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Rules (the "Hong Kong Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board has received from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Hong Kong Listing Rules, and considers that all of the independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the 2017 AGM have a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

PERMITTED INDEMNITY

The Company has taken out insurance policies against the liabilities of the Directors that may arise out of corporate activities and the costs associated with defending any proceeding. The insurance coverage is reviewed on an annual basis. During the Reporting Period, no claims were made against the Directors.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Mr. Xin Song, Mr. Bing Liu, Mr. Lianzhong Sun and Mr. Liangyou Jiang are considered to have conflicts of interest in the transactions as set out in the section headed "Connected Transactions and Continuing Connected Transactions" in this report due to their senior management positions in China National Gold, the ultimate controlling shareholder of the Company. Save as disclosed in the section headed "Connected Transactions and Continuing Connected Transactions" in this report, no transactions, arrangement or contracts of significance in relation to the business of the Group to which the Company, any of its subsidiaries or the controlling shareholder of the Company was a party and in which a Director or any of his connected entity had a material interest, whether directly or indirectly, subsisted as at December 31, 2016 or at any time during the Reporting Period.

CONTRACTS OF SIGNIFICANCE

Save as disclosed under the section headed "Connected Transactions and Continuing Connected Transactions" in this report, no other material contract (not being contracts entered into in the ordinary course of business) was entered into by the Company during the Reporting Period.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

To the best knowledge of the Directors, during the Reporting Period and up to the date of this report, save for the directorships and management roles of our Directors in other mining companies, none of our Directors had any interests in businesses that compete or are likely to compete, either directly or indirectly, with the Company. Please refer to the biographies of our Directors set out under the section headed "Board of Directors and Senior Management" of this report for details of such circumstances.



DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at December 31, 2016, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Hong Kong Listing Rules were as follows:

SHARES

LONG POSITION IN SHARES

Name	Position	Company	Number of Shares Held	Nature of Interest	Approximate Percentage of Interest in the Company
Ian He	Director	China Gold International Resources Corp. Ltd	150,000	Personal	0.0378%
Xiangdong Jiang	Director and Vice President of Production	China Gold International Resources Corp. Ltd.	38,800	Personal	0.0098%

Note:

Information relating to share ownership is provided by each Director.

Other than as disclosed above, as at December 31, 2016, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or as recorded in the register kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange under the Model Code.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

China National Gold is the ultimate controlling shareholder of the Company currently holding approximately 39.3% of the issued shares of the Company and is therefore a connected person of the Company under the Hong Kong Listing Rules. As a result, the transactions entered into between China National Gold and the Group as described in this section below constitute non-exempt continuing connected transactions or partially exempt connected transactions of the Company as defined under Chapter 14A of the Hong Kong Listing Rules.

In addition, Tibet Huatailong, Inner Mongolia Pacific, China National Gold Group Finance Company Limited (the "China Gold Finance"), China Tenth Metallurgy Group Limited Corporation ("CTMG") and China Gold Hongkong (the "Controlled Entities") are ultimately controlled by China National Gold and are therefore connected persons of the Company by virtue of Rule 14A.07 of the Hong Kong Listing Rules.

Non-Exempt Continuing Connected Transactions

Product and Service Framework Agreement

On April 26, 2013, the Company entered into a Product and Service Framework Agreement (the "Product and Service Framework Agreement") with China National Gold for the provision of providing mining related services and products to the Company for three years until June 18, 2016. Details of the Product and Service Framework Agreement are as stated in the Company's circular dated May 21, 2013.

The Company entered into an amendment to the Product and Service Framework Agreement (the "Amendment Agreement") on May 29, 2015 to revise the expiry date of the Product and Service Framework Agreement to December 31, 2017 and include the sale and purchase of copper concentrates produced at the Jiama Mine between the Group and China National Gold into the product and service scope of the Product and Service Framework Agreement, which were approved by the independent shareholders of the Company on June 30, 2015. For details, please refer to the Company's announcement dated June 3, 2015, circular dated May 29, 2015 and poll results announcement dated July 1, 2015.

For the Reporting Period, the transaction amounts under the Product and Service Framework (as amended by the Amendment Agreement) were approximately RMB671.8 million where the relevant annual monetary cap was RMB5,800.1 million.

2015 Contract for Purchase and Sale of Doré

On May 7, 2014, Inner Mongolia Pacific entered into a Contract for Purchase and Sale of Doré (the "2015 Contract for Purchase and Sale of Doré") with China National Gold for the sale and purchase of gold doré bars and silver by-products produced at the CSH Gold Mine. Details of the 2015 Contract for Purchase and Sale of Doré are as stated in the Company's announcement dated May 7, 2014, circular dated May 7, 2014 and poll results announcement dated June 20, 2014.

For the Reporting Period, the transaction amounts under the 2015 Contract for Purchase and Sale of Doré were approximately RMB1,527.6 million where the relevant annual monetary cap was RMB2,437.5 million, which accounted for 67% of the total sales of the Group for the year then ended.

Financial Services Agreement

On May 29, 2015, Inner Mongolia Pacific, Tibet Huatailong and China Gold Finance entered into a Financial Services Agreement pursuant to which China Gold Finance will satisfy the financial services needs of Inner Mongolia Pacific and Huatailong by providing certain functions performed by financial institutions offering flexibility and favourable terms for three years ending December 31, 2015, 2016 and 2017. Details of the Financial Services Agreement are as stated in the Company's announcement dated June 3, 2015, circular dated May 29, 2015 and poll results announcement dated July 1, 2015.

Daily maximum deposit monetary caps for the transactions stipulated under the Financial Services Agreement pursuant to Chapter 14A of the Hong Kong Listing Rules (including accumulative settlement interest) shall not exceed RMB3.0 billion. There have not been any deposits exceeding the daily maximum monetary cap for the Reporting Period.



DIRECTORS' REPORT

Partially Exempt Connected Transactions

Loan Agreement

On April 14, 2015, Skyland Mining (BVI) Limited ("Skyland Mining"), the wholly-owned subsidiary of the Company, entered into a loan agreement (the "Loan Agreement") with China Gold Hong Kong, pursuant to which Skyland Mining as lender, agreed to provide a loan (the "Loan") in the principal amount up to US\$14 million with an interest rate of 5.0% p.a. for a term of one year, to China Gold Hong Kong as borrower. Details of the Loan Agreement are as stated in the Company's announcement dated April 14, 2015.

The Company entered into a Supplemental Loan Agreement (the "Supplemental Loan Agreement") to the Loan Agreement with China Gold Hong Kong on April 4, 2016, pursuant to which the maturity of the Loan has been extended to April 13, 2017. For details, please refer to the announcement of the Company dated April 12, 2016.

Loan Framework Agreement

On May 24, 2016, the Group and China National Gold and/or any of its subsidiaries entered into a Loan Framework Agreement (the "Loan Framework Agreement") pursuant to which the Company or any of its subsidiaries, has agreed to make available to China National Gold or any one of its subsidiaries, revolving loan(s) in an aggregate principal amount of up to US\$200 million (the "Revolving Loan(s)") for a term commencing from the date of the actual drawdown and expiring on July 31, 2017. Any repaid principal amount of the Revolving Loan(s) will refresh the facility amount available for drawing within the term of the Loan Framework Agreement. A fixed interest rate of 3.9% per annum shall accrue on the principal amount of the Loan(s) calculated from the drawdown date of such tranche, and shall remain unchanged during the term of such tranche until July 31, 2017. For further details, please refer to the Company's announcement dated May 24, 2016, circular dated May 24, 2016 and poll results announcement dated June 24, 2016. During the Reporting Period, the Group loaned US\$150.0 million to China National Gold pursuant to the Loan Framework Agreement.

Annual Review

The Company's auditor, Deloitte Touche Tohmatsu, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor's letter containing his findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Hong Kong Listing Rules has been provided to the Directors, and was confirmed in respect of the above matter. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

In accordance with Rule 14A.55 of the Hong Kong Listing Rules, the independent non-executive Directors have reviewed and confirmed that the continuing connected transactions carried out under i) the Product and Service Framework Agreement, ii) the 2015 Contract for Purchase and Sale of Doré, iii) Financial Services Agreement, and iv) the Loan Framework Agreement have each been entered into:

- (a) in the ordinary and usual course of the Company's business;
- (b) on terms no less favorable to the Company than terms available to or from (as appropriate) independent third parties; and
- (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Related Party Transactions

During the Reporting Period, material related party transactions as disclosed in Note 28 to the consolidated financial statements in this annual report (other than the above-mentioned) constituted connected transactions as defined in the Hong Kong Listing Rules, the Company had complied with the relevant requirements under Chapter 14A of the Hong Kong Listing Rules during the year.

DIRECTORS' REPORT

SKYLAND BONDS

On July 10, 2014, the Company, Skyland Mining, China National Gold, and Standard Chartered Bank, Citigroup Global Markets Limited, Merrill Lynch International and CCB International Capital Limited (the "Joint Lead Managers") entered into a subscription agreement (the "Subscription Agreement") pursuant to which Skyland Mining agreed to issue to the Joint Lead Managers, and the Joint Lead Managers agreed to subscribe for bonds in an aggregate principal amount of US\$500 million (equivalent to approximately HK\$3,900 million) at an issue price of 99.634% (the "Bonds") bearing interest at the rate of 3.5% with a maturity date of July 17, 2017, rated BBB- by Standard & Poor's. The Bonds were unconditionally and irrevocably guaranteed by the Company. The net proceeds are used for working capital, capital expenditures and general corporate purposes of the Company.

On July 17, 2014, all the conditions to the issue of the Bonds as set out in the Subscription Agreement were satisfied and the issue of the Bonds was closed. The Bonds were listed on the Hong Kong Stock Exchange on July 18, 2014.

Details of the Subscription Agreement are stated in the Company's announcements dated July 11, 2014 and July 18, 2014.

NUMBER AND REMUNERATION OF EMPLOYEES

As at December 31, 2016, the Company had 1,760 employees working at various locations. During the Reporting Period, staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately US\$28,178,000, compared to the staff costs of US\$25,689,000 in 2015.

EMOLUMENT POLICY

The Company's executive emolument policy and compensation program is administered by the Compensation and Benefits Committee which consists solely of independent Directors. The Compensation and Benefits Committee meet at least annually and reviews levels of cash compensation and makes recommendations to the Board to adjust cash compensation in light of merit, qualifications and competence, as needed. The Compensation and Benefits Committee also reviews the corporate goals and objectives relevant to the compensation of the senior executive officers and based on recommendations from the Chief Executive Officer and other members of the management team. The Compensation and Benefits Committee makes its determinations as to overall compensation levels on the basis of both available third party data regarding comparable compensation at similar size companies as well as their own industry experience and the Company's hiring and retention needs. Decisions relating to executive compensation are reported by the Compensation and Benefits Committee to the Board for approval.

The Company's director emolument policy is administered by the Compensation and Benefits Committee with regard to comparable market statistics. Decisions relating to the compensation of directors are reported by the Compensation and Benefits Committee to the Board for approval.

The emolument policy for the Company's employees is determined on a department by department basis with the Chief Executive Officer determining the emoluments for employees and managers based on merit, qualifications and the Company's hiring and retention needs.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Financial Year.

DIRECTORS' RIGHT TO PURCHASE SHARES

Save as disclosed in the paragraph headed "Directors' and Chief Executive's Interests in Shares" above, at no time during the Reporting Period, were there any rights to acquire benefits by means of acquisition of shares in or debentures of Company or any of its subsidiaries or its holding companies or any of the subsidiaries of the Company's holding companies granted to any director



DIRECTORS' REPORT

or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at December 31, 2016, according to the best available information made to the Board and the register of substantial shareholders required to be kept under section 336 of Part XV of the SFO, the Company was notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and chief executive:

Long Position in Shares of the Company

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

Notes:

- (1) China National Gold Group Corporation directly and wholly owns China National Gold Group Hong Kong Limited therefore the interest attributable to China National Gold Group Corporation represents its indirect interest in the Company's shares through its equity interest in China National Gold Group Hong Kong Limited.
- (2) Information relating to registered and indirect ownership of the Company's shares were provided by China National Gold Group Corporation.

Based on the information available to the Board and save as disclosed above, as at December 31, 2016, no other person was recorded in the register required to be kept under section 336 of the SFO as having an interest or short position in the shares or underlying shares of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, neither the Company, nor any of its subsidiaries purchased, sold and redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or under the laws of Canada which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has complied with the sufficiency of public float requirement under the Hong Kong Listing Rules.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales for the Reporting Period attributable to the Company's major suppliers and customers are as follows:

	Percentage of the total purchases/sales accounted for
<hr/>	
Purchases	
-the largest supplier	42%
-five largest suppliers combined	62%
Sales	
-the largest customer	68%
-five largest customers combined	100%

Save as disclosed above, at no time during the Reporting Period did a director, an associate of a director or any other shareholder (which owned more than 5% of the Company's issued share capital) hold any direct or indirect interest in the Company's five largest suppliers or customers during the Reporting Period.

CHARITABLE DONATIONS

The Company made charitable donations during the Reporting Period amounting to US\$26,000.

EVENTS AFTER REPORTING PERIOD

There are no significant events occurring after December 31, 2016 as set out in the Financial Statements and Management's Discussion and Analysis.

INDEPENDENT AUDITORS

A resolution will be submitted at the 2017 AGM to re-appoint Deloitte Touche Tohmatsu of Hong Kong as the Company's auditors.

On behalf of the Board,

Xin Song

Chairman of the Board

March 30, 2017



CORPORATE GOVERNANCE REPORT

The Board considers good corporate governance practices to be an important factor in the continued and long term success of the Company by helping to maximize shareholder value over time.

To further this philosophy and to ensure that the Company follows good governance practices the Board has taken the following steps:

- approved and adopted a mandate for the Board;
- appointed an Audit Committee, a Nominating and Corporate Governance Committee and a Compensation and Benefits Committee consisting solely of independent directors;
- established a Health, Safety and Environmental Committee consisting solely of independent directors;
- approved charters for all of the Board committees to formalize the mandates of those committees;
- established a Disclosure Committee with a mandate to oversee the Company's disclosure practices including the establishment of a sub-committee charged with overseeing the Company's technical disclosure;
- adopted a formal Corporate Disclosure, Confidentiality and Securities Trading Policy and formalized the Company's disclosure controls and procedures;
- adopted a formal Code of Business Conduct and Ethics that governs the behavior of directors, officers and employees and which is also distributed to consultants;
- adopted formal written position descriptions for the Chief Executive Officer and Chief Financial Officer, clearly defining their roles and responsibilities;
- adopted a whistleblower policy administered by an independent third party;
- formalized a process for assessing the effectiveness of the Board as a whole, the Board committees and the contribution of individual directors on a regular basis;
- reviewing and approving the Company's incentive compensation plans; and
- providing continuing education opportunities for all directors.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has, throughout the Reporting Period, applied the principles and complied with the requirements of its corporate governance practices as defined by the Board and all applicable statutory, regulatory and stock exchange listings standards, in particular, the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Hong Kong Listing Rules. The Company's current practices are reviewed and updated regularly to ensure that the latest developments in corporate governance are followed and observed.

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION

Corporate governance guidelines adopted by the Canadian Securities Administrators (“CSA”) recommend that a majority of the directors of a corporation be independent directors. Under the CSA corporate governance guidelines, an “independent director” is a director who has no direct or indirect material relationship with the Company, including as a partner, shareholder or officer of an organization that has a relationship with the Company. A “material relationship” is one that would, or in the view of the Board could be reasonably expected to, interfere with the exercise of a director’s independent judgment. As at December 31, 2016 and as at the date of this report, the Board has determined that it consists of four “independent directors” and five non-independent directors under the CSA corporate governance guidelines. The Board believes that its current size and composition and the composition of the Board committees consisting solely of independent directors, results in balanced representation.

As at the date of this report, the Board has determined that it consists of four independent Directors and five non-independent Directors as follows:

Independent Directors

Ian He

Yunfei Chen

Gregory Hall

John King Burns

Non-independent Directors

Xin Song (*Chairman*) ⁽¹⁾

Bing Liu (*Chief Executive Officer*) ⁽²⁾

Liangyou Jiang (*Senior Executive Vice President*) ⁽³⁾

Lianzhong Sun ⁽⁴⁾

Xiangdong Jiang (*Vice President of Production*) ⁽⁵⁾

Notes:

- (1) Mr. Song is a non-independent Director in his capacity as a senior officer of the Company and in his capacity as an executive officer of China National Gold which has a material relationship with the Company.
- (2) Mr. Liu is a non-independent Director in his capacity as an executive officer of China National Gold which has a material relationship with the Company.
- (3) Mr. Jiang is a non-independent Director in his capacity as a senior officer of the Company.
- (4) Mr. Sun is a non-independent Director in his capacity as an executive officer of China National Gold which has a material relationship with the Company.
- (5) Mr. Jiang is a non-independent Director in his capacity as a senior officer of the Company.



CORPORATE GOVERNANCE REPORT

As at the date of this report, China National Gold holds approximately 39.3% of the Company's outstanding common shares.

The Board has determined that four of its nine directors being Mr. He, Mr. Chen, Mr. Hall and Mr. Burns are independent of China National Gold, which the Board believes fairly reflects the investment in the Company by shareholders other than the Company's principal shareholder. The Board has further determined that four of its nine directors do not have an interest in the Company or relationship with the Company's principal shareholder and satisfy all independence requirements under the applicable corporate governance rules and guidelines.

The Directors are satisfied that the size and composition of the Board results in a balanced representation on the Board among management and non-management directors and the Company's principal shareholder. While the Board believes that it functions effectively given the size of the Company's and complexity of its business, the Company, through its Nominating and Corporate Governance Committee, may in the future seek to add qualified candidates to augment its experience and expertise and to enhance the Company's ability to develop its business interests.

Mr. Song currently serves as the Chairman of the Board and served as the Company's Chief Executive Officer from October 2009 to February 2014. Mr. Liu currently serves as the Company's Chief Executive Officer since February 2014.

At present, Mr. He, the Chairman of each of the committees of the Board, acts as the de facto lead independent Director and liaises with management and the Directors regarding relevant matters. The Board is of the view that appropriate structures and procedures are in place to allow the Board to function independently of management while continuing to provide the Company with the benefit of having a Chairman with extensive experience in the mining industry.

The Company has received from each of its independent Directors, their confirmation of independence pursuant to listing rules in all applicable jurisdictions.

To the best knowledge of the Company, none of the Directors are related. Relationships include financial, business or family relationships. The Directors are free to exercise their independent judgment. Directors, including the current non-executive Director and the independent non-executive Directors, are elected at each annual general meeting and hold office until the next annual general meeting, unless a Director's office is earlier vacated in accordance with the provisions of the British Columbia Business Corporations Act ("Business Corporations Act") and the Articles.

NON-EXECUTIVE DIRECTORS

The non-executive Directors bring a wide range of business and financial expertise, experience and independent judgment to the Board. All the Board committees comprise at least four non-executive Directors (including independent non-executive Directors) who have made significant contribution of their skills and expertise to these committees.

Through active participation at Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all non-executive Directors (including independent non-executive Directors) make various contributions to the effective direction of the Company.

In accordance with the Articles, the non-executive Directors (including the independent non-executive Directors) are subject to re-election each year at the Company's annual general meeting.

CORPORATE GOVERNANCE REPORT

DIRECTORS' PROFESSIONAL DEVELOPMENT

The Board, through the Chairman of the Nominating and Corporate Governance Committee, ensures that all new Directors receive a comprehensive orientation so that each new Director fully understands the role of the Board and its committees, as well as the contribution individual directors are expected to make and to understand the nature and operation of the Company's business.

The Board provides continuing education opportunities for all Directors, so that each individual Director may maintain or enhance his skills and abilities as a Director, as well as to ensure his knowledge and understanding of the Company's business remains current.

Directors are required to submit to the Company annually details of training sessions undertaken by them in each financial year so that the Company can maintain a training record for its Directors. According to the training records maintained by the Company, the trainings received by each of the Directors during the Reporting Period are summarized as follows:

	Type of trainings
Executive Directors	
Xin Song (<i>Chairman</i>)	B
Bing Liu	B
Liangyou Jiang	B
Xiangdong Jiang	B
Non-Executive Director	
Lianzhong Sun	B
Independent Non-Executive Directors	
Ian He	B
Yunfei Chen	B
Gregory Hall	B
John King Burns	A, B

A. attending seminars/conference/forums

B. reading newspapers, journals and updates relating to the economy, general business, real estate, corporate governance and director's duties and responsibilities



CORPORATE GOVERNANCE REPORT

MANDATE OF THE BOARD

Under the Business Corporations Act, the Directors are required to manage the Company's business and affairs, and in doing so, to act honestly and in good faith with a view to furthering the best interests of the Company. In addition, each Director must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Board is responsible for supervising the conduct of the Company's affairs and the management of its business. The Board's mandate includes setting long term goals and objectives for the Company, formulating the plans and strategies necessary to achieve those objectives and supervising senior management in their implementation. Although the Board delegates the responsibility for managing the day-to-day affairs of the Company to senior management, the Board retains a supervisory role in respect of, and ultimate responsibility for, all matters relating to the Company and its business.

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

In discharging this responsibility, the Board's mandate provides that the Board oversees and monitors significant corporate plans and strategic initiatives. The Board's strategic planning process includes annual budget reviews and approvals and discussions with management relating to strategic and budgetary issues.

As part of its ongoing review of business operations, the Board periodically reviews the principal risks inherent in the Company's business, including financial risks, and assesses the systems established to manage those risks. Directly and through the Audit Committee, the Board also assesses the integrity of internal control over financial reporting and management information systems.

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

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

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

Each Board committee is empowered to engage external advisors as it sees fit. Any individual Director is entitled to engage an outside advisor at the expense of the Company provided such director has obtained the approval of the Nominating and Corporate Governance Committee to do so. In conjunction with its review of operations, the Board considers risk issues when appropriate and approves corporate policies addressing the management of the risk of the Company's business.

CORPORATE GOVERNANCE REPORT

The Board takes ultimate responsibility for the appointment and monitoring of the Company's senior management. The Board approves the appointment of senior management and reviews their performance on an ongoing basis.

The Company has a corporate disclosure policy addressing, among other things, how the Company interacts with analysts and the public, and contains measures for the Company to avoid selective disclosure. The Company has a Disclosure Committee responsible for overseeing the Company's disclosure practices. The Disclosure Committee consists of the Company's Executive Vice President and Corporate Secretary, Chief Executive Officer, Chief Financial Officer and the Company's senior communications and investor relations officers, or those individuals who act in equivalent positions for the Company, and receives advice from the Company's external legal counsels. The Disclosure Committee assesses materiality and determines when developments justify public disclosure. The Disclosure Committee reviews the corporate disclosure policy annually and as otherwise needed to ensure compliance with regulatory requirements and reviews all documents which are reviewed by the Board and Audit Committee. The Board reviews and approves the Company's material disclosure documents, including its annual report, annual information form and management proxy circular. The Company's annual and quarterly financial statements, management's discussion and analysis and other financial disclosure is reviewed by the Audit Committee and recommended to the Board for approval, prior to its release.

The Company has adopted a Board diversity policy in accordance with the requirement set out in code provision A.5.6 of the CG Code. The Company recognizes and embraces the benefits of diverse Board. It works hard to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including, but not limited to, (i) business experience; (ii) specialized skills and other experiences; (iii) race, ethnicity, international background, gender and age (iv) applicable regulatory requirements; and issues involving possible conflicts of interest. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

No measurable objectives for achieving diversity were specifically set by the Board during the year, other than the recruitment of the most suitable candidate for a position.



CORPORATE GOVERNANCE REPORT

COMMITTEES OF THE BOARD

Audit Committee

The Board has established an Audit Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that the Company has an effective risk management and internal control system. This includes internal controls to manage both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Company's Audit Committee consists of Mr. He, Mr. Chen, Mr. Burns and Mr. Hall. Mr. He serves as Chairman of the Audit Committee.

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

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

All services to be performed by the auditors of the Company must be approved in advance by the Audit Committee.

The Audit Committee held four meetings during the Reporting Period. In performing its duties in accordance with its charter, the Audit Committee has:

- overseen the Company's relationship with the auditors;
- reviewed the Company's interim and annual financial statements;
- reviewed and assessed the effectiveness of systems of risk management and internal controls, and the effectiveness of the Company's internal audit function; and
- reported to the Board on the proceedings and deliberations of the Audit Committee.

CORPORATE GOVERNANCE REPORT

Nominating and Corporate Governance Committee

The Board has established a Nominating and Corporate Governance Committee, which operates under a charter approved by the Board. The primary objective of the Nominating and Corporate Governance Committee is to assist the Board in fulfilling its oversight responsibilities by (a) identifying individuals qualified to become Board and Board committee members and recommending that the Board select director nominees for appointment or election to the Board; and (b) developing and recommending to the Board corporate governance guidelines for the Company and making recommendations to the Board with respect to corporate governance practices. The Nominating and Corporate Governance Committee monitors the disclosure of conflicts of interest to the Board and ensures that no director will vote in respect of a matter in which such director has a material interest. The members of the Nominating and Corporate Governance Committee are Mr. He, Mr. Chen, Mr. Hall and Mr. Burns. Mr. He serves as Chairman of the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee met during the Financial Year to review its charter, to review the Articles, to assess the competencies and characteristics represented on the Board, to review the results of a Board effectiveness survey and self-assessments and to confirm compliance with regulatory, corporate governance and disclosure requirements. The Nominating and Corporate Governance Committee is also responsible for reviewing and monitoring the training and continuous professional development of directors and senior management as required under code provision D.3.1 (b) of the CG ode.

Compensation and Benefits Committee

The Board has established a Compensation and Benefits Committee, which operates under a charter approved by the Board. The primary objective of the Compensation and Benefits Committee is to discharge the Board's responsibilities relating to the compensation and benefits for senior executives and directors of the Company. This role includes reviewing the adequacy and form of compensation for senior executives and the directors, determining the recipients of, the nature and size of share compensation awards granted from time to time and determining any bonuses to be awarded. The members of the Compensation and Benefits Committee are Mr. He, Mr. Chen, Mr. Hall and Mr. Burns. Mr. He is the Chairman of the Compensation and Benefits Committee. The Compensation and Benefits Committee met during the Financial Year to review its charter, to assess the performance and compensation of the Chief Executive Officer, to review the compensation and benefits for senior executives and directors of the Company and to complete self-assessments. The Compensation and Benefits Committee made recommendations to the Board for adjustments to compensation for the Company's senior executives on various occasions throughout the Reporting Period.

Health, Safety and Environmental Committee

The Board has established a Health, Safety and Environmental Committee, which operates under a charter approved by the Board. The primary objective of the Health, Safety and Environmental Committee is to discharge the Board's responsibilities relating to compliance with applicable health, safety and environmental rules and regulations. This role includes assisting the Board in its oversight of the development, implementation and evaluation by management of the Company's health, safety and environmental objectives and for monitoring the Company's compliance with applicable health, safety and environmental laws and regulations. The members of the Health, Safety and Environmental Committee are Mr. He, Mr. Chen, Mr. Hall and Mr. Burns. Mr. He is the Chairman of the Health, Safety and Environmental Committee. The Health, Safety and Environmental Committee met during the Reporting Period to receive reports from the Chief Safety Officers from the CSH and Jiama mines, to review the findings of an independent safety audit, and to complete self-assessments. The Health, Safety and Environmental Committee made recommendations to the mine sites for continuous improvements.

Ad Hoc and Special Committees

In appropriate circumstances, the Board will establish a special committee to review a matter in which several directors or management may have a conflict of interest.



CORPORATE GOVERNANCE REPORT

MEETINGS OF THE BOARD AND BOARD COMMITTEES

The Board holds regular quarterly meetings by means of telephone conferencing facilities and meets as required between quarterly meetings to update the Directors on corporate developments. During regular quarterly meetings, the non-executive and independent non-executive Directors have an opportunity to meet separate from management. Management also communicates informally with the Board on a regular basis, and solicits the advice of the Board members on matters falling within their special knowledge or experience. In addition, the independent Directors meet regularly on a formal and informal basis to facilitate the exercise of their independent judgment.

During the Reporting Period, four Board meetings, four Audit Committee meetings, one Nominating and Corporate Governance Committee meeting, one Compensation and Benefits Committee meeting, two Health, Safety and Environmental Committee meetings and three meetings of the Independent Directors was held.



CORPORATE GOVERNANCE REPORT

Attendances/Number of Meetings

The table below shows the record of attendance by directors at meetings of the Board and its committees, as well as the number of meetings held during the Reporting Period:

	Board	Audit Committee	Nominating and Corporate Governance Committee	Compensation and Benefits Committee	Health, Safety and Environmental Committee	2016 Annual and Special Meeting*	Committees (Total)	Overall Attendance
Xin Song (Chairman)	4/4(100%)	N/A	N/A	N/A	N/A	0/1	--	4/5(80%)
Bing Liu	4/4(100%)	N/A	N/A	N/A	N/A	0/1	--	4/5(80%)
Liangyou Jiang	4/4(100%)	N/A	N/A	N/A	N/A	0/1	--	4/5(80%)
Xiangdong Jiang	1/4(25%)	N/A	N/A	N/A	N/A	0/1	--	1/5(20%)
Lianzhong Sun	4/4(100%)	N/A	N/A	N/A	N/A	0/1	--	4/5(80%)
Ian He	4/4(100%)	4/4(Chair)	1/1(Chair)	1/1(Chair)	1/1(Chair)	0/1	7/7(100%)	11/12(92%)
Yunfei Chen	4/4(100%)	4/4	1/1	1/1	1/1	0/1	7/7(75%)	11/12(92%)
Gregory Hall	4/4(100%)	3/4	1/1	1/1	1/1	0/1	6/7(86%)	10/12(83%)
John King Burns	4/4(100%)	4/4	1/1	1/1	1/1	1/1	7/7(100%)	12/12(100%)

* The 2016 Annual and Special Meeting was held on June 22, 2016, no other general meeting were held during the Reporting Period.

According to code provision A.6.7 of the CG Code, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of the shareholders.

The non-executive Directors and three independent non-executive Directors were unable to attend the Annual and Special Meeting of the Company held on June 22, 2016 due to other business commitments.

The 2017 AGM will be held on June 16, 2017. The notice of the 2017 AGM will be sent to shareholders at least 20 clear business days before the 2017 AGM.

CODE OF BUSINESS CONDUCT AND ETHICS

The Company has adopted a Code of Business Conduct and Ethics applicable to all employees, consultants, executive officers and Directors regardless of their position in the Company, at all times and everywhere the Company does business. The Code of Business Conduct and Ethics provides that the Company's employees, consultants, executive officers and directors will uphold its commitment to a culture of honesty, integrity and accountability and the Company requires the highest standards of professional and ethical conduct from its employees, consultants, executive officers and Directors.

The Company's employees, executive officers and Directors are required to confirm, on an annual basis, that they have reviewed the Company's Code of Business Conduct and Ethics and if they are aware of any actual or potential conflicts of interest.

The Company's Nominating and Corporate Governance Committee monitors compliance with the Code of Business Conduct and Ethics and the disclosure of conflicts of interest by Directors with a view to ensuring that no Director votes on a matter in respect of which he has a material interest.



CORPORATE GOVERNANCE REPORT

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Board determines, in light of the opportunities and risks facing the Company, what competencies, skills and personal qualities it should seek in new directors in order to add value to the Company. Based on this framework, the Nominating and Corporate Governance Committee developed a skills matrix outlining the Company's desired complement of competencies, skills and characteristics. The specific make-up of the matrix includes technical, geological and engineering knowledge, financial literacy, mining industry experience, public company experience and legal knowledge. The Nominating and Corporate Governance Committee assesses the competencies and characteristics represented on the Board annually and utilize the matrix to determine the Board's strengths and to identify areas for improvement. This analysis assists the Nominating and Governance Committee in discharging its responsibility for approaching and proposing new nominees to the Board and for assessing Directors on an ongoing basis.

Unless a Director dies, resigns or is removed from office in accordance with the Business Corporations Act, the term of office of each of the Director's ends at the conclusion of the next annual general meeting following his or her most recent election or appointment.

At every annual general meeting the shareholders entitled to vote at the annual general meeting for the election of directors are entitled to elect a board consisting of the number of directors for the time being set under the Articles and all the directors cease to hold office immediately before such election but are eligible for re-election. If the Company fails to hold an annual general meeting on or before the date by which the annual general meeting is required to be held under the Business Corporations Act or the shareholders fail, at the annual general meeting, to elect or appoint any directors then each director then in office continues to hold office until the earlier of the date on which his or her successor is elected or appointed, or the date on which he or she otherwise ceases to hold office under the Business Corporations Act or the Articles.

According to code provision A.4.3 of the CG Code, if an independent non-executive director serves more than 9 years, his further appointment should be subject to a separate resolution to be approved by shareholders.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted policies in its Corporate Disclosure, Confidentiality and Securities Trading Policy on terms no less exacting than those set out in Appendix 10 to the Hong Kong Listing Rules.

Furthermore, if a Director (a) enters into a transaction involving a security of the Company or, for any other reason, the direct or indirect beneficial ownership of, or control or direction over, securities of the Company changes from that shown or required to be shown in the latest insider report filed by the Director, or (b) the director enters into a transaction involving a related financial instrument, the Director must, within the prescribed period, file an insider report in the required form on the System for Electronic Disclosure by Insiders website at www.sedi.ca.

A "related financial instrument" is defined as: (a) an instrument, agreement, security or exchange contract the value, market price or payment obligations of which are derived from, referenced to or based on the value, market price or payment obligations of a security, or (b) any other instrument, agreement or understanding that affects, directly or indirectly, a person's economic interest in respect of a security or an exchange contract.

Having made specific enquiry with each Board member, all Directors have confirmed their full compliance with the required standards set out in the Corporate Disclosure, Confidentiality and Securities Trading Policy throughout the Reporting Period. Details of the shareholding interests held by the directors as at December 31, 2016 are set out on page 15 of this annual report.

CORPORATE GOVERNANCE REPORT

REMUNERATION OF DIRECTORS

The Company's director emolument policy is administered by the Compensation and Benefits Committee with regard to comparable market statistics. Decisions relating to the compensation of directors are reported by the Compensation and Benefits Committee to the Board for approval.

The Company pays its independent Directors a cash retainer of CAD\$4,000 per month for acting as independent Directors and for their roles on various Board committees. The Company pays the defacto lead independent Director and Chairman of the Board committees a cash retainer of CAD\$4,500 per month.

Currently no other compensation is paid to the Directors for acting as Directors. The Directors are reimbursed for actual expenses reasonably incurred in connection with the performance of their duties as Directors.

Details regarding the remuneration of Directors are set out in Note 11 of the Financial Statements.

COMPANY SECRETARY

The Corporate Secretary is responsible for advising the Board through the Chairman of the Board on governance matters and also facilitates induction and professional development of Directors in Canada. The Corporate Secretary reports to the Chairman of the Board. All Directors have access to the advice and services of the Corporate Secretary to ensure that Board procedures, all applicable law, rules and regulations are followed.

Mr. Ngai Wai Fung ("Mr. Ngai"), the director and chief executive officer of SW Corporate Services Group Limited, an external service provider, has been appointed by the Board as its company secretary in Hong Kong with effect from January 16, 2014. Mr. Ngai's contact person in the Company in relation to any corporate secretarial matters is Mr. Jiang Liangyou, an executive Director and the Senior Executive Vice President.

According to Rule 3.29 of the Hong Kong Listing Rules, Mr. Ngai confirmed that he has taken no less than 15 hours of professional training to update his skills and knowledge during the Reporting Period.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for overseeing the risk management and internal controls of the Company. Risk management and internal controls are used by the Board to facilitate the effectiveness and efficiency of operations, to safeguard the investment of shareholders and assets of the Company and to ensure compliance with relevant statutory and regulatory requirements. The Company's risk management and internal control policies are designed to provide reasonable, but not absolute, assurance against material misstatements and to help the Board identify and mitigate, but not eliminate, risk exposure.

The Company maintains internal audit functions for both itself and its operating subsidiaries. The Company leverages the internal audit function of China National Gold, its controlling shareholder, for its internal audit function. Risk management and internal control systems are reviewed on a quarterly basis in conjunction with the quarterly certification requirements for disclosure controls and procedures and internal control over financial reporting as mandated by applicable Canadian securities laws.

The Audit Committee and the Board have reviewed the risk management and internal control systems of the Company and are of the view that the Company's current risk management and internal control systems are adequate and operating effectively in safeguarding the investment of shareholders and assets of the Company.

The Company has used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 2013 framework to evaluate the Company's internal control over financial reporting, and has concluded that its internal controls and procedures were effective as of December 31, 2016 and provide reasonable assurance that material information, including financial information, relating the Company is made known to senior management, the Audit Committee and the Board, as applicable, and is recorded, processed, summarized and reported in a timely manner.



CORPORATE GOVERNANCE REPORT

The Board has established a framework for identifying, evaluating and managing key risks faced by the Company. The Board, through the audit Committee, reviews annually the effectiveness of the internal control system of the Company and its subsidiaries, considering factors such as:

- changes in significant risks since the last review, and the Company's ability to respond to changes in its business and the external environment
- management's on going monitoring of risks and the internal control system, and the work of the internal audit function;
- communication of the monitoring results to the Board that enables it to assess control of the Company and the effectiveness of the risk management
- significant control failings or weaknesses that have been identified during the period. Also, the extent to which they have caused unforeseeable outcomes or contingencies that had or might have material impact on the Company's financial performance or condition; and
- the effectiveness of the Company's processes for financial reporting and compliance with applicable listing rules and securities laws.

The Company has also established a policy on the handling of confidential information, information disclosure and securities dealing for all employees of the Company to comply with when they are in possession of confidential or inside information in relation to the Company. Such policy has been posted on the Company's intranet and disseminated to all employees of the Company.

CORPORATE GOVERNANCE REPORT

AUDITORS

The Company's auditor is Deloitte Touche Tohmatsu of Hong Kong. Deloitte Touche Tohmatsu were first appointed as auditor of the Company on April 1, 2010. The appointment of Deloitte Touche Tohmatsu was approved by an ordinary resolution of the shareholders at the Company's annual and special meeting held on June 17, 2010. Deloitte Touche Tohmatsu will be nominated for re-appointment as auditors of the Company for the fiscal year at the 2017 AGM, at a remuneration to be fixed by the Board.

Deloitte Touche Tohmatsu is independent of the Company in accordance with Section 290 "Independence – Assurance Engagements" of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants. The financial reporting responsibilities and audit report of Deloitte Touche Tohmatsu are set out on page 62 of the Financial Statements.

Deloitte & Touche LLP of Canada served as auditor of the Company until April 1, 2010. The Company continues to use the services of Deloitte & Touche LLP from time to time for tax compliance advice relating to transactions and proposed transactions of the Company and its subsidiaries.

The fees paid/payable to Deloitte Touche Tohmatsu and Deloitte & Touche LLP in respect of audit and non-audit services provided during the Reporting Period were as follows:

Nature of services rendered	Fees paid/payable(US\$)
Audit fees ⁽¹⁾	\$585,100.00
Non-audit fees ⁽²⁾	\$48,000.00
Total	\$633,100.00

Notes:

(1) Fees for audit services consisted of fees incurred to Deloitte Touche Tohmatsu (\$585,100.00) in connection with the audit of the Company's annual financial statements, review of the Company's interim financial statements and other services related to securities regulatory matters.

(2) Fees for non-audit services consisted of fees incurred to Deloitte Touche Tohmatsu (\$48,000.00) in connection with preparation of a comfort letter for sufficiency of working capital.

RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility in overseeing the preparation of financial statements that provide a true and fair view of the financial affairs of the Company. With the assistance of the Company's management, the directors ensure that the financial statements are being prepared and published in a timely manner in accordance with the applicable accounting standards and statutory requirements.



CORPORATE GOVERNANCE REPORT

CONSTITUTIONAL DOCUMENTS

At the Company's 2016 Annual and Special Meeting held on June 22, 2016, a special resolution was passed by the Shareholders to remove the Company's then Articles in its entirety and replace with new modernized Articles which will better align with recent and regulatory developments and market practice by the Toronto Stock Exchange and the Hong Kong Stock Exchange listed companies.

SHAREHOLDERS' RIGHTS

Right to convene a meeting of shareholders

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. Every company having securities listed on the Toronto Stock Exchange must hold its annual meeting of shareholders within six months from the end of its fiscal year, or at such earlier time as is required by applicable legislation.

Pursuant to Section 167 of the Business Corporations Act, shareholders who hold in the aggregate at least one-twentieth of the issued shares of the Company that carry a right to vote at general meetings may requisition a general meeting by delivering a signed written requisition to the Board or the Company Secretary at the Company's principal place of business at Suite 660, 505 Burrard Street, Vancouver, British Columbia, Canada, V7X 1M4 for the purpose of transacting any business that may be transacted at a general meeting.

Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company at Suite 660, 505 Burrard Street, Vancouver, British Columbia, Canada, V7X 1M4, or by email to info@chinagoldintl.com for the attention of the Company secretary.

Right to put forward proposals at general meetings

There are no provisions allowing shareholders to propose new resolutions at general meetings under the Business Corporations Act. However, qualified shareholders (as defined in section 187 of the Business Corporations Act) may put forward a proposal for the next general meeting pursuant to Part 5, Division 7 of the Business Corporations Act.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company follows a policy of disclosing relevant information to shareholders in a timely manner. Members of the Board meet and communicate with shareholders at the annual general meeting of the Company. The Chairman proposes separate resolutions for each issue to be considered and puts each proposed resolution to the vote by way of a poll. Voting results are posted on the Company's website on the day of the annual general meeting.

Our corporate website which contains corporate information, corporate governance practice, interim and annual reports, news releases, announcements and circulars issued by the Company enables the Company's shareholders to have timely and updated information of the Company.

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Xin Song (Chairman)
Bing Liu (Chief Executive Officer)
Liangyou Jiang
Xiangdong Jiang

Non-Executive Director

Lianzhong Sun

Independent Non-Executive Directors

Ian He
Yunfei Chen
Gregory Hall
John King Burns

AUDIT COMMITTEE

Ian He (Chairman)
Yunfei Chen
Gregory Hall
John King Burns

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

Ian He (Chairman)
Yunfei Chen
Gregory Hall
John King Burns

COMPENSATION AND BENEFITS COMMITTEE

Ian He (Chairman)
Yunfei Chen
Gregory Hall
John King Burns

HEALTH, SAFETY AND ENVIRONMENTAL COMMITTEE

Ian He (Chairman)
Yunfei Chen
Gregory Hall
John King Burns

CORPORATE SECRETARY (CANADA)

Jerry Xie

COMPANY SECRETARY (HONG KONG)

Ngai Wai Fung

REGISTERED OFFICE

One Bentall Centre
Suite 660, 505 Burrard Street
Vancouver, British Columbia
Canada V7X 1M4

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong

PRINCIPAL BANK (CANADA)

BMO Bank of Montreal

PRINCIPAL BANKS (HONG KONG)

Bank of China
Agricultural Bank of China

PRINCIPAL SHARE REGISTER

Canadian Stock Transfer Company Inc.
Suite 1600-1066 West Hastings Street
Vancouver, British Columbia
Canada V6E 3X1

HONG KONG SHARE REGISTER

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
One Pacific Place
35th Floor, 88 Queensway
Hong Kong

WEBSITE ADDRESS

www.chinagoldintl.com

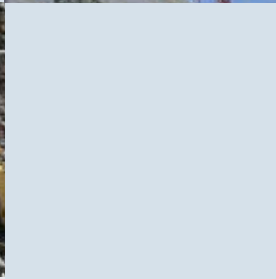
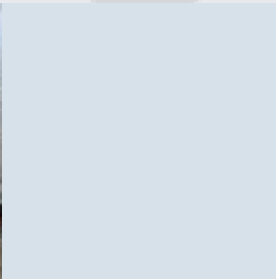
Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2016

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

FORWARD-LOOKING STATEMENTS	37
THE COMPANY	39
OVERVIEW	39
PERFORMANCE HIGHLIGHTS	39
SELECTED ANNUAL INFORMATION	40
OUTLOOK	40
RESULTS OF OPERATIONS	41
SELECTED QUARTERLY FINANCIAL DATA	41
SELECTED QUARTERLY AND ANNUAL PRODUCTION DATA AND ANALYSIS	41
REVIEW OF QUARTERLY AND ANNUAL DATA	43
NON-IFRS MEASURES	46
MINERAL PROPERTIES	48
THE CSH MINE	48
THE JIAMA MINE	49
LIQUIDITY AND CAPITAL RESOURCES	54
CASH FLOWS	54
OPERATING CASH FLOW	55
INVESTING CASH FLOW	55
FINANCING CASH FLOW	55
EXPENDITURES INCURRED	55
GEARING RATIO	55
RESTRICTIVE COVENANTS	55
SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSAL	56
CHARGE ON ASSETS	56
EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES	56
COMMITMENTS AND CONTINGENCIES	56
RELATED PARTY TRANSACTIONS	58
PROPOSED TRANSACTIONS	58
CRITICAL ACCOUNTING ESTIMATES	59
CHANGE IN ACCOUNTING POLICIES	59
FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS	59
OFF-BALANCE SHEET ARRANGEMENTS	59
DIVIDEND AND DIVIDEND POLICY	59
OUTSTANDING SHARES	59
DISCLOSURE CONTROLS AND PROCESSES	60
RISK FACTORS	60
QUALIFIED PERSON	60



MANAGEMENT'S DISCUSSION AND ANALYSIS





MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis of financial condition and results of operations ("MD&A") is prepared as of March 30, 2017. 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 year ended December 31, 2016 and the year ended December 31, 2015, 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS



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.



MANAGEMENT'S DISCUSSION AND ANALYSIS

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 December 31, 2016

- Revenue increased by 18% to US\$93.6 million from US\$79.0 million for the same period in 2015.
- Mine operating earnings increased by 210% to US\$13.0 million from US\$4.2 million for the same period in 2015.
- Net loss after income taxes decreased to US\$9.1 million from US\$18.5 million for the same period in 2015.
- Gold production from the CSH Mine decreased by 5% to 52,828 ounces from 55,673 ounces for the same period in 2015.
- Copper production from the Jiama Mine increased by 1% to 4,364 tonnes (approximately 9.62 million pounds) from 4,339 tonnes (approximately 9.56 million pounds) for the same period in 2015.

Year ended December 31, 2016

- Revenue remained consistent to US\$338.6 million from US\$339.9 million for the same period in 2015.
- Mine operating earnings decreased by 11% to US\$56.2 million from US\$62.8 million for the same period in 2015.
- Net loss after income taxes increased to US\$12.3 million from US\$6.8 million for the same period in 2015, mainly due to foreign exchange loss of US\$16.4 million and US\$3.8 million value impairment of Available-For-Sale securities incurred during the current period and decreased copper price.
- Gold production from the CSH Mine decreased by 9% to 185,052 ounces from 204,471 ounces for the same period in 2015.
- Copper production from the Jiama Mine increased by 6% to 18,321 tonnes (approximately 40.4 million pounds) from 17,284 tonnes (approximately 38.1 million pounds) for the same period in 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Selected Annual Information*

US\$ Millions except for per share	Year ended December 31				
	2016	2015	2014	2013	2012
Total revenue	339	340	278	303	332
Profit from continuing operations	34	39	73	76	99
Net (loss) profit	(12)	(7)	42	57	74
Basic (loss) earnings per share (cents)	(3.36)	(2.07)	10.02	13.88	17.90
Diluted (loss) earnings per share (cents)	N/A	(2.07)	10.02	13.88	17.90
Total assets	2,967	2,781	3,013	2,219	1,806
Total non-current liabilities	737	971	850	431	279
Distribution or cash dividends declared per share	-	-	-	-	-

*Prepared under IFRS

OUTLOOK

- Projected gold production of 218,700 ounces in 2017.
- Projected copper production of approximately 79 million pounds in 2017.
- The Jima 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 to 22,000 tpd 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 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.



MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Selected Quarterly Financial Data

(US\$ in thousands except per share)	Quarter ended 2016				Quarter ended 2015			
	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
Revenues	93,552	109,560	69,904	65,585	78,967	99,948	83,647	77,387
Cost of sales	80,517	85,681	58,162	58,039	74,798	82,752	63,336	56,217
Mine operating earnings	13,035	23,879	11,742	7,546	4,169	17,196	20,311	21,170
General and administrative expenses	5,127	5,902	5,361	5,049	6,483	5,330	5,988	6,028
Exploration and evaluation expenses	216	65	53	46	157	45	62	38
Income (loss) from operations	7,692	17,912	6,328	2,451	(2,471)	11,821	14,261	15,104
Foreign exchange gain (loss)	(9,154)	2,493	(5,980)	1,198	(5,623)	(8,606)	1,482	(789)
Finance costs	4,264	3,793	4,063	4,453	(868)	7,181	6,570	8,524
(Loss) profit before income tax	(2,703)	13,972	(8,198)	(2,986)	(13,640)	692	13,742	10,813
Income tax expense	6,431	6,276	5,563	500	4,836	5,850	3,173	4,575
Net (loss) profit	(9,134)	7,696	(7,401)	(3,486)	(18,476)	(5,158)	10,569	6,238
Basic (loss) earnings per share (cents)	(2.32)	1.82	(1.95)	(0.91)	(4.69)	(1.41)	2.54	1.49
Diluted (loss) earnings per share (cents)	N/A	1.82	(1.95)	(0.91)	(4.69)	(1.41)	2.54	1.49

Selected Quarterly and Annual Production Data and Analysis

	CSH Mine			
	Three months ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
Gold sales (US\$ million)	64.92	60.92	227.58	233.80
Realized average price ¹ (US\$) of gold per ounce	1,241	1,070	1,238	1,117
Gold produced (ounces)	52,828	55,673	185,052	204,471
Gold sold (ounces)	52,315	56,924	183,864	209,285
Total production cost ² (US\$) of gold per ounce	1,091	961	1,054	884
Cash production cost ² (US\$) of gold per ounce	769	753	764	652

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

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

Gold production at the CSH Mine decreased by 5% from 55,673 ounces for the three months ended December 31, 2015 to 52,828 ounces for the three months ended December 31, 2016. The decrease in gold production is mainly due to the lower grades of ores mined during the current period.

The cash production cost, and total production cost of gold for the three months ended December 31, 2016 both increased compared with the same period in 2015, which is mainly caused by the higher waste rock removal costs due to higher stripping ratio during the current quarter.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Jiama Mine

	Three months ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
Copper sales ¹ (US\$ in millions)	19.40	12.50	69.28	74.93
Realized average price ² (US\$) of copper per pound after smelting fee discount	1.81	1.65	1.55	1.99
Copper produced (tonnes)	4,365	4,339	18,321	17,284
Copper produced (pounds)	9,622,602	9,564,819	40,391,851	38,104,950
Copper sold (tonnes)	4,708	3,533	19,158	17,859
Copper sold (pounds)	10,379,519	7,789,068	42,235,934	39,372,115
Gold produced (ounces)	6,133	5,531	26,250	24,037
Gold sold (ounces)	6,204	4,654	27,322	24,531
Silver produced (ounces)	281,628	279,093	1,233,312	1,227,600
Silver sold (ounces)	298,870	212,988	1,297,910	1,289,415
Total production cost ³ (US\$) of copper per pound	2.66	3.21	2.49	2.84
Total production cost ³ (US\$) of copper per pound after by-products credits ⁵	1.70	2.45	1.48	1.99
Cash production cost ⁴ (US\$) per pound of copper	2.29	2.63	2.09	2.39
Cash production cost ⁴ (US\$) of copper per pound after by-products credits ⁵	1.33	1.87	1.09	1.54

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

2 a discount factor of 22.4-30.9% 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 December 31, 2016, the Jiama Mine produced 4,364 tonnes (approximately 9.62 million pounds) of copper in concentrate, an increase of 1% compared with the three months ended December 31, 2015 (4,339 tonnes, or 9.56 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.



MANAGEMENT'S DISCUSSION AND ANALYSIS

Review of Quarterly and Annual Data

Three months ended December 31, 2016 compared to three months ended December 31, 2015

Revenue of US\$93.6 million for the fourth quarter of 2016 increased by US\$14.6 million or 18%, from US\$79.0 million for the same period in 2015.

Revenue from the CSH Mine was US\$64.9 million, an increase of US\$4.0 million, compared to US\$60.9 million for the same period in 2015. Gold produced by the CSH Mine was 52,828 ounces (gold sold: 52,315), compared to 55,673 ounces (gold sold: 56,924) for the same period in 2015. CSH's decreased production volumes are attributed to lower grades of ore mined.

Revenue from the Jiama Mine was US\$28.6 million, an increase of US\$10.5 million, compared to US\$18.1 million for the same period in 2015. Total copper sold was 4,708 tonnes (10.38 million pounds) for the three months ended December 31, 2016, an increase of 33% from 3,533 tonnes (7.8 million pounds) for the same period in 2015.

Cost of sales of US\$80.5 million for the quarter ended December 31, 2016, an increase of US\$5.7 million or 8% from US\$74.8 million for the same period in 2015. The overall increase is primarily attributed to an increase of 59% in revenue at Jiama. Cost of sales as a percentage of revenue for the Company decreased from 95% to 86% for the three months ended December 31, 2015 and 2016, respectively.

Mine operating earnings of US\$13.0 million for the three months ended December 31, 2016 an increase of 210%, or US\$8.8 million, from US\$4.2 million for the same period in 2015. Mine operating earnings as a percentage of revenue increased from 5% to 14% for the three months ended December 31, 2015 and 2016, respectively. The increase in mine operating earnings as a percentage of revenue can be attributed to a 10% increase in the realized average price of copper per pound and a 15% increase in the realized average price of gold per ounce for the three months ended December 31, 2016.

General and administrative expenses decreased by US\$1.4 million, from US\$6.5 million for the quarter ended December 31, 2015 to US\$5.1 million for the quarter ended December 31, 2016. The 22% decrease is consistent with the Company's implementation of cost reductions programs during the year.

Income from operations of US\$7.7 million for the fourth quarter of 2016, increased by US\$10.2 million, compared to a loss of US\$2.5 million for the same period in 2015.

Finance costs of US\$4.3 million for the three months ended December 31, 2016, increased by US\$5.1 million compared to the same period in 2015. During the three months ended December 31, 2016, interest payments of US\$6.2 million (2015: US\$5.2 million) were capitalized for borrowing costs related to the Jiama Mine expansion.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Foreign exchange loss increased to US\$9.2 million for the three months ended December 31, 2016 from US\$5.6 million for the same period in 2015. 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\$3.0 million for the three months ended December 31, 2016 increased from an expense of US\$1.7 million for the same period in 2015, due to higher income earned on term deposits and related party loans.

Income tax expense of US\$6.4 million for the quarter ended December 31, 2016, increased by US\$1.6 million from US\$4.8 million for the comparative period in 2015. During the current quarter, the Company had US\$2.1 million of deferred tax expense compared to US\$1.7 million in 2015.

Net loss of the Company decreased by US\$9.4 million from US\$18.5 million for the three months ended December 31, 2015 to US\$9.1 million for the three months ended December 31, 2016.

Year ended December 31, 2016 compared to Year ended December 31, 2015

Revenue of US\$338.6 million for the year ended December 31, 2016, decreased by US\$1.3 million or 0.4%, from US\$339.9 million for the same period in 2015.

Revenue from the CSH Mine was US\$227.6 million (2015: US\$233.8 million), a decrease of US\$6.2 million due to a 12% decrease in gold sales volume. Gold produced by the CSH Mine was 185,052 ounces (gold sold: 183,864), compared to 204,471 ounces (gold sold: 209,285 ounces) for the same period in 2015. CSH's decreased production volumes are attributed to lower grades of ore mined.

Revenue from the Jiama Mine was US\$111.0 million compared to US\$106.2 million for the same period in 2015. Total copper sold was 19,158 tonnes (42.2 million pounds) for the year ended December 31, 2016, an increase of 7% from 17,859 tonnes (39.4 million pounds) for the same period in 2015. The increase in revenue is attributed to higher copper production.

Cost of sales of US\$282.4 million for the year ended December 31, 2016, increased by US\$5.3 million or 2% from US\$277.1 million for the same period in 2015. The overall increase is primarily attributed to lower production volume at CSH in addition to lower grades of ore mined during 2016. Cost of sales as a percentage of revenue for the Company increased to 83% from 82% for the year ended December 31, 2016 compared to 2015.



MANAGEMENT'S DISCUSSION AND ANALYSIS

Mine operating earnings of US\$56.2 million for the year ended December 31, 2016 decreased by 11%, or US\$6.6 million, from US\$62.8 million in 2015. Mine operating earnings as a percentage of revenue decreased from 18% to 17% for the year ended December 31, 2016 and 2015, respectively. The decrease in mine operating earnings as a percentage of revenue can be attributed to a 22% decrease in the realized average price of copper per pound after smelting fee discount.

General and administrative expenses decreased by US\$2.4 million, from US\$23.8 million for the year ended December 31, 2016 to US\$21.4 million in 2015. The decrease is due to the Company's implementation of cost reduction programs and continuous efforts in monitoring spending.

Income from operations for the year ended December 31, 2016 of US\$34.4 million, decreased by US\$4.3 million from US\$38.7 million for the same period in 2015.

Finance costs of US\$16.6 million for the year ended December 31, 2016 decreased by US\$4.8 million, from US\$21.4 million for the same period in 2015. The decrease in the 2016 period is attributed to lower interest rates held on Jiama's project loans. During the year ended December 31, 2016, US\$24.8 million (2015: US\$23.9 million) of interest payments were capitalized for borrowing costs related to the Jiama Mine expansion.

Foreign exchange loss increased to US\$16.4 million for the year ended December 31, 2016 from US\$13.5 million for the same period in 2015. The 2016 loss 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\$8.9 million for the year ended December 31, 2016 decreased from US\$12.5 million for the year ended December 31, 2015, due to decreased interest income earned on term deposits and related party loans.

Loss on Available for sale investment of US\$3.8 million was recognized in relation to the equity securities investment listed in Hong Kong during the year ended December 31, 2016, compared to US\$4.7 million for the year ended December 31, 2015. The loss was recorded due to an overall 25% decline in the share price of the investment security since the purchase date.

Income tax expense of US\$18.7 million for the year ended December 31, 2016, increased by 2%, from US\$18.4 million in 2015. During the current year, the Company had US\$740,000 of deferred income tax expense compared to US\$6.7 million in 2015, the change is attributed to the depreciation of the RMB.

Net loss of the Company increased by US\$5.5 million from US\$6.8 million for the year ended December 31, 2015 to US\$12.3 million for the year ended December 31, 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 and the Jiama Mine for the three months and the year ended December 31, 2016 and 2015:

	CSH Mine			
	Three months ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
	US\$	US\$	US\$	US\$
Cost of mining per tonne of ore	1.18	1.33	1.37	1.41
Cost of mining waste per tonne of ore	2.08	2.43	2.76	2.81
Other mining costs per tonne of ore	0.05	0.36	0.28	0.31
Total mining costs per tonne of ore	3.31	4.12	4.41	4.53
Cost of reagents per tonne of ore	1.45	1.39	1.06	1.00
Other processing costs per tonne of ore	1.16	1.31	0.88	1.06
Total processing cost per tonne of ore	2.61	2.70	1.94	2.06

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.



MANAGEMENT'S DISCUSSION AND ANALYSIS

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 December 31,				Year ended December 31,				
	2016		2015		2016		2015		
	US\$	US\$ Per ounce	US\$	US\$ Per ounce	US\$	US\$ Per ounce	US\$	US\$ Per ounce	US\$
Total production costs	57,066,133	1,091	54,715,003	961	193,797,572	1,054	185,052,316		884
Adjustments	(16,841,000)	(322)	(11,866,275)	(164)	(53,364,836)	(290)	(48,516,309)		(232)
Total cash production costs	40,225,133	769	42,848,728	798	140,432,736	764	136,536,007		652

	Jiama Mine (Copper with by-products credits)								
	Three months ended December 31,				Year ended December 31,				
	2016		2015		2016		2015		
	US\$	US\$ Per Pound	US\$	US\$ Per Pound	US\$	US\$ Per Pound	US\$	US\$ Per Pound	US\$
Total production costs	27,577,076	2.66	25,024,225	3.21	105,122,287	2.49	111,798,518		2.84
Adjustments	(3,802,514)	(0.37)	(4,552,512)	(0.58)	(16,734,029)	(0.40)	(17,632,209)		(0.45)
Total cash production costs	23,774,562	2.29	20,471,712	2.63	88,388,258	2.09	94,166,309		2.39
By-products credits	(9,946,546)	(0.96)	(5,912,193)	(0.76)	(42,553,463)	(1.01)	(33,563,675)		(0.85)
Total cash production costs after by-products credits	13,828,016	1.33	14,559,520	1.87	45,834,795	1.09	60,602,634		1.54

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

The capital expenditure incurred in the CSH Mine for the year ended December 31, 2016 was US\$83.0 million.

Major new contracts entered into during the year ended December 31, 2016 are as follows.

Item No.	Contract Name	Counterpart	Subject amount (US \$ millions)	Contract period (effective day and expiration date)	Date of Contract
1	Liquid Sodium Cyanide Purchase contract	Inner Mongolia Chengxin Yongan Chemical Co., Ltd.	Unit price contract Estimated amount: 14	2016.5.11-2017.6.11	2016.5.11
2	Mixed Explosive Purchase contract	Bayannuur Sheng An Chemical Co., Ltd.	Unit price contract Estimated amount: 12.5	2016.1.1-2016.12.30	2016.1.1

Production Update

	CSH Mine			
	Three months ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
Ore mined and placed on pad (tonnes)	5,005,467	4,719,942	22,275,694	21,144,471
Average ore grade (g/t)	0.49	0.51	0.49	0.55
Recoverable gold (ounces)	46,868	46,883	209,616	219,128
Ending ore inventory (ounces)	181,720	176,037	181,720	176,037
Waste rock mined (tonnes)	26,175,092	16,124,486	92,691,570	96,310,335

For the three months ended December 31, 2016, the total amount of ore placed on the leach pad was 5.0 million tonnes, with total contained gold of 46,868 ounces (1,458 kilograms). The accumulative project-to-date gold recovery rate has slightly increased from approximately 51.71% at the end of September 2016 to 52.07% at the end of December 2016.



MANAGEMENT'S DISCUSSION AND ANALYSIS

Exploration

The Company continues to conduct surface reconnaissance and exploration for expansion opportunities around the CSH Mine. Eight holes with a cumulative 7,211 meters have been drilled in 2015 and 2016.

Mineral Reserves Update

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

Type	Quantity Mt	Au g/t	Metal	
			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	102.29	3.26

Mineral Resource Update

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

Type	Quantity Mt	Au g/t	Metal	
			Au t	Au Moz
Proven	25.87	0.68	17.59	0.57
Probable	93.32	0.64	59.34	1.91
Total	119.20	0.65	76.93	2.47

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 complete construction of Phase II but slow down the mining projects construction, commissioning of the series II facility while it re-optimizes the mining plan and production schedules.

The capital expenditure incurred for the Jiama Mine expansion for the year ended December 31, 2016 was US\$143.7 million.

Major new contracts entered into during the year ended December 31, 2016 are as follows:

Item No.	Contact Name	Counterpart	Subject amount (US \$ millions)	Contract period (effective day and expiration date)	Date of Contract
1	Jiama Copper Polymetallic Mine Hornfel Open-pit Mining and Stripping Project Contract	Color Twelve Metallurgical Construction Co.,Ltd.	17.2	2015.12.1-2018.11.30	2016.2.14
2	Jiama Mine 4-12 Shaft UG Mining Project (2000t/d) Contract	Jiangxi Weile Construction Group Co., Ltd.	48.3	2016.3.1-2019.2.28	2016.3.1
3	Jiama Mine 4490 Ramp Underground Mining (1500t/d) Contract	In color twelve Metallurgical Construction Co., Ltd.	28.9	2016.3.1-2019.2.28	2016.3.1
4	Jiama Mine Copper Mt. Underground Mining (1000t/d) Contract	The Second Engineering Co., Ltd of China Railway 17 Bureau Group Corporation	21	2016.3.1-2019.2.28	2016.3.1
5	Jiama Mine 4-12 Shaft UG Mining Project(4000t/d) and Shaft Repairment Project Contract	Zhejiang Huaye Mine Group Co.,Ltd.	68.5	2016.3.1-2019.2.28	2016.3.1
6	Jiama Copper Polymetallic Mine Filling System Equipment & pipelines Purchase and Installment Project Contract	Feiyi Co., Ltd. Zhongtai Construction Group Co., Ltd.	7.2	2016.4.26-2016.10.31	2016.4.25
7	Jiama Copper Polymetallic Mine Phase II UG Stope Mining(Section III) Project Contract	Zhejiang Huaye Mine Group Co.,Ltd.	194	2016.3.1-2026.2.28	2016.4.25



MANAGEMENT'S DISCUSSION AND ANALYSIS

Production Update

	Jiama Mine			
	Three months ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
Ore mined (tonnes)	390,152	525,174	2,132,483	2,317,522
Waste mined (tonnes)	-	-	-	-
Average copper ore grade (%)	0.94	0.81	0.85	0.79
Copper recovery rate (%)	92	91	91	92
Average gold ore grade (g/t)	0.56	0.46	0.48	0.46
Gold recovery rate (%)	71	69	71	68
Average silver ore grade (g/t)	24.92	19.91	23.95	21.62
Silver recovery rate (%)	68	68	67	68

Exploration

The Company plans peripheral prospecting and mineral exploration work in 2016, and have planning of 12 drilling holes; nine holes are completed and the drilling work was suspend due to the winter. The rest of fieldwork exploration will be continued in 2017.



MANAGEMENT'S DISCUSSION AND ANALYSIS

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						Cu	Mo	Pb	Zn	Au	Ag	
	Mt	Cu %	Mo %	Pb %	Zn %	Au g/t	Metal (kt)	Metal (kt)	Metal (kt)	Metal (kt)	Moz	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



MANAGEMENT'S DISCUSSION AND ANALYSIS

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						Cu	Mo	Pb	Zn	Au	Ag	
	Mt	Cu %	Mo %	Pb %	Zn %	Au g/t	Metal (kt)	Metal (kt)	Metal (kt)	Metal (kt)	Moz	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	561	325	2.599	158.014

Note:

- 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 December 31, 2016, the Company had an accumulated surplus of US\$172.2 million, working deficit of US\$338.7 million and borrowings of US\$1,154.8 million. The Company's cash balance at December 31, 2016 was US\$59.9 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\$506.9 million of 3.5% unsecured bonds maturing on July 17, 2017 and US\$89.4 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 December 31, 2016, the Company has drawdown RMB2.89 billion, approximately US\$415.9 million under the Loan Facility. 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. The Company may pursue a new bond issuance or access other debt financing opportunities.

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 year ended December 31, 2016 and December 31, 2015.

	Year ended December 31,	
	2016 US\$'000	2015 US\$'000
Net cash from operating activities	79,330	66,867
Net cash used in investing activities	(355,506)	(298,672)
Net cash from (used in) financing activities	225,808	(219,036)
Net decrease in cash and cash equivalents	(50,368)	(450,841)
Effect of foreign exchange rate changes on cash and cash equivalents	(2,101)	(2,338)
Cash and cash equivalents, beginning of period	112,399	565,578
Cash and cash equivalents, end of period	59,930	112,399



MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating cash flow

For the year ended December 31, 2016, the net cash inflow from operating activities was US\$79.3 million which is primarily attributable to (i) depreciation and depletion of US\$77.7 million (ii) increase in accounts and other payables and accrued expenses of US\$19.4 million, and (iii) finance cost of US\$16.6 million, partially offset by (i) interest paid of US\$38.4 million; (ii) increase in inventory of US\$30.6 million and (iii) income taxes paid of US\$17.5 million.

Investing cash flow

For the year ended December 31, 2016, the net cash outflow from investing activities was US\$355.5 million, which is primarily attributable to (i) payment for the acquisition of property, plant and equipment of US\$194.3 million (ii) loan to a related company of US\$150.0 million and (iii) placement of restricted cash bank balance of US\$33.7 million, partially offset by a release of restricted bank balance of US\$20.7 million.

Financing cash flow

For the year ended December 31, 2016, the net cash inflow from financing activities was US\$225.8 million, which is primarily due to proceeds from bank borrowings of US\$411.7 million partially offset by repayments of borrowings of US\$185.6 million.

Expenditures Incurred

For the year ended December 31, 2016, the Company incurred mining costs of US\$82.4 million, processing costs of US\$113.5 million, transportation costs of US\$5.1 million and resource compensation fee, which was paid to the PRC government, of US\$2.4 million.

Gearing ratio

Gearing ratio is defined as the ratio of consolidated total debt to consolidated total equity. As at December 31, 2016, the Company's total debt was US\$1,155 million and the total equity was US\$1,420 million. The Company's gearing ratio was therefore 0.81 as at December 31, 2016 and 0.66 as at December 31, 2015.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLAN FOR MATERIAL INVESTMENTS OF CAPITAL ASSETS

Other than as disclosed elsewhere in this MD&A or in the audited annual consolidated financial statements for the year ended December 31, 2016, there were no significant investments held by the Company, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended December 31, 2016. Other than as disclosed in this MD&A, there was no plan authorized by the Board for other material investments or additions of capital assets at the date of this MD&A.

CHARGE ON ASSETS

Other than as disclosed elsewhere in this MD&A, none of the Group's assets were pledged as at December 31, 2016.

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.



MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	Total US\$'000	Within One year US\$'000	Within Two to five years US\$'000	Over 5 years US\$'000
Principal repayment of bank loans	647,974	89,375	262,361	296,238
Repayment of bonds	506,858	506,858	-	-
Operating lease commitments (a)	583	108	304	171
Capital commitments (b)	218,994	218,994	-	-
Total	1,374,424	815,335	262,665	296,409

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

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

In addition to the table set forth above, 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.



MANAGEMENT'S DISCUSSION AND ANALYSIS

RELATED PARTY TRANSACTIONS

CNG owned 39.3 percent of the outstanding common shares of the Company as at December 31, 2016 and December 31, 2015.

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 decreased from US\$233.8 million for the year ended December 31, 2015 to US\$227.6 million for the year ended December 31, 2016.

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 year ended December 31, 2016, revenue from sales of copper concentrate and other products to CNG was US\$59.8 million, compared to US\$21.0 million for the same period in 2015.

For the year ended December 31, 2016, construction services of US\$39.6 million were provided to the Company by subsidiaries of CNG (US\$140.8 million for the year ended December 31, 2015).

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 year ended December 31, 2016. 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.



MANAGEMENT'S DISCUSSION AND ANALYSIS

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 December 31, 2016.

OFF-BALANCE SHEET ARRANGEMENTS

As at December 31, 2016, 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 December 31, 2016 the Company had 396,413,753 common shares issued and outstanding.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 December 31, 2016 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 December 31, 2016, 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 December 31, 2016 and have concluded that these controls and procedures were effective as of December 31, 2016 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 year ended December 31, 2016, 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.

March 30, 2017



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

(Incorporated in British Columbia, Canada with limited liability)

Opinion

We have audited the consolidated financial statements of China Gold International Resources Corp. Ltd. (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 68 to 131, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD. - continued

(incorporated in British Columbia, Canada with limited liability)

Key Audit Matters - continued

Key Audit Matters

Impairment assessment of mining rights and property, plant and equipment

We identified the impairment assessment of mining rights and property, plant and equipment as a key audit matter due to significant management judgement involved in the impairment assessment.

As at December 31, 2016, the market capitalisation of the Company was below the carrying value of its net assets of approximately US\$1,420 million. This may indicate the need for a write-down of the carrying amounts of the Group's mining rights and property, plant and equipment.

As disclosed in notes 20 and 21 to the consolidated financial statements, the carrying values of the Group's mining rights and property, plant and equipment as at December 31, 2016 were approximately US\$923 million and US\$1,531 million, respectively.

The Group's two cash-generating units ("CGUs") for impairment assessment purposes include the mining rights and the related property, plant and equipment associated with the Group's gold mine, located in Inner Mongolia, China and copper mine, located in Tibet, China. When an impairment review is undertaken, recoverable amount is assessed with reference to the higher of value in use and fair value less costs of disposal and value in use which is based on the discounted cash flows expected to be derived from the Group's CGUs, taking into account the appropriate discount rate.

As disclosed in note 4 to the consolidated financial statements, the management exercises significant judgement in respect of the assumptions applied in the value in use calculation, such as future metal selling price, recoverable reserves, resources, exploration potential, production cost estimates, future operating costs, discount rates and exchange rate.

During the year ended December 31, 2016, no impairment loss was recognised for the Group's mining rights and property, plant and equipment.

How our audit addressed the key audit matters

Our procedures in relation to the impairment assessment of mining rights and property, plant and equipment included:

- Obtaining an understanding of the key controls over the impairment assessment performed by management of the Group's mining rights and property, plant and equipment;
- Assessing the appropriateness of the Group's identification of individual CGUs;
- Assessing the reasonableness of assumptions used in the valuation models with reference to the historical accuracy of such forecasts and the current operational results;
- Engaging our internal valuation experts to evaluate the appropriateness of the valuation methodology, technical information provided by the external valuation expert and assumptions used in the valuation models against external benchmarks, our knowledge of the Group and its industry;
- Comparing the input data in the cash flow forecast to the source document; and
- Evaluating the sensitivity analysis for the key assumptions in the valuation models.



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD. - continued

(incorporated in British Columbia, Canada with limited liability)

Key Audit Matters - continued

Key Audit Matters

Going Concern Basis

We identified the going concern basis as a key audit matter due to the involvement of a significant degree of both complexity and management judgement in preparing the cash flow forecasts.

The Group operates in a capital intensive industry. The Group's liquidity requirements arise principally from the need for financing the expansion of its mining and processing operations. The Group is dependent on its existing cash resources, available banking facilities, bank borrowings and bonds listed on The Stock Exchange of Hong Kong Limited.

As at December 31, 2016, the Group had net current liabilities of approximately US\$339 million, including bonds with an aggregate principal amount of US\$500 million which will mature in July 2017.

Management prepares a cash flow forecast by taking into account future liquidity and performance of the Group and its available sources of finance including the Group's unutilised bank facilities, ability to renew or refinance the banking facilities upon maturity, bond repayment and the Group's future capital expenditures in respect of its non-cancellable capital commitments. Management considers that the Group can operate as a going concern for at least twelve months from the end of the reporting period. Details are set out in note 1 to the consolidated financial statements.

How our audit addressed the key audit matters

Our audit procedures in relation to the going concern basis of the Group included:

- *Assessing the cash flow forecasts prepared by management and checking its mathematical accuracy;*
- *Challenging the reasonableness of key assumptions based on our knowledge of the Group, industry, external data and market conditions;*
- *Evaluating the Group's compliance with the debt covenants included in their bank borrowing agreements;*
- *Confirming the availability of unutilized banking facilities as at December 31, 2016;*
- *Comparing the input data in relation to the Group's committed debt repayment, non-cancellable capital commitments, sources and uses of funds included in the cash flow forecast to supporting documents;*
- *Evaluating the sensitivity analysis for the key assumptions in the cash flow forecast;*
- *Evaluating the accuracy of the cash flow forecast prepared by management against historical performance; and*
- *Assessing the appropriateness of the related disclosures included in note 1 to the consolidated financial statements.*

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF

CHINA GOLD INTERNATIONAL RESOURCES CORP.LTD.-continued

(incorporated in British Columbia, Canada with limited liability)

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF

CHINA GOLD INTERNATIONAL RESOURCES CORP.LTD.-continued

(incorporated in British Columbia, Canada with limited liability)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
CHINA GOLD INTERNATIONAL RESOURCES CORP.LTD.-continued
(incorporated in British Columbia,Canada with limited liability)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements-Continued

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Jimmy Toy.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

March 30 ,2017



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2016

	NOTES	2016 US\$'000	2015 US\$'000
Revenues	5	338,601	339,949
Cost of sales		(282,399)	(277,103)
Mine operating earnings		56,202	62,846
Expenses			
General and administrative expenses	6	(21,439)	(23,829)
Exploration and evaluation expenditure	7	(380)	(302)
		(21,819)	(24,131)
Income from operations		34,383	38,715
Other (expenses) income			
Foreign exchange loss, net		(16,429)	(13,537)
Interest and other income		8,863	12,556
Finance costs	8	(16,573)	(21,407)
Impairment loss on available-for-sale investment	19	(3,831)	(4,720)
		(27,970)	(27,108)
Profit before income tax		6,413	11,607
Income tax expense	9	(18,738)	(18,434)
Loss for the year	10	(12,325)	(6,827)
Other comprehensive (expenses) income for the year			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation		(15,746)	(11,497)
Fair value loss on available-for-sale investment	19	(2,553)	(3,998)
Reclassification adjustment upon impairment of available-for-sale investment	19	3,831	4,720
Total comprehensive expenses for the year		(26,793)	(17,602)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2016

	NOTES	2016 US\$'000	2015 US\$'000
(Loss) profit for the year attributable to:			
Non-controlling interests		979	1,361
Owners of the Company		(13,304)	(8,188)
		<u>(12,325)</u>	<u>(6,827)</u>
Total comprehensive (expenses) income for the year attributable to:			
Non-controlling interests		977	1,164
Owners of the Company		(27,770)	(18,766)
		<u>(26,793)</u>	<u>(17,602)</u>
Loss per share	13		
- Basic (US)		3.36 cents	2.07 cents
- Diluted (US)		N/A	2.07 cents
Weighted average number of common shares	13		
- Basic and diluted		<u>396,413,753</u>	<u>396,413,753</u>



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2016

	NOTES	2016 US\$'000	2015 US\$'000
Current assets			
Cash and cash equivalents	14	59,930	112,399
Restricted bank balance	14	21,085	9,242
Trade and other receivables	15	163,228	35,801
Prepaid expenses and deposits	16	5,633	8,446
Prepaid lease payments	17	366	225
Inventories	18	220,557	190,876
		<u>470,799</u>	<u>356,989</u>
Non-current assets			
Prepaid expenses and deposits	16	12,156	11,974
Prepaid lease payments	17	14,403	7,620
Deferred tax assets	9	382	1,728
Available-for-sale investments	19	14,755	17,447
Property, plant and equipment	20	1,531,307	1,454,319
Mining rights	21	922,817	930,516
		<u>2,495,820</u>	<u>2,423,604</u>
Total assets		<u>2,966,619</u>	<u>2,780,593</u>
Current liabilities			
Accounts and other payables and accrued expenses	22	176,464	166,004
Entrusted loan payable	24	28,831	-
Borrowings	23	596,233	189,009
Tax liabilities		7,944	7,802
		<u>809,472</u>	<u>362,815</u>
Net current liabilities		<u>(338,673)</u>	<u>(5,826)</u>
Total assets less current liabilities		<u>2,157,147</u>	<u>2,417,778</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2016

	NOTES	2016 US\$'000	2015 US\$'000
Non-current liabilities			
Entrusted loan payable	24	-	30,800
Deferred tax liabilities	9	124,808	125,414
Deferred income	25	4,214	1,798
Borrowings	23	558,599	763,422
Environmental rehabilitation	26	49,337	49,090
		<u>736,958</u>	<u>970,524</u>
Total liabilities		<u>1,546,430</u>	<u>1,333,339</u>
Owners' equity			
Share capital	27	1,229,061	1,229,061
Reserves		5,191	18,849
Retained profits		172,205	186,317
		<u>1,406,457</u>	<u>1,434,227</u>
Non-controlling interests		13,732	13,027
Total owners' equity		<u>1,420,189</u>	<u>1,447,254</u>
Total liabilities and owners' equity		<u>2,966,619</u>	<u>2,780,593</u>

The consolidated financial statements on pages 68 to 131 were approved and authorized for issue by the Board of Directors on March 30, 2017 and are signed on its behalf by:

(Signed by) Xin Song

Xin Song

Director

(Signed by) Bing Liu

Bing Liu

Director



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2016

	Number of shares	Share capital	Equity reserve	Investment revaluation reserve	Exchange reserve	Statutory reserve	Retained profits	Subtotal	Non- controlling interests	Total owners' equity
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
			Note (a)			Note (b)				
At January 1, 2015	396,413,753	1,229,061	11,179	(722)	7,615	11,355	194,505	1,452,993	12,165	1,465,158
(Loss) profit for the year	-	-	-	-	-	-	(8,188)	(8,188)	1,361	(6,827)
Fair value loss on available-for-sale investment	-	-	-	(3,998)	-	-	-	(3,998)	-	(3,998)
Reclassified adjustment upon impairment of available-for-sale investment (note 19)	-	-	-	4,720	-	-	-	4,720	-	4,720
Exchange difference arising on translation	-	-	-	-	(11,300)	-	-	(11,300)	(197)	(11,497)
Total comprehensive income (expenses) for the year	-	-	-	722	(11,300)	-	(8,188)	(18,766)	1,164	(17,602)
Dividend paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	(302)	(302)
At December 31, 2015	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 year	-	-	-	-	-	-	(13,304)	(13,304)	979	(12,325)
Fair value loss on available-for-sale investment	-	-	-	(2,553)	-	-	-	(2,553)	-	(2,553)
Reclassified adjustment upon impairment of available-for-sale investment (note 19)	-	-	-	3,831	-	-	-	3,831	-	3,831
Exchange difference arising on translation	-	-	-	-	(15,744)	-	-	(15,744)	(2)	(15,746)
Total comprehensive income (expenses) for the year	-	-	-	1,278	(15,744)	-	(13,304)	(27,770)	977	(26,793)
Transfer to statutory reserve	-	-	-	-	-	808	(808)	-	-	-
Dividend paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	(272)	(272)
At December 31, 2016	396,413,753	1,229,061	11,179	1,278	(19,429)	12,163	172,205	1,406,457	13,732	1,420,189

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 a 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.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 US\$'000	2015 US\$'000
Operating activities		
Profit before income tax	6,413	11,607
Items not requiring use of cash and cash equivalents:		
Amortization of mining rights	4,814	5,264
Depreciation	77,686	70,456
Finance costs	16,573	21,407
Impairment loss on available-for-sale investment	3,831	4,720
Loss on disposal of property, plant and equipment	34	-
Release of prepaid lease payment	208	185
Release of deferred income	(658)	(716)
Unrealized foreign exchange loss	21,142	17,197
Change in operating working capital items:		
Trade and other receivables	15,292	(9,288)
Prepaid expenses and deposits	1,414	2,081
Inventories	(30,612)	(31,977)
Accounts and other payables and accrued expenses	19,358	31,216
Cash generated from operations	135,495	122,152
Environmental rehabilitation expense paid	(284)	-
Interest paid	(38,376)	(42,693)
Income taxes paid	(17,505)	(12,592)
Net cash from operating activities	79,330	66,867
Investing activities		
Payment for acquisition of property, plant and equipment	(194,333)	(276,068)
Loan to a related company	(150,000)	(14,021)
Placement of restricted bank deposits	(33,654)	(9,242)
Receipt of asset-related government grants	3,488	940
Deposit paid for acquisition of property, plant and equipment	(90)	(616)
Proceeds from disposal of property, plant and equipment	-	335
Payment for land use rights	(7,586)	-
Repayment from loan to a related party	6,000	-
Withdrawal of restricted bank balance	20,669	-
Net cash used in investing activities	(355,506)	(298,672)



CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 US\$'000	2015 US\$'000
Financing activities		
Proceeds from borrowings	411,705	335,007
Repayments of borrowings	(185,625)	(553,741)
Dividend paid to a non-controlling shareholder	(272)	(302)
	<hr/>	<hr/>
Net cash from (used in) financing activities	225,808	(219,036)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(50,368)	(450,841)
Cash and cash equivalents, beginning of year	112,399	565,578
Effect of foreign exchange rate changes on cash and cash equivalents	(2,101)	(2,338)
	<hr/>	<hr/>
Cash and cash equivalents, end of year	59,930	112,399
	<hr/>	<hr/>
Cash and cash equivalents are comprised of cash and bank deposits in banks	59,930	112,399
	<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016



1. GENERAL AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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. Particulars of the subsidiaries of the Company are set out in note 33. The Group considers 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 consolidated financial statements are presented in United States Dollars ("US\$") which is also the functional currency of the Company.

At December 31, 2016, the Group's current liabilities exceeded its current assets by approximately US\$339 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 of approximately US\$496 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 of US\$219 million, 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 consolidated financial statements have been prepared on a going concern basis.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to IFRSs issued by International Accounting Standards Board ("IASB") for the first time in the current year:

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRSs	Annual Improvements to IFRS Standards 2012 - 2014 Cycle

Amendments to IAS 1 Disclosure Initiative

The Group has applied the amendments to IAS 1 *Disclosure Initiative* for the first time in the current year. The amendments to IAS 1 clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The Group has applied these amendments retrospectively. The grouping and ordering of segment information has been revised to give prominence to the areas of the Group's activities that management considers to be most relevant to an understanding of the Group's financial performance and financial position. Specifically, information in relation to segment was reordered to note 5.

Other than the above presentation and disclosure changes, the application of the amendments to IAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

Other than the amendments to IAS 1, the application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new, amendments and interpretation to IFRSs that has been issued but are not yet effective:

IFRS 9	Financial Instruments ²
IFRS 15	Revenue from Contracts with Customers and the Related Amendments ²
IFRS 16	Leases ³
IFRIC 22	Foreign Currency Transactions and Advance Consideration ²
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions ²
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to IAS 7	Disclosure Initiative ¹
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹
Amendments to IAS 40	Transfers of Investment Property ²
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014 - 2016 Cycle ⁵

1 Effective for annual periods beginning on or after January 1, 2017

2 Effective for annual periods beginning on or after January 1, 2018

3 Effective for annual periods beginning on or after January 1, 2019

4 Effective for annual periods beginning on or after a date to be determined

5 Effective for annual periods beginning on or after January 1, 2017 or January 1, 2018, as appropriate



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

Amendments to IAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after January 1, 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

The directors of the Company anticipate that the application of IAS 7 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of IAS 7 will have a material impact on the consolidated statement of cash flows in the respective reporting periods.

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group are:

- all recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading). In other comprehensive income, with only dividend income generally recognized in profit or loss.
- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39 *Financial Instruments: Recognition and Measurement*. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

IFRS 9 Financial Instruments– continued

Application of IFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortized cost. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group performs a detailed review.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognized in the respective reporting periods



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows by the Group, respectively.

Under IAS 17, the Group has already recognized prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at December 31, 2016, the Group as a lessee has non-cancellable operating lease commitments of HK\$583,000 as disclosed in note 31. The directors do not expect the adoption of IFRS would result in significant impact on the Group's result but it is expected that certain portion of these lease commitments will be required to be recognized in the consolidated statement of financial position as lease liabilities.

Other than those new and amendments to IFRSs mentioned above, the directors of the Company do not anticipated that the application of other new and amendments to IFRSs will have a material impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRS issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of consolidation - continued

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

At the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Business combination- continued

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at recognized amounts or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above) and additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognized when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. US\$) using exchange rates prevailing at the end of each reporting period and their income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (exchange reserve).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before income tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred assets and liabilities are not recognized if the temporary differences arise from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary difference and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Retirement benefit costs

Payments to state-managed retirement benefit scheme are recognized as an expense when employees have rendered service entitling them to the contributions.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

Prepaid lease payments

Prepaid lease payments representing land use rights in the PRC are stated at cost and amortized on a straight-line basis over the lease terms. Prepaid lease payments which are to be amortized in the next twelve months or less are classified as current assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Gold in process inventory

Gold in process inventory consists of gold contained in the ore on leach pads and in-circuit material within processing operations. Gold doré bar is gold awaiting refinement and gold refined and ready for sales.

Production costs are capitalized and included in gold in process inventory based on the current mining and processing cost incurred up to the point prior to the refining process including the cost of raw materials and direct labour; mine-site overhead expenses; stripping costs; and allocated indirect costs, including depreciation and depletion of mining interests.

Gold doré bars inventory

The recovery of gold from ore is achieved through a heap leaching process. Under this method, ore is placed on leach pads where it is treated with a chemical solution which dissolves the gold contained in the ore. The resulting "pregnant" solution is further processed in a plant where the gold is recovered. Costs are subsequently recycled from ore on leach pads as ounces of gold are recovered based on the average cost per recoverable ounce on the leach pad. Estimates of recoverable gold on the leach pads are calculated from the quantities of ore placed on the leach pads (measured in tonnes added to the leach pads), the grade of the ore placed on the leach pads (based on assay data), and a recovery percentage (based on ore type).

Copper inventory is copper concentrate after metallurgical processing and ready for sales.

Consumables used in operations, such as fuel, chemicals, and reagents and spare parts inventory are valued at the lower of cost or net realisable value.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Property, plant and equipment

General

Property, plant and equipment are recorded at cost less accumulated depreciation, depletion and impairment charges.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized and the carrying amount of the component being replaced is derecognized. Directly attributable costs incurred for major capital projects and site preparation are capitalized until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent these are recognized as a provision.

The Management of the Group (the "Management") reviews the estimated useful lives, residual values and depreciation methods of the Group's property, plant and equipment at the end of each reporting period and when events and circumstances indicate that such a review should be made. Changes to estimated useful lives, residual values or depreciation methods resulting from such review are accounted for prospectively.

All direct costs related to the acquisition of mineral assets are capitalized, at their cost at the date of acquisition.

Exploration and evaluation expenditure

Drilling and related costs incurred on sites without an existing mine and on areas outside the boundary of a known mineral deposit which contains proven and probable reserves are exploration and evaluation expenditure and are expensed as incurred up to the date on which costs incurred are economically recoverable. Further exploration and evaluation expenditures, subsequent to the establishment of economic recoverability, are capitalized and included in the carrying amount of the mineral assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Property, plant and equipment - continued

Exploration and evaluation expenditure - continued

Management evaluates the following criteria in its assessment of economic recoverability and probability of future economic benefit:

- Geology - whether or not there is sufficient geologic and economic certainty of being able to convert a residual mineral deposit into a proven and probable reserve at a development stage or production stage mine, based on the known geology and metallurgy. A history of conversion of resources to reserves at operating mines to support the likelihood of conversion.
- Scoping - there is a scoping study or preliminary feasibility study that demonstrates the additional resources will generate a positive commercial outcome. Known metallurgy provides a basis for concluding there is a significant likelihood of being able to recoup the incremental costs of extraction and production.
- Accessible facilities - mining property can be processed economically at accessible mining and processing facilities where applicable.
- Life of mine plans - an overall life of mine plan and economic model to support the mine and the economic extraction of resources/reserves exists. A long-term life of mine plan, and supporting geological model identifies the drilling and related development work required to expand or further define the existing orebody.

Authorisations - operating permits and feasible environmental programs exist or are obtainable.

Therefore prior to capitalising exploration drilling and related costs, Management determines that the following conditions have been met that will contribute to future cash flows:

- There is a probable future benefit that will contribute to future cash inflows;
- The Group can obtain the benefit and controls access to it;
- The transaction or event giving rise to the future benefit has already occurred; and
- Costs incurred can be measured reliably.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Property, plant and equipment - continued

Development expenditure

Drilling and related costs incurred to define and delineate a mineral deposit are capitalized as part of mineral assets in the period incurred, when Management determines that there is sufficient evidence that the expenditure will result in a probable future economic benefit to the Group.

Production expenditure

Capitalization of costs incurred ceases when the related mining property has reached the condition necessary for it to be capable of operating in the manner intended by Management, therefore, such costs incurred are capitalized as part of the mineral assets and the proceeds from sales prior to commissioning are offset against costs capitalized.

Mine development costs incurred to maintain current production are included in cost of inventories. For those areas being developed which will be mined in future periods, the costs incurred are capitalized and depleted when the related mining area is mined.

Depreciation

Mineral assets are depreciated using the unit-of-production method based on the actual production volume over the estimated total recoverable ounces contained in proven and probable reserves at the related mine when the production level achieved designed production volume intended by Management.

Management reviews the estimated total recoverable ounces contained in proven and probable reserves at the end of each reporting period and when events and circumstances indicate that such a review should be made. Changes to estimated total recoverable ounces contained in proven and probable reserves are accounted for prospectively.

Assets under construction are not depreciated until they are substantially complete and available for their intended use.

Leasehold improvements are depreciated over the shorter of the lease term and the estimated useful lives of the assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Mining rights

Mining rights are depreciated using the unit-of-production method based on the actual production volume over the estimated total recoverable ounces contained in proven and probable reserves at the related mine.

Mining rights acquired in a business combination

Mining rights acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, mining rights with finite useful lives are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization is provided using the unit of production method based on the actual production volume over the estimated total proven and probable reserves of the ore mines.

Impairment of tangible assets and mining rights

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets and mining rights to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are classified as available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the life of debt instrument or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than twelve months or those that are expected to be settled after twelve months from the end of the reporting period, which are classified as non-current assets. Assets in this category include "cash and cash equivalents", "restricted bank balance" and "trade and other receivables".

Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial assets - continued

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. Equity securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign exchange rates are recognized in profit or loss. Dividends on AFS equity investments are recognized in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial assets - continued

Impairment of financial assets - continued

For certain categories of financial assets, such as trade receivables (included in trade and other receivable), are assessed for impairment on an individual basis. Objective evidence of impairment for the receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments past the average credit period of 180 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

In respect of AFS equity investments, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investment revaluation reserve.

Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the assets expire. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulated gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs. Equity instruments issued in a business combination are recorded at their fair value at the acquisition date.

Financial liabilities at amortized cost

Financial liabilities, including borrowings, entrusted loan payable, bills payable and accounts and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognized on an effective interest basis.

Derecognition of financial liabilities

For financial liabilities, they are derecognized only when the Group's obligation specified in the relevant contract is discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Environmental rehabilitation

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a mining property. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized as part of the related property, plant and equipment at the start of each project, as soon as the obligation to incur such costs arises. These costs are recognized in profit or loss over the life of the operation, through depreciation of the asset. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are recognized in profit or loss.

Changes in the measurement of a liability relating to the decommissioning of plant or other site preparation work that result from changes in the estimated timing or amount of the cash flow, including the effects of inflation and movements in foreign exchange rates, revisions to estimated reserves, resources and lives of operations, or a change in the discount rate, are added to, or deducted from, the cost of the related asset in the period it occurred. The periodic unwinding of discount is recognized in profit or loss as a finance cost as it occurs. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognized immediately in profit or loss. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed in accordance with the Group's accounting policy.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortized over the lease term on a straight-line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Impairment of mining rights and property, plant and equipment

While assessing whether any indications of impairment exist for mining rights and property, plant and equipment, consideration is given to both external and internal sources of information. Information the Group considers includes changes in the market, economic and legal environment in which the Group operates that are not within its control and affect the recoverable amounts of the mining rights and property, plant and equipment. Internal sources of information includes the manner in which the mining rights and property, plant and equipment are being used or are expected to be used and indications of economic performance of the assets and operating results. The carrying amounts of mining rights and property, plant and equipment are reviewed for impairment in accordance with IAS 36 *Impairment of Assets* whenever certain events or changes in circumstances indicate that the carrying amount may not be recoverable. As at December 31, 2016, the market capitalization of the Company was below the carrying value of its net assets of approximately US\$1,420 million. This may indicate the need for a write-down of the carrying amounts of the Group's mining rights and property, plant and equipment. The Group's two cash-generating units ("CGUs") for impairment assessment of mining rights and related property, plant and equipment are two significant mine sites which are principal producing gold and copper mines.

When an impairment review is undertaken, recoverable amount is assessed by reference to the higher of 1) value in use and 2) fair value less costs to disposal ("FVLCD"). The best evidence of FVLCD is the value obtained from an active market or binding sale agreement. Where neither exists, FVLCD is based on the best information available to reflect the amount the Group could receive for the CGU in an arm's length transaction. This is often estimated using discounted cash flow techniques. In determining the recoverable amounts of the Group's mining rights and property, plant and equipment, the Group estimates the recoverable amount based on FVLCD and makes estimates of the discounted future pre-tax cash flows expected to be derived from the Group's CGUs, costs to sell the mining properties and the appropriate discount rate. The key assumptions used in estimating the projected cash flows are metal selling price, recoverable reserves, resources, and exploration potential, production cost estimates, future operating costs, discount rates and exchange rates.

Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future operating costs, reductions in the amount of recoverable reserves, resources, and exploration potential, and/or change in economic conditions can result in a write-down of the carrying amounts of the Group's mining rights and property, plant and equipment.

The Group uses its internal experts to perform the valuation for the purpose of impairment assessment with the assistance from third party qualified valuers. The management works closely with internal experts and qualified external valuers to establish the appropriate valuation techniques and inputs to the model, that are not based on observable market data to estimate the FVLCD for the mining rights and property, plant and equipment.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

4. KEY SOURCES OF ESTIMATION UNCERTAINTY- continued

(a) *Impairment of mining rights and property, plant and equipment- continued*

The carrying amounts of property, plant and equipment and mining rights as at December 31, 2016 are disclosed in notes 20 and 21, respectively.

During the years ended December 31, 2016 and 2015, no impairment loss was recognized for the property, plant and equipment in the Group's gold producing mine and the mining rights and property, plant and equipment in the Group's copper producing mine as the recoverable amounts were higher than their respective carrying amounts.

(b) *Inventories*

The Group records the cost of gold mining ore placed on its leach pads and in process at its mine as gold in process inventory, and values gold in process inventory at the lower of cost and estimated net realisable value. The assumptions used in the valuation of gold in process inventories include estimates of gold contained in the ore placed on leach pads, assumptions of the amount of gold that is expected to be recovered from the ore placed on leach pads, and the amount of gold in the processing plant and an assumption of the gold price expected to be realized when the gold is recovered. If these estimates or assumptions prove inaccurate, the Group could be required to write down the recorded value of its gold in process inventories. During the year, there is no change in the relevant estimation.

Although the quantities of recoverable gold placed on the leach pad and the processing plant are reconciled by comparing the grades of ore placed on the leach pad to the quantities actually recovered, the nature of the leaching process inherently limits the ability to precisely monitor inventory levels. The actual recovery of gold from the leach pad is not known until the leaching process has concluded at the end of the mine life.

Management periodically reassesses the assumptions used in the valuation of gold in process and the costing of production of gold doré bars, particularly the assumptions of the amount of gold that is expected to be recovered from the ore placed on leach pads (the "Estimated Recovery Rate"). As a result of such reassessments, an increase/decrease in the Estimated Recovery Rate led to a decrease/increase in the average production cost of gold doré bars. During the year, there is no change in the relevant estimation.

The carrying amount of gold in process and gold doré bars as at December 31, 2016 is disclosed in note 18.

5. 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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

5. REVENUE AND SEGMENT INFORMATION- continued

- (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.

Information regarding the above segments is reported below.

(a) Segment revenues and results

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

For the year ended December 31, 2016	Mine-	Mine-	Segment	Unallocated	Consolidated
	produced gold	produced copper	total		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue - external and segment revenue	227,580	111,021	338,601	-	338,601
Cost of sales	(193,797)	(88,602)	(282,399)	-	(282,399)
Mining operating earnings	33,783	22,419	56,202	-	56,202
Income (expenses) from operations	33,405	7,177	40,582	(6,199)	34,383
Foreign exchange gain (loss), net (Note)	6,036	(22,322)	(16,286)	(143)	(16,429)
Interest and other (expense) income	(2,948)	980	(1,968)	10,831	8,863
Finance costs	(3,667)	(4,401)	(8,068)	(8,505)	(16,573)
Impairment loss on available-for-sale investment	-	-	-	(3,831)	(3,831)
Profit (loss) before income tax	32,826	(18,566)	14,260	(7,847)	6,413

For the year ended December 31, 2015

For the year ended December 31, 2015	Mine-	Mine-	Segment	Unallocated	Consolidated
	produced gold	produced copper	total		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue - external and segment revenue	233,799	106,150	339,949	-	339,949
Cost of sales	(185,052)	(92,051)	(277,103)	-	(277,103)
Mining operating earnings	48,747	14,099	62,846	-	62,846
Income (expenses) from operations	48,444	(2,827)	45,617	(6,902)	38,715
Foreign exchange gain (loss), net (Note)	4,808	(17,197)	(12,389)	(1,148)	(13,537)
Interest and other (expense) income	(2,013)	5,169	3,156	9,400	12,556
Finance costs	(4,778)	(6,448)	(11,226)	(10,181)	(21,407)
Impairment loss on available-for-sale investment	-	-	-	(4,720)	(4,720)
Profit (loss) before income tax	46,461	(21,303)	25,158	(13,551)	11,607

Note:

Due to the depreciation of RMB against US\$, the Group incurred net exchange loss amounting to US\$16,429,000 (2015: US\$13,537,000) for the year ended December 31, 2016, 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

5. REVENUE AND SEGMENT INFORMATION- continued

(a) Segment revenues and results - continued

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment result represents 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 are no inter-segment sales for the years ended December 31, 2016 and 2015.

(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 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
As of December 31, 2015					
Total assets	655,103	2,023,092	2,678,195	102,398	2,780,593
Total liabilities	186,426	648,070	834,496	498,843	1,333,339

(c) Other segment information (included in the measure of segment profit or loss or regularly provided to the chief operating decision maker)

	Mine- produced gold US\$'000	Mine- produced copper US\$'000	Segment total US\$'000	Unallocated US\$'000	Consolidated US\$'000
For the year ended December 31, 2016					
Additions of property, plant and equipment					
Depreciation of property, plant and equipment	82,987	145,309	228,296	-	228,296
Amortization of mining rights	(65,086)	(12,600)	(77,686)	-	(77,686)
	-	(4,814)	(4,814)	-	(4,814)
For the year ended December 31, 2015					
Additions of property, plant and equipment	71,731	206,877	278,608	-	278,608
Depreciation of property, plant and equipment	(57,370)	(13,086)	(70,456)	-	(70,456)
Amortization of mining rights	-	(5,264)	(5,264)	-	(5,264)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

5. REVENUE AND SEGMENT INFORMATION- continued

(d) Geographical information

The Group operated in two geographical areas, Canada and the PRC. The Group's corporate division located in Canada only earns revenue that is considered incidental to the activities of the Group and therefore does not meet the definition of an operating segment as defined in IFRS 8 Operating Segments. During the years ended December 31, 2016 and 2015, the Group's revenue was generated from gold sales and copper multi-products to customers in the PRC. Approximately 99% (2015: 99%) of non-current assets of the Group are located in the PRC.

(e) Information about major customers

Revenue from major customers which accounts for 10% or more of the Group's total revenue are sales of gold doré bars and copper and other products to CNG and its subsidiaries as disclosed in note 28 (a) (i)

6. GENERAL AND ADMINISTRATIVE EXPENSES

	2016 US\$'000	2015 US\$'000
Administration and office	7,394	8,934
Professional fees	1,546	1,802
Salaries and benefits	8,590	9,474
Depreciation of property, plant and equipment	2,721	2,640
Others	1,188	979
	<u>21,439</u>	<u>23,829</u>

7. EXPLORATION AND EVALUATION EXPENDITURE

	2016 US\$'000	2015 US\$'000
CSH Gold Mine (note 20(a))	378	302
Generative exploration	2	-
	<u>380</u>	<u>302</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

8. FINANCE COSTS

	2016	2015
	US\$'000	US\$'000
Effective interests on borrowings:		
- wholly repayable within 5 years	28,447	42,225
- wholly repayable over 5 years	9,929	468
Accretion on environmental rehabilitation (note 26)	2,967	2,606
	<u>41,343</u>	<u>45,299</u>
Less: Amounts capitalized to property, plant and equipment	<u>(24,770)</u>	<u>(23,892)</u>
	<u>16,573</u>	<u>21,407</u>

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

	2016	2015
	%	%
Capitalization rate	<u>4.12</u>	<u>4.01</u>

9. INCOME TAX EXPENSE

The Company was incorporated in Canada and is subject to Canadian federal and provincial tax requirements which are calculated at 26% (2015: 26%) of the estimated assessable profit for the year ended December 31, 2016. Since its incorporation, the Company had no assessable profit subject to Canadian federal and provincial tax requirements.

PRC Enterprise Income Tax ("EIT") is calculated at the prevailing tax rate of 25% on the estimated taxable profit of the group entities located in the PRC for the years ended December 31, 2016 (2015: 25%) except as described below.

Huatailong and Metrorkongka County Jiama Industry and Trade Co. ("Jiama Industry and Trade"), subsidiaries acquired in December 2010, were established in the westward development area of the PRC and subject to preferential tax rate of 15% of taxable profit.

Under relevant PRC Tax Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated distributable profits of the PRC subsidiaries amounting to approximately US\$334,637,000 and US\$334,480,000 at December 31, 2016 and 2015, respectively, as the Group is able to control the timing of the reversal of temporary differences and it is probable the temporary differences will not reverse in the foreseeable future.

Taxation for other relevant jurisdictions is calculated at the rates prevailing in each of those jurisdictions respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

9. INCOME TAX EXPENSE- continued

Tax expense comprises:

	2016	2015
	US\$'000	US\$'000
Current tax expense - PRC EIT	17,998	11,747
Deferred tax expense	740	6,687
	<u>18,738</u>	<u>18,434</u>

Per the consolidated statement of profit or loss and other comprehensive income, the tax expense for the Group can be reconciled to the profit before income tax for the year as follows:

	2016	2015
	US\$'000	US\$'000
Profit before income tax	6,413	11,607
PRC EIT tax rates	25%	25%
Tax at the PRC EIT tax rates	1,603	2,902
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	(22)	(39)
Tax effect of concessionary tax rate	1,857	2,130
Tax effect of tax losses not recognized	654	1,093
Tax effect of non-deductible expenses	4,552	4,886
Tax effect of non-taxable income	(1,086)	(928)
Impacts on foreign exchange	8,446	6,571
Withholding tax in respect of interest income earned from PRC subsidiaries	2,734	1,819
	<u>18,738</u>	<u>18,434</u>

The following are the major deferred tax (assets) liabilities recognized and movements thereon during the current and prior years:

	Property, Plant and equipment	Environmental rehabilitation	Mining Rights ⁽¹⁾	Inventories	Others	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At January 1, 2015	(13,482)	(5,868)	133,905	4,198	(1,754)	116,999
Charge (credit) to profit or loss	2,671	(4,094)	(734)	8,192	652	6,687
At December 31, 2015	(10,811)	(9,962)	133,171	12,390	(1,102)	123,686
Charge (credit) to profit or loss	6,420	(212)	(676)	(5,204)	412	740
At December 31, 2016	<u>(4,391)</u>	<u>(10,174)</u>	<u>132,495</u>	<u>7,186</u>	<u>(690)</u>	<u>124,426</u>

(1) Amount represents deferred tax liability arising from the fair value adjustment on mining rights during the business acquisition of Skyland Mining Limited and its subsidiaries ("Skyland") in December 2010.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

9. INCOME TAX EXPENSE- continued

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2016	2015
	US\$'000	US\$'000
Deferred tax assets	382	1,728
Deferred tax liabilities	(124,808)	(125,414)
	<u>(124,426)</u>	<u>(123,686)</u>

The Group's unrecognized deferred income tax assets are as follows:

	2016	2015
	US\$'000	US\$'000
Deferred income tax assets		
Tax loss carry forwards	14,797	14,143
Other deductible temporary differences	2,178	1,143
Total unrecognized deferred income tax assets	<u>16,975</u>	<u>15,286</u>

Deferred tax asset of US\$14,797,000 (December 31, 2015: US\$14,143,000) has not been recognized in respect of unused tax loss due to the unpredictability of future profit streams. Under Canadian tax laws, unused tax loss arising in a tax year ended between March 22, 2004 and December 31, 2005 can be carried forward for 10 years while the unused tax loss can be carried forward for 20 years if the loss is arising in tax years ended after December 31, 2005.

Other deductible temporary differences primarily comprise of share issue costs and cumulative eligible capital expenditures that were incurred by the Company which are tax deductible according to the relevant tax law in Canada. No deferred tax asset has been recognized because the amount of future taxable profit that will be available to realize such assets is unpredictable and not probable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

10. LOSS FOR THE YEAR

	2016 US\$'000	2015 US\$'000
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration	633	613
Depreciation included in cost of sales and inventories	74,965	67,816
Depreciation included in administrative expenses (note 6)	2,721	2,640
Total depreciation	77,686	70,456
Release of prepaid lease payment (included in cost of sales)	208	185
Amortization of mining rights (included in cost of sales)	4,814	5,264
Loss on disposal of property, plant and equipment	34	-
Staff costs		
Directors' and chief executive's emoluments (note 11)	328	417
Staff salaries and benefits	7,744	8,382
Retirement benefit contributions	518	675
Total salaries and benefits included in administrative expenses (note 6)	8,590	9,474
Total salaries and benefits capitalized in construction in progress	5,368	5,918
Staff costs included in cost of sales and inventories	14,220	10,297
Total staff costs	28,178	25,689
Operating lease payment	1,163	1,527
Bank interest income	(562)	(1,498)
Government subsidies ⁽¹⁾	(660)	(4,087)

⁽¹⁾ Included government subsidies of nil (2015: US\$3,934,000) received from the local Finance Bureau of Tibet in 2016 as a reward for the Group's contribution to community development and environmental preservation in the local Tibet region.

There was no condition attached to the subsidies and the entire amount was recognized as other income in 2015.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and Chief Executive's emoluments

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

For the year ended December 31, 2016

	Fees	Salaries and other benefits	Retirement benefit contributions	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Executive Directors and Chief Executive (Note a)				
Bing Liu (Note e)	-	-	-	-
Executive Directors (Note b)				
Xin Song (Note e)	-	-	-	-
Xiangdong Jiang	-	119	2	121
Liangyou Jiang	-	56	-	56
Non-executive Directors (Note c)				
Lianzhong Sun (Note e)	-	-	-	-
Independent Non-executive Directors (Note d)				
Ian He	41	-	2	43
Yunfei Chen	36	-	-	36
Gregory Hall	36	-	-	36
John King Burns	36	-	-	36
	<u>149</u>	<u>175</u>	<u>4</u>	<u>328</u>

For the year ended December 31, 2015

	Fees	Salaries and other benefits	Retirement benefit contributions	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Executive Directors and Chief Executive (Note a)				
Bing Liu (Note e)	-	-	-	-
Executive Directors (Note b)				
Xin Song (Note e)	-	-	-	-
Xiangdong Jiang	-	200	2	202
Liangyou Jiang	-	60	-	60
Non-executive Directors (Note c)				
Lianzhong Sun (Note e)	-	-	-	-
Independent Non-executive Directors (Note d)				
Ian He	42	-	2	44
Yunfei Chen	37	-	-	37
Gregory Hall	37	-	-	37
John King Burns	37	-	-	37
	<u>153</u>	<u>260</u>	<u>4</u>	<u>417</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS- continued

(a) Directors' and Chief Executive's emoluments- continued

Notes:

- (a) Mr. Bing Liu is a director and the Chief Executive of the Company. The emoluments disclosed above are inclusive of services rendered by him as the Chief Executive.
- (b) The executive directors' emoluments shown above were mainly for their services in connection with the Management of the affairs of the Company and the Group.
- (c) The non-executive directors' emoluments shown above were mainly for their services as directors of the Company.
- (d) The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.
- (e) Mr. Xin Song, Mr. Bing Liu and Mr. Lianzhong Sun have also been employed by CNG and the payment of their emoluments was centralized and made by CNG for both years, in which the amounts are considered as insignificant.

For the years ended December 31, 2016 and 2015, none of the directors of the Company waived or agreed to waive any emoluments.

(b) Employees' emoluments

The five highest paid individuals included nil (2015: one) director for the year ended December 31, 2016. The emoluments of the remaining five (2015: four) non-director individuals for the year ended December 31, 2016, are as follows:

	2016 US\$'000	2015 US\$'000
Employees		
Salaries and other benefits	964	778
Retirement benefit contributions	4	4
	<u>968</u>	<u>782</u>

Their emoluments were within the following bands:

	2016 No. of individuals	2015 No. of individuals
Nil to HK\$1,000,000 (equivalent to approximately nil to US\$129,000)	-	-
HK\$1,000,001 to HK\$1,500,000 (equivalent to approximately US\$129,001 to US\$193,000)	4	3
HK\$1,500,001 to HK\$2,000,000 (equivalent to approximately US\$193,001 to US\$258,000)	-	-
HK\$2,000,001 to HK\$2,500,000 (equivalent to approximately US\$258,001 to US\$323,000)	1	1
	<u>1</u>	<u>1</u>

During the years ended December 31, 2016 and 2015, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

12. DIVIDEND

No dividends were paid or proposed during the year ended December 31, 2016 and 2015, nor has any dividend been proposed since the end of reporting period.

13. LOSS PER SHARE

Data used in determining loss per share are presented below:

	2016	2015
Loss attributable to owners of the Company for the purposes of basic and diluted loss per share (US\$'000)	13,304	8,188
Weighted average number of shares, basic and diluted	396,413,753	396,413,753
Basic loss per share (US\$)	3.36 cents	2.07 cents
Diluted loss per share (US\$)	N/A	2.07 cents

No diluted loss per share for 2016 was presented as the Group had no potential dilutive instruments issued during the year ended December 31, 2016.

The computation of diluted loss per share for 2015 does not assume the exercise of the Company's stock option, as it would result in a decrease in loss per share for the year ended December 31, 2015.

14. CASH AND CASH EQUIVALENTS/RESTRICTED BANK BALANCE

Cash and cash equivalents of the Group are comprised of bank balances and bank deposits with an original maturity of three months or less. The Group's bank balances, cash equivalents and restricted bank balances are denominated in the foreign currencies other than the respective group entities' functional currencies are presented below:

	December 31, 2016	December 31, 2015
	US\$'000	US\$'000
Denominated in:		
Canadian dollars ("CAD")	1,512	494
Renminbi ("RMB")	43,447	35,673
US\$	35	971
Hong Kong dollars ("HK\$")	571	600
	<u>45,565</u>	<u>37,738</u>

The bank balances and bank deposits carry interest rates ranging from 0.3% to 2% (2015: 0.2% to 1.92%) per annum for the year ended December 31, 2016.

Restricted bank balance carries interest at market rates ranging from 0.3% to 1.55% (2015: 0.35%) per annum for the year ended December 31, 2016. The balance represents deposits pledged to banks to secure bills payable issued to suppliers for mining costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

15. TRADE AND OTHER RECEIVABLES

The Group's accounts receivable arise from the following sources: trade receivables and amounts due from related companies. The components are as follows:

	December 31, 2016 US\$'000	December 31, 2015 US\$'000
Trade receivables	4,054	11,189
Less: allowance for doubtful debts	(94)	(398)
	<u>3,960</u>	<u>10,791</u>
Amounts due from related companies (note 28(a)) ⁽¹⁾	128	2,407
Loans to related companies (note 28(a))	158,433	14,021
Loans to a non-controlling shareholder ⁽²⁾	-	1,263
Other receivables ⁽³⁾	707	7,319
	<u>163,228</u>	<u>35,801</u>

(1) The outstanding balances represent service fee receivables arising from provision of transportation services to the subsidiaries of CNG during the years ended December 31, 2016 and 2015. The amounts are unsecured, interest free and repayable on demand.

(2) Loans to a non-controlling shareholder carry a floating rate, currently set at 4.35% per annum based on the benchmark interest rate of the People's Bank of China, and are unsecured and repayable on demand.

(3) Included in the balance as at December 31, 2016 is an amount of approximately US\$279,000 (2015: US\$6.3 million) 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 dofe bar 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:

	December 31, 2016 US\$'000	December 31, 2015 US\$'000
Less than 30 days	-	5,834
31 to 90 days	1,307	4,532
91 to 180 days	2,387	75
Over 180 days	266	350
	<u>3,960</u>	<u>10,791</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

15. TRADE AND OTHER RECEIVABLES- continued

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The customers with balances that are neither past due nor impaired have good repayment history and thus no impairment is considered necessary.

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of US\$266,000 and US\$350,000 at December 31, 2016 and 2015, respectively, which are past due over six months for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience.

Movement in the allowance for doubtful debts:

	2016	2015
	US\$'000	US\$'000
At January 1	398	167
Addition	-	248
Amount written off as uncollectible	(291)	-
Exchange realignment	(13)	(17)
At December 31	<u>94</u>	<u>398</u>

The Group holds no collateral for any receivable amounts outstanding as at December 31, 2016 and 2015.

16. PREPAID EXPENSES AND DEPOSITS

	December 31, 2016	December 31, 2015
	US\$'000	US\$'000
Deposits for mine supplies and services (Note a)	509	2,702
Deposits for spare parts (Note a)	4,670	4,420
Deposits for environmental protection (Note b)	11,425	10,665
Deposit for acquisition of property, plant and equipment (Note c)	90	616
Prepaid property and machinery insurance	152	250
Amount due from a non-controlling shareholder of a subsidiary (Note d)	353	384
Other prepayment and deposits	590	1,383
	<u>17,789</u>	<u>20,420</u>
Less: Amounts that will be settled or utilised within one year shown under current assets	(5,633)	(8,446)
Amounts that will be settled or utilised for more than one year shown under non-current assets	<u>12,156</u>	<u>11,974</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

16. PREPAID EXPENSES AND DEPOSITS- continued

Notes:

- (a) The amount represents deposits paid to third party vendors and related companies (note 28) for purchasing of raw materials, consumable, spare parts and mine services.
- (b) The amount represents deposits paid to the PRC local land administration bureau for undertaking the restoration of land when the lease term is expired. Such amount is receivable upon the end of the mine life and is expected to be repaid after one year and therefore it is shown as a non-current asset at both 2016 and 2015 year end.
- (c) The amount represents deposits paid to third party contractors for the acquisition of property, plant and equipment to expand its mining capacity in Tibet, the PRC. The amount is shown as non-current asset.
- (d) The amount due from a non-controlling shareholder is non-interest bearing, unsecured and repayable after one year.

17. PREPAID LEASE PAYMENTS

	US\$'000
At January 1, 2015	8,372
Release to profit or loss	(185)
Exchange realignment	(342)
At December 31, 2015 and January 1, 2016	7,845
Additions	7,586
Release to profit or loss	(208)
Exchange realignment	(454)
At December 31, 2016	14,769

	December 31, 2016 US\$'000	December 31, 2015 US\$'000
Analysed for reporting purpose:		
Current portion	366	225
Non-current portion	14,403	7,620
	14,769	7,845

Prepaid lease payments represent payments for medium-term leasehold land located in the PRC. The prepaid lease payments are released to profit or loss over the remaining lease terms.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

18. INVENTORIES

	December 31, 2016	December 31, 2015
	US\$'000	US\$'000
Gold in process	190,832	160,843
Gold doré bars	14,118	9,565
Consumables	4,923	5,966
Copper	544	4,597
Spare parts	10,140	9,905
	<u>220,557</u>	<u>190,876</u>

Inventories totalling US\$277,896,000 (2015: US\$272,209,000) for the year ended December 31, 2016 was recognized in cost of sales.

19. AVAILABLE-FOR-SALE INVESTMENTS

	December 31, 2016	December 31, 2015
	US\$'000	US\$'000
Listed investment, at fair value:		
- Equity securities listed in Hong Kong ⁽¹⁾	12,737	15,291
Unlisted investment, at cost:		
- Equity securities ^{(2) (3)}	2,018	2,156
	<u>14,755</u>	<u>17,447</u>

(1) On June 29, 2012, the Group acquired 70,545,000 shares of China Nonferrous Mining Corporation Limited ("CNMC"), a listed company in Hong Kong at HK\$2.20 per share for a total consideration of US\$20,011,000 which represents 2.03% equity interest in CNMC.

During the year, impairment loss of US\$3,831,000 (2015: US\$4,720,000) was further recognized to profit or loss as there was significant decline of the fair value of the security below its cost in the first quarter of the year and the Group considered that such a drop is an impairment. Due to the increase in fair value of the listed shares subsequent to the recognition of impairment loss, as mentioned US\$1,278,000 was recognized in other comprehensive income and accumulated under the heading of investment revaluation reserve in accordance with the Group's accounting policies.

(2) As of December 31, 2016, the Group has invested RMB10,000,000, approximately US\$1,441,000 (2015: US\$1,540,000), representing 10% share interest in Inner Mongolia Chengxin Yong'an Chemicals Co., Ltd. ("Yong'an Chemicals"). Yong'an Chemicals is established in the PRC and principally engaged in the development and manufacturing of chemicals.

(3) As of December 31, 2016, the Group has invested RMB4,000,000, approximately US\$577,000 (2015: US\$616,000), representing 10% share interest in Mozu Gongka Jiulian Industrial Explosives Material Co. Ltd. ("Mozu Explosives"). Mozu Explosives established in the PRC and principally engaged in the development and manufacturing of explosives.

Both Yong'an Chemicals and Mozu Explosives are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the fair values cannot be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

20. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Crushers	Furniture and office equipment	Machinery and equipment	Motor vehicles	Leasehold improvements	Mineral assets	Construction in progress ("CIP")	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
COST									
At January 1, 2015	213,950	215,879	3,341	97,467	8,484	285	304,108	585,260	1,428,774
Additions	808	-	507	4,825	413	-	70,536	201,519	278,608
Reversal	-	-	-	-	-	(87)	-	-	(87)
Disposals	(286)	-	-	(129)	-	-	-	-	(415)
Transfer from CIP	2,274	-	-	92	-	-	-	(2,366)	-
Environmental rehabilitation adjustment (note 26)	-	-	-	-	-	-	17,568	-	17,568
Exchange realignment	(8,238)	-	(87)	(2,550)	(289)	-	(4,722)	(32,237)	(48,123)
At December 31, 2015	208,508	215,879	3,761	99,705	8,608	198	387,490	752,176	1,676,325
Additions	1,075	-	398	3,216	454	-	60,870	162,283	228,296
Reversal	-	(2,735)	-	-	-	-	-	-	(2,735)
Disposals	-	-	(25)	-	(145)	-	-	-	(170)
Transfer from CIP	2,196	-	425	11,117	-	-	-	(13,738)	-
Environmental rehabilitation adjustment (note 26)	-	-	-	-	-	-	857	-	857
Exchange realignment	(13,066)	-	(156)	(3,661)	(415)	-	(6,683)	(53,931)	(77,912)
At December 31, 2016	198,713	213,144	4,403	110,377	8,502	198	442,534	846,790	1,824,661
ACCUMULATED DEPRECIATION									
At January 1, 2015	(28,984)	(29,524)	(1,860)	(36,564)	(3,936)	(104)	(53,468)	-	(154,440)
Provided for the year	(9,435)	(16,855)	(372)	(8,970)	(1,217)	(21)	(33,586)	-	(70,456)
Eliminated on disposals	33	-	-	47	-	-	-	-	80
Exchange realignment	1,285	-	40	981	149	-	355	-	2,810
At December 31, 2015	(37,101)	(46,379)	(2,192)	(44,506)	(5,004)	(125)	(86,699)	-	(222,006)
Provided for the year	(9,033)	(16,837)	(466)	(9,451)	(1,027)	(18)	(40,854)	-	(77,686)
Reversal	-	1,537	-	-	-	-	-	-	1,537
Eliminated on disposals	-	-	24	-	112	-	-	-	136
Exchange realignment	2,177	-	65	1,660	247	-	516	-	4,665
At December 31, 2016	(43,957)	(61,679)	(2,569)	(52,297)	(5,672)	(143)	(127,037)	-	(293,354)
CARRYING VALUE									
At December 31, 2016	154,756	151,465	1,834	58,080	2,830	55	315,497	846,790	1,531,307
At December 31, 2015	171,407	169,500	1,569	55,199	3,604	73	300,791	752,176	1,454,319



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

20. PROPERTY, PLANT AND EQUIPMENT- continued

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

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

Mineral assets mainly represent drilling, stripping and related costs incurred on sites with an existing mine and on areas within the boundary of a known mineral deposit which contains proven and probable reserves and are capitalized when they are incurred to improve access to the future ores. Mineral assets are depreciated using the unit-of-production method based on the actual production volume over the estimated total proven and probable reserves of the mines.

Mineral Assets

(a) CSH Gold Mine

CSH Gold Mine, in which the Group holds a 96.5% equity interest, consists of a licensed area of 36 square kilometers ("km²") in the western part of Inner Mongolia, northern China. The site is centrally positioned within the east-west-trending Tian Shan Gold Belt and is approximately 650 kilometers ("km") northwest of Beijing. The carrying value of the CSH Gold Mine in relation to mineral assets is US\$252,467,000 as at December 31, 2016 (December 31, 2015: US\$233,066,000).

(b) Jiama Mine

The Jiama Mine, a large copper-gold polymetallic deposit consisting of skarn-type and hornfels-type mineralization located in Metrorkongka County in Tibet, in which the Group holds 100% equity interest through its wholly-owned subsidiary, Skyland. The Group acquired Skyland on December 1, 2010. The Jiama Mine holds two mining permits covering an area of approximately 76.9 km² and 66.4 km², respectively and were combined as one mining permit. The carrying value of the Jiama Mine in relation to mineral assets is US\$63,030,000 as at December 31, 2016 (December 31, 2015: US\$67,725,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

21. MINING RIGHTS

	US\$'000
COST	
At January 1, 2015	979,607
Exchange realignment	(2,208)
At December 31, 2015 and January 1, 2016	<u>977,399</u>
Exchange realignment	(3,058)
At December 31, 2016	<u>974,341</u>
ACCUMULATED AMORTIZATION	
At January 1, 2015	(41,801)
Additions	(5,264)
Exchange realignment	182
At December 31, 2015 and January 1, 2016	<u>(46,883)</u>
Additions	(4,814)
Exchange realignment	173
At December 31, 2016	<u>(51,524)</u>
CARRYING VALUE	
At December 31, 2016	<u>922,817</u>
At December 31, 2015	<u>930,516</u>

The amounts represent mining rights in the Jiama Mine, in relation to the copper concentrate and other by-products production, acquired through the acquisition of Skyland. The two mining permits were renewed in 2014 and 2015, respectively and were combined as one mining permit. The mining permit will expire in 2023. The Group considers that it will be able to renew the mining rights with the relevant government authority continuously at insignificant cost until the end of mine life.

Amortization on mining rights acquired is provided to write off the cost of the mining rights using the unit-of-production method based on the actual production volume over the estimated total proven and probable reserves of the mines.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

22. ACCOUNTS AND OTHER PAYABLE AND ACCRUED EXPENSES

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

Accounts and other payable and accrued expenses comprise the following:

	December 31, 2016	December 31, 2015
	US\$'000	US\$'000
Accounts payable	17,738	51,815
Bills payable	73,785	36,960
Construction costs payable	69,582	61,005
Advances from customers	46	49
Mining cost accrual	5,453	6,466
Other accruals	1,138	1,844
Payroll and benefit payable	4,967	4,271
Other tax payables	1,762	1,061
Other payables	1,993	2,533
	<u>176,464</u>	<u>166,004</u>

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

	December 31, 2016	December 31, 2015
	US\$'000	US\$'000
Less than 30 days	7,277	41,975
31 to 90 days	5,445	1,783
91 to 180 days	2,396	1,195
Over 180 days	2,620	6,862
	<u>17,738</u>	<u>51,815</u>

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

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

	December 31, 2016	December 31, 2015
	US\$'000	US\$'000
Less than 30 days	18,739	-
31 to 60 days	7,208	12,320
61 to 90 days	11,799	-
91 to 180 days	36,039	24,640
	<u>73,785</u>	<u>36,960</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

23. BORROWINGS

The borrowings are repayable as follows:

	December 31, 2016	December 31, 2015
	US\$'000	US\$'000
Carrying amount repayable on demand and within one year (Note 1)	596,233	189,009
Carrying amount repayable within one to two years	57,662	487,766
Carrying amount repayable within two to five years (Note 2)	204,699	126,278
Carrying amount repayable over five years (Note 2)	296,238	149,378
	<u>1,154,832</u>	<u>952,431</u>
Less: Amounts due within one year (shown under current liabilities)	(596,233)	(189,009)
Amounts shown under non-current liabilities	<u>558,599</u>	<u>763,422</u>

Notes:

- On July 17, 2014, the Company, through its wholly-owned subsidiary, Skyland Mining (BVI) Limited, completed the issuance of bonds to independent third parties in an aggregate principal amount of US\$500 million, listed on The Stock Exchange of Hong Kong Limited. The bonds were issued at a price of 99.634%, bearing interest rate of 3.5% with a maturity date of July 17, 2017. Interest is payable in equal semi-annual instalments on January 17 and July 17 in each year.
- Skyland entered into a syndicated long term loan facility agreement with a syndicate of banks ("The Lenders"), on November 3, 2015 which is available for Skyland to draw down up to October 30, 2018. As at December 31, 2016, Skyland has drawn down the loan amount of RMB2,885,000,000 (equivalent to approximately US\$415,886,000) (2015: RMB1,400,000,000 (equivalent to approximately US\$215,597,000)). The unutilised facility was RMB1,095,000,000 (equivalent to approximately US\$157,849,000) as at December 31, 2016 (2015: RMB2,580,000,000 (equivalent to approximately US\$397,314,000)). The loan carries a floating rate, currently set at 2.83% per annum, set by the People's Bank of China Lhasa Center Branch's interest rate bench mark, discounted by 7 base points (or 0.07%) as at December 31, 2016 and 2015. Repayment of the loan is scheduled to begin in May 2019 and will reach full maturity and repayment in November 2023. The loan is subject to a financial covenant with which the Company was in compliance as at December 31, 2016 and 2015.

Analysed as:

	December 31, 2016	December 31, 2015
	US\$'000	US\$'000
Secured	415,886	215,597
Unsecured	738,946	736,834
	<u>1,154,832</u>	<u>952,431</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

23. BORROWINGS- continued

Fixed rate loans amounting to approximately US\$738,961,000 (December 31, 2015: US\$736,835,000), carry weighted average effective interest rate of 3.13% (2015: 4.54%) per annum.

The carrying values of the pledged assets to secure borrowings by the Group are as follows:

	December 31, 2016	December 31, 2015
	US\$'000	US\$'000
Mining rights	922,817	930,516

24. ENTRUSTED LOAN PAYABLE

On January 17, 2014, the Group entered into a three-year entrusted loan agreement with CNG (note 28) 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 is unsecured and carries interest at a fixed rate of 3% per annum. The principal amount was fully repaid on January 18, 2017.

25. DEFERRED INCOME

	December 31, 2016	December 31, 2015
	US\$'000	US\$'000
Deferred income - government grants	4,195	1,779
Deferred lease inducement	19	19
	<u>4,214</u>	<u>1,798</u>

Movement in the deferred income - government grants:

	2016	2015
	US\$'000	US\$'000
At January 1	1,779	1,772
Addition	3,488	940
Charged to other income	(658)	(716)
Exchange realignment	(414)	(217)
At December 31	<u>4,195</u>	<u>1,779</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

26. ENVIRONMENTAL REHABILITATION

The environmental rehabilitation relates to reclamation and closure costs relating to the Group's mine operations at the CSH Gold Mine and Jiama Mine. The environmental rehabilitation is calculated as the net present value of estimated future net cash flows of the reclamation and closure costs, which total US\$85,467,000 (2015: US\$94,710,000), discounted at 6.19% (2015: 6.9%) per annum at December 31, 2016.

The following is an analysis of the environmental rehabilitation:

	2016	2015
	US\$'000	US\$'000
At January 1	49,090	30,932
Additions to site reclamation	-	15,537
Additions resulted from change in discount rate during the year	857	2,031
Accretion incurred in the current year	2,967	2,606
Payment during the year	(284)	-
Exchange realignment	(3,293)	(2,016)
At December 31	<u>49,337</u>	<u>49,090</u>

27. SHARE CAPITAL AND OPTIONS

(a) Common shares

(i) Authorised - Unlimited common shares without par value

(ii) Issued and outstanding

Issued & fully paid:

At January 1, 2015, December 31, 2015 and 2016

	Number of shares	Amount
		US\$'000
At January 1, 2015, December 31, 2015 and 2016	<u>396,413,753</u>	<u>1,229,061</u>

(b) Stock options

The Group had a stock option plan which permits the board of directors of the Company to grant options to directors and employees to acquire common shares of the Company at the price on the date of approval by the board of directors. The Company granted such options for exercisable periods of up to six years, with a portion of the options having vested immediately on the grant date and the balance having vested over a period of up to five years from the 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 fair value of the options was measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period that the employees earn the options. The fair value is recognized as an expense over its vesting periods with a corresponding increase in equity (equity reserve). The amount recognized as expense in each period is adjusted to reflect the number of share options expected to vest. When the share options are forfeited after the vesting or are still not exercised at the expiry date, the amount previously recognized in equity reserve will continue to be held in equity.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

27. SHARE CAPITAL AND OPTIONS- continued

(b) Stock options- continued

The following is a summary of option transactions under the Group's stock option plan during the year:

	2016		2015	
	Number of options	Weighted average exercise price CAD	Number of options	Weighted average exercise price CAD
Balance at January 1	-	-	400,000	5.56
Options expired	-	-	400,000	6.09
Balance at December 31	-	-	-	-

400,000 stock options were granted during the year ended December 31, 2010. The options were granted on June 1, 2010 and expire on June 1, 2015. No stock options were granted during the year ended December 31, 2016 and 2015.

28. 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 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 years are as follows:

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

	December 31, 2016	December 31, 2015
	%	%
CNG	39.3	39.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

28. 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 transactions with CNG and CNG's subsidiaries:

	December 31, 2016	December 31, 2015
	US\$'000	US\$'000
Gold doré bars sales by the Group (Note a)	227,580	233,799
Copper and other product sales by the Group (Note b)	59,750	20,987
Provision of transportation services by the Group (Note b)	633	428
Office lease to the Group (Note b)	1,129	1,162
Construction, stripping and mining services provided to the Group (Note b, c)	39,624	140,829
Loan advanced by the Group (Note d)	150,000	14,021
Loan provided to the Group (Note e)	43,246	21,560
Cash and cash equivalent held by the Group (Note e)	31,052	14,956

Notes:

a. On May 7, 2014, the Company's subsidiary, Inner Mongolia Pacific Mining Co. Ltd. ("IMP") entered into an exclusive contract for the sale of doré with CNG pursuant to which IMP sells gold doré bars to CNG for the period up to December 31, 2017.

The extent of the continuing connected transactions for the year ended December 31, 2016 and 2015 did not exceed the limit as set out in the announcement of the Group on May 7, 2014.

b. On April 26, 2013, the Company entered into a product and service framework agreement with CNG for the provision of providing mining related services and products to the Company for three years until June 18, 2016. The agreement was amended to extend the term of the agreement to December 31, 2017 and to include copper concentrates sales contract and office lease contract with CNG since May 29, 2015.

The extent of the continuing connected transactions for the year ended December 31, 2016 and 2015 did not exceed the limit as set out in the announcement of the Group on May 29, 2015.

c. On May 7, 2014, Tibet Huatailong entered into a stripping and mining agreement with China Tenth Metallurgy Group Limited Corporation ("CTMG"), a subsidiary of CNG, whereby CTMG shall provide stripping and mining services for phase II production-period hornfels at the Jiama Mine.

The extent of the continuing connected transactions for the year ended December 31, 2016 and 2015 did not exceed the limit as set out in the announcement of the Group on May 7, 2014.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

28. RELATED PARTY TRANSACTIONS- continued

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

Notes- continued

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

d. On April 14, 2015, Skyland Mining (BVI) Limited ("Skyland (BVI)"), the wholly-owned subsidiary of the Company, entered into a loan agreement with China National Gold Group Hong Kong Limited ("CNGHK"), a subsidiary of CNG, pursuant to which Skyland (BVI) as lender, agreed to provide the loan in the principal amount up to US\$14 million for a term of one year, to CNGHK as borrower. US\$6.0 million of the loan was repaid on August 25, 2016. On April 12, 2016, the loan was extended to April 2017.

On August 25, 2016, Skyland (BVI) entered into a loan agreement with CNGHK, a subsidiary of CNG, pursuant to which Skyland (BVI) as a lender, agreed to provide the loan in the principal amount up to US\$120 million and expiring on July 1, 2017, to CNGHK as borrower.

On September 13, 2016, Skyland (BVI) entered into a loan agreement with Kichi Chaarat CISC ("Kichi") a subsidiary of CNG, pursuant to which Skyland (BVI) as a lender, agreed to provide the loan in the principal amount up to US\$30 million and expiring on July 10, 2017, to Kichi as borrower.

The transaction constituted a connected transaction for the Company under Chapter 14A of the Listing Rules, details of which are set out in the announcement of the Company dated April 14, 2015 and May 24, 2016, respectively.

e. On May 29, 2015, the Company's subsidiaries, IMP, Huatailong and China Gold Finance, a subsidiary of CNG, entered into a financial services agreement pursuant to which China Gold Finance will provide deposit services, loan, settlement, credit facility, financial advisory and other financial services subject to terms and conditions provided therein for a term of three years.

The extent of the continuing connected transactions for the year ended December 31, 2016 and 2015 did not exceed the limit as set out in the announcement of the Group on May 29, 2015.

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

	December 31, 2016 US\$'000	December 31, 2015 US\$'000
Assets		
Amounts due from related companies (note 15)	128	2,407
Deposits	168	912
Loans receivable from CNG subsidiaries (note 15)	158,433	14,021
Cash and cash equivalents held in a CNG subsidiary	31,052	14,956
Trade receivables from CNG subsidiaries (note 15)	490	-
	<u>190,271</u>	<u>32,296</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

28. 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 loans receivable from CNG's subsidiaries, which is included in trade and other receivables, carry fixed interest rates at 3.9% to 5% (2015: 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.

	December 31, 2016 US\$'000	December 31, 2015 US\$'000
Liabilities		
Entrusted loan payable (note 24)	28,831	30,800
Customer advance paid by CNG's subsidiary	33	35
Construction costs payable to CNG's subsidiaries	14,970	15,564
Loans payable to a CNG subsidiary	43,304	21,560
	<u>87,138</u>	<u>67,959</u>

The loans payable to a CNG subsidiary, which are included in borrowings, carry fixed interest rates at 4.35% (2015: range from 4.13% to 4.37%) 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.

(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. Over 74%, 56% and 100% (2015: over 95%, 47% and 95%) of the Group's bank deposits, borrowings and other general banking facilities are with government-related entities respectively.

(b) Compensation of key management personnel

Other than the directors' emoluments disclosed in note 11(a), the Group has the following compensation to other key management personnel during the years:

	2016 US\$'000	2015 US\$'000
Salaries and other benefits	854	1,033
Post-employment benefits	13	11
	<u>867</u>	<u>1,044</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

29. CAPITAL RISK MANAGEMENT

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

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

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

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

30. FINANCIAL INSTRUMENTS

	Financial instrument classification	December 31, 2016 US\$'000	December 31, 2015 US\$'000
Financial assets			
Cash and cash equivalents	Loans and receivables	59,930	112,399
Restricted bank balance	Loans and receivables	21,085	9,242
Trade and other receivables	Loans and receivables	163,228	35,801
Amount due from a non-controlling shareholder of a subsidiary (included in prepaid expenses)	Loans and receivables	353	384
Available-for-sale investments	Available-for-sale financial assets	14,755	17,447
Financial liabilities			
Accounts and other payables*	Other financial liabilities	163,098	152,312
Borrowings			
- Loans, other than syndicated loan	Other financial liabilities	738,946	736,834
- Syndicated loan	Other financial liabilities	415,886	215,597
Entrusted loan payable	Other financial liabilities	28,831	30,800

*Excluded advances from customers, mining cost accrual, other accrual, payroll and benefit payable and other tax payables.

The Group's financial instruments are exposed to certain financial risks including market risk (e.g. currency risk and interest rate risk), credit risk and liquidity risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

30. FINANCIAL INSTRUMENTS- continued

(a) Currency risk

The Group 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 related. The Group has not hedged its exposure to currency fluctuations. However, the Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

At the end of each reporting period, Huatailong of which its functional currency is RMB, had US\$ denominated intra-group borrowings from Skyland Mining (BVI) Limited. The intra-group borrowing is approximately US\$251,000,000 (2015: US\$346,000,000) as at December 31, 2016.

The Group is mainly exposed to exchange rate fluctuation of RMB and US\$.

RMB monetary assets and liabilities

	December 31, 2016	December 31, 2015
	US\$'000	US\$'000
Cash and cash equivalents	22,362	26,430
Restricted bank balances	21,085	9,242
Trade and other receivables	20	1,524
Available-for-sale investments	1,442	1,540
Accounts and other payables	(112,290)	(91,311)
Borrowings	(72,077)	(50,819)
	<u>(139,458)</u>	<u>(103,394)</u>

Based on the above net exposures, and assuming that all other variables remain constant, a 5% (2015: 5%) depreciation/appreciation of the RMB against the US\$ would result in an decrease/increase in the Group's loss for the year of approximately US\$5,230,000 (2015: decrease/increase in the Group's loss for the year of approximately US\$3,877,000) for the year ended December 31, 2016.

US\$ monetary assets and liabilities

	December 31, 2016	December 31, 2015
	US\$'000	US\$'000
Cash and cash equivalents	35	971
Inter-company loans	(251,000)	(346,000)
Other payables	(9,686)	(10,431)
	<u>(260,651)</u>	<u>(355,460)</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

30. FINANCIAL INSTRUMENTS- continued

(a) Currency risk- continued

US\$ monetary assets and liabilities- continued

Based on the above net exposures, and assuming that all other variables remain constant, a 5% (2015: 5%) depreciation/appreciation of the US\$ against the RMB would result in an decrease/increase in the Group's loss for the year of approximately US\$11,078,000 (2015: decrease/increase in the Group's loss for the year of approximately US\$15,107,000) for the year ended December 31, 2016.

In Management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(b) Interest rate risk

Interest rate risk is the risk that the fair value in relation to bank balance, borrowings, entrusted loan payable and loan to a CNG subsidiary of US\$782,521,000 (2015: US\$802,389,000) bearing fixed interest rate or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk on the variable rate bank balances and variable-rate bank borrowings (see note 23 for details of these borrowings).

Sensitivity analysis

The following analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year and all other variables were held constant. A 25 basis point (2015: 25 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents Management's assessment of the reasonably possible change in interest rates.

The analysis below reflects the sensitivity that the interest rate may drop by 25 basis points (2015: 25 basis points) or limit to 0 %.

	2016	2015
	US\$'000	US\$'000
25 basis points (2015: 25 basis points) higher		
- (increase) decrease in profit for the year	(152)	11
- addition in finance costs capitalized	671	302
	<hr/>	<hr/>
25 basis points (2015: 25 basis points) lower		
- decrease(increase)in profit for the year	152	(11)
- reduction in finance costs capitalized	(671)	(302)
	<hr/>	<hr/>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

30. FINANCIAL INSTRUMENTS- continued

(c) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial asset fails to meet its contractual obligations. The Group sold approximately 100% (2015: 100%) of its gold to one creditworthy customer, CNG, approximately 48% (2015: 20%) and 52% (2015: 80%) of its copper concentrate and other by-product to a CNG's subsidiary and third party respectively for the year ended December 31, 2016 and exposes the Group to concentration of credit risk. The failure of these customers to make required payments could have a negative impact on the Group's results. The Group manages this risk by demanding upfront payment from CNG and has set up monitoring procedures to ensure that follow-up action is taken for timely settlement of receivables from the CNG's subsidiary and the third party. The Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure the adequate impairment losses are made for irrecoverable amounts. In this regard, Management consider the Group's credit risk is significantly reduced.

The Group was exposed to credit risk on loans to related parties. Management periodically monitors the financial position of each of the related companies to ensure each related company is financially viable to settle the amount due to the Group.

The Group's cash and short-term bank deposits are held in large PRC, Hong Kong and Canadian financial institutions. These investments mature at various dates within three months from inception date. The exchange rate of RMB is determined by the Government of the PRC and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

The Group had concentration of credit risk by geographical locations as the other receivables comprise various debtors which are located either in the PRC or Canada for the years ended December 31, 2016 and 2015.

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

(d) Liquidity risk

The Group operates in a capital intensive industry. The Group's liquidity requirements arise principally from the needs for financing the expansion of its mining and processing operations.

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk through the Management of its capital structure and financial leverage as outlined in note 29.

The Group relies on existing cash resources, available banking facilities, bank borrowings and bonds listed on the Stock Exchange as significant sources of liquidity. As at December 31, 2016, the Group has available unutilized bank facilities of approximately US\$496 million. In addition, the directors of the Company are of the view that the banking facilities could be renewed as the Group has no difficulty to obtain the renewal based on historical experience. The directors of the Company can monitor the utilization of bank borrowings to finance the Group's operation and maintain the Group's liquidity. Therefore, 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 consolidated financial statements have been prepared on a going concern basis.

The following table details the Group's remaining contractual maturities for its financial liabilities (see note 31 for other commitments). The table is based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to satisfy the liabilities.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

30. FINANCIAL INSTRUMENTS- continued

(d) Liquidity risk - continued

To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period:

	On demand or within 1 year US\$'000	1 - 2 years US\$'000	2 - 5 years US\$'000	Over 5 years US\$'000	Total undiscounted cashflow US\$'000	Carrying Amount US\$'000
At December 31, 2016						
Accounts and other payables	163,098	-	-	-	163,098	163,098
Borrowings	615,386	72,756	238,590	319,098	1,245,830	1,154,832
Entrusted loan payable	28,869	-	-	-	28,869	28,831
	<u>807,353</u>	<u>72,756</u>	<u>238,590</u>	<u>319,098</u>	<u>1,437,797</u>	<u>1,346,761</u>

	On demand or within 1 year US\$'000	1 - 2 years US\$'000	2 - 5 years US\$'000	Over 5 years US\$'000	Total undiscounted cashflow US\$'000	Carrying Amount US\$'000
At December 31, 2015						
Accounts and other payables	152,312	-	-	-	152,312	152,312
Borrowings	197,688	495,082	143,909	155,652	992,331	952,431
Entrusted loan payable	955	31,797	-	-	32,752	30,800
	<u>350,955</u>	<u>526,879</u>	<u>143,909</u>	<u>155,652</u>	<u>1,177,395</u>	<u>1,135,543</u>

(e) Fair value

Except for the available-for-sale investment - listed equity securities which are measured at quoted bid price in an active market (Level 1), the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values. There was no transfer between 1, 2 and 3 in the current and prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

31.COMMITMENTS AND CONTINGENCIES

Operating leases commitments

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

	December 31, 2016 US\$'000	December 31, 2015 US\$'000
Within one year	108	106
In the second to fifth year inclusive	304	350
Over five years	171	247
	<u>583</u>	<u>703</u>

Operating lease payments represent rentals payable by the Group for its premises. Leases are negotiated for a term of 1 to 14 years.

Capital commitments

	December 31, 2016 US\$'000	December 31, 2015 US\$'000
Capital expenditure in respect of acquisition of property, plant and equipment in the consolidated financial statements - contracted but not provided for	218,994	211,196
Capital expenditure in respect of capital injection to an investee	<u>3,604</u>	<u>3,850</u>

Other commitments and contingencies existed at the end of each reporting period

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

32. RETIREMENT BENEFITS SCHEMES

The employees of the Group's subsidiaries are members of a state-managed retirement benefits scheme operated by the PRC government. The subsidiaries are required to contribute a certain percentage of payroll cost to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

The total cost charged to the consolidated statement of profit or loss and other comprehensive income of approximately US\$1,964,000 and US\$1,363,000 for the years ended December 31, 2016 and 2015, respectively, represent contributions payable to the scheme by the Group.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

33. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries at December 31, 2016 and 2015 are as follows:

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group as at December 31,		Principal activities
			2016	2015	
Pacific PGM Inc.	British Virgin Islands ("BVI") May 17, 2001	US\$100	100%	100%	Investment holding
Pacific PGM (Barbados) Inc.	Barbados September 6, 2007	US\$200,000	100%	100%	Investment holding
IMP	PRC April 29, 2002	US\$45,000,000	96.5%	96.5%	Engaged in exploration and development of mining properties in China
Skyland	Barbados October 6, 2004	US\$233,380,700 plus RMB1,510,549,032	100%	100%	Investment holding
Tibet Jia Ertong Minerals Exploration Ltd. ⁽¹⁾	PRC October 31, 2003	US\$273,920,000	100%	100%	Exploration, development and mining of mineral properties and investment holding
Huatailong ⁽¹⁾	PRC January 11, 2007	RMB1,760,000,000	100%	100%	Exploration, development and mining of mineral properties
Jiama Industry and Trade ⁽¹⁾	PRC December 1, 2011	RMB5,000,000	51%	51%	Mining logistics and transport business
Skyland Mining (BVI) Limited	BVI October 26, 2012	US\$1	100%	100%	Issue of bonds

(1) Domestic limited liability company

None of the subsidiaries had issued any debt securities at the end of the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2016 US\$'000	2015 US\$'000
Current assets		
Cash and cash equivalents	10,180	71,601
Other receivables	27	25
Prepaid expenses and deposits	438	457
Loan receivables from subsidiaries	452,684	110,613
Amounts due from subsidiaries	49,258	-
	<u>512,587</u>	<u>182,696</u>
Non-current assets		
Property, plant and equipment	91	153
Loan receivables from subsidiaries	58,033	387,507
Available-for-sale investment	12,737	15,291
Investments in subsidiaries	987,016	987,016
Amounts due from subsidiaries	50,664	47,493
	<u>1,108,541</u>	<u>1,437,460</u>
Total assets	<u>1,621,128</u>	<u>1,620,156</u>
Current liabilities		
Other payable and accrued expenses	834	1,248
Advance from a subsidiary	490,000	490,000
	<u>490,834</u>	<u>491,248</u>
Non-current liability		
Deferred income	19	19
Total liabilities	<u>490,853</u>	<u>491,267</u>
Net current assets (liabilities)	<u>21,753</u>	<u>(308,552)</u>
Total assets less current liabilities	<u>1,130,294</u>	<u>1,128,908</u>
Owners' equity		
Share capital (note 27)	1,229,061	1,229,061
Reserves (note 35)	4,073	2,795
Deficits (note 35)	(102,859)	(102,967)
Total owners' equity	<u>1,130,275</u>	<u>1,128,889</u>
Total liabilities and owners' equity	<u>1,621,128</u>	<u>1,620,156</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

35. RESERVES AND DEFICITS OF THE COMPANY

	Accumulated		Total
	Reserves	losses	
	US\$'000	US\$'000	US\$'000
At January 1, 2015	2,073	(105,253)	(103,180)
Profit for the year	-	2,286	2,286
Fair value loss on available- for-sale investment	(3,998)	-	(3,998)
Reclassification adjustment upon impairment of available-for-sale investment	4,720	-	4,720
Total comprehensive income for the year	722	2,286	3,008
At December 31, 2015 and January 1, 2016	2,795	(102,967)	(100,172)
Profit for the year	-	108	108
Fair value loss on available- for-sale investment	(2,553)	-	(2,553)
Reclassification adjustment upon impairment of available-for-sale investment	3,831	-	3,831
Total comprehensive income for the year	1,278	108	1,386
At December 31, 2016	4,073	(102,859)	(98,786)

FIVE-YEAR FINANCIAL SUMMARY

The consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements are as follows:

	Year ended December 31				
	2016 US\$'000	2015 US\$'000	2014 US\$'000	2013 US\$'000	2012 US\$'000
RESULTS					
Revenue	338,601	339,949	277,783	302,608	332,387
(Loss) profit attributable to owners of the Company	(13,304)	(8,188)	39,729	55,032	70,938
	At December 31				
	2016 US\$'000	2015 US\$'000	2014 US\$'000	2013 US\$'000	2012 US\$'000
ASSETS AND LIABILITIES					
Total assets	2,966,619	2,780,593	3,013,494	2,218,501	1,806,264
Total liabilities	(1,546,430)	(1,333,339)	(1,548,336)	(786,976)	(438,470)
Total net assets	1,420,189	1,447,254	1,465,158	1,431,525	1,367,794
Equity attributable to owners of the Company	1,406,457	1,434,227	1,452,993	1,421,431	1,359,658
Non-controlling interests	13,732	13,027	12,165	10,094	8,136
Total owners' equity	1,420,189	1,447,254	1,465,158	1,431,525	1,367,794