China Gold International Resources Corp. Ltd.

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

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

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Amended and Restated

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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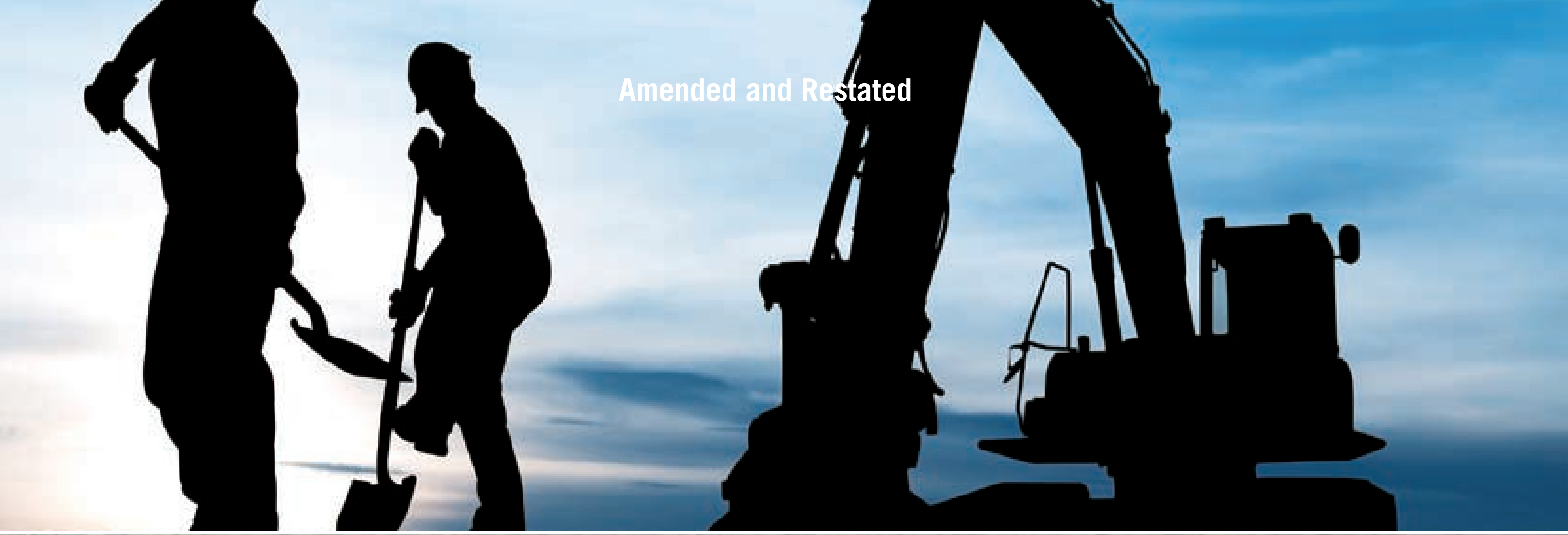

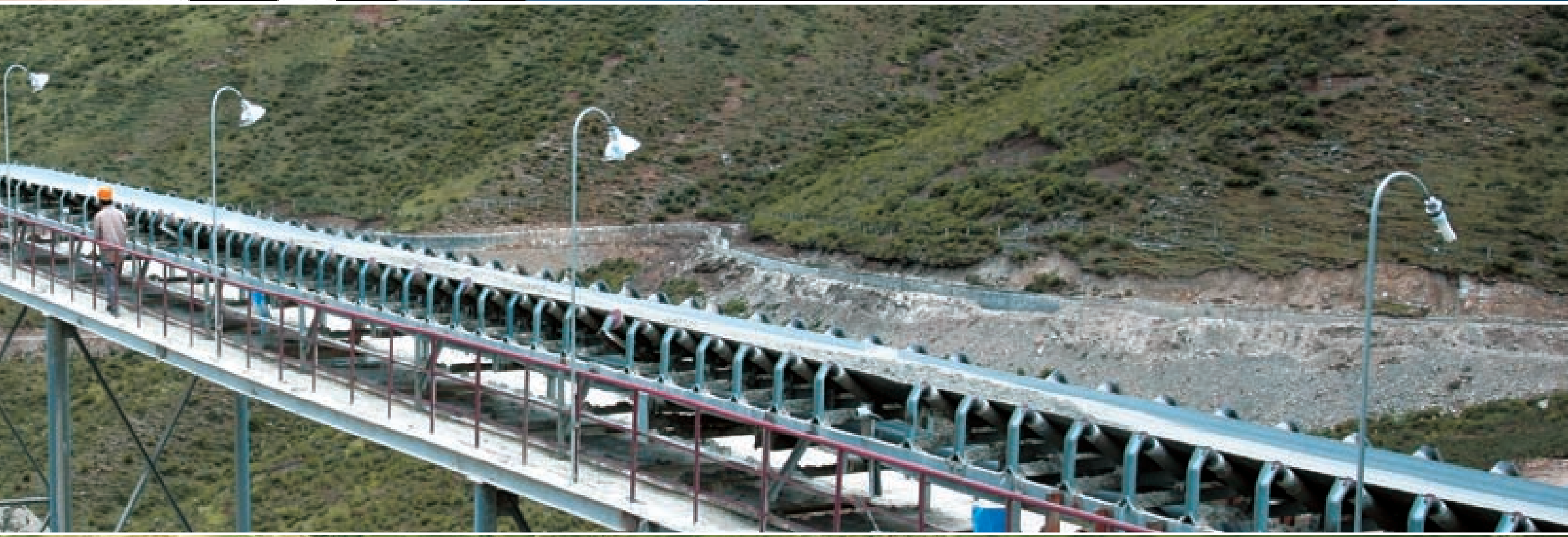

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis of financial condition and results of operations ("MD&A") is prepared as of March 27, 2012. It should be read in conjunction with the annual audited 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, 2011 and the year ended December 31, 2010, respectively. Unless the context otherwise provides, references in this MD&A to China Gold International or the Company refer to China Gold International and each of its subsidiaries collectively on a consolidated basis.

The following discussion contains certain forward-looking statements relating to 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 dated March 27, 2012 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 entitled "Forward Looking Statements" and "Risk Factors" and to discussions elsewhere within this MD&A. China Gold International's business, financial condition or results of operations could be materially and adversely affected by any of these risks.

FORWARD LOOKING STATEMENTS

Certain statements made herein, other than statements of historical fact relating to the Company, represent forward-looking information. In some cases, this forward-looking information can be identified by words or phrases such as "may", "will", "expect", "anticipate", "contemplates", "aim", "estimate", "intend", "plan", "believe", "potential", "continue", "is/are likely to", "should" or the negative of these terms, or other similar expressions intended to identify forward-looking information. This forward looking information includes, among other things; China Gold International's production estimates, business strategies and capital expenditure plans; the development and expansion plans and schedules for the CSH Gold 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 Technical Reports as defined below; China Gold International's ability to obtain regulatory confirmations and approvals on a timely basis; continuing positive labor relations; the absence of any material adverse effects as a result of political instability, terrorism, natural disasters, litigation or arbitration and adverse changes in government regulation; the availability and accessibility of financing to China Gold International; and the performance by counterparties of the terms and conditions of all contracts to which China Gold International and its subsidiaries are a party. The forward-looking information is also based on the assumption that none of the risk factors identified in this MD&A or in the AIF that could cause actual results to differ materially from the forward-looking information actually occurs.

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

THE COMPANY

Overview

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

The Company's principal mining operations are the Chang Shan Hao Gold Mine ("CSH Gold Mine" or "CSH Mine" or "CSH"), located in Inner Mongolia, China and the Jiama Copper-Gold Polymetallic Mine ("Jiama Mine" or "Jiama"), located in Tibet, China. China Gold International holds a 96.5% interest in the CSH Gold Mine, while its Chinese joint venture ("CJV") partner holds the remaining 3.5% interest. China Gold International commenced gold production at the CSH Gold Mine in July 2007 and commercial production on July 1, 2008. The Company acquired a 100% interest in the Jiama Mine on December 1, 2010. Jiama hosts a large scale copper-gold polymetallic deposit consisting of copper, gold, molybdenum, silver, lead and zinc. 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 relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com as well as Hong Kong Exchange News at www.hkexnews.hk.

Performance Highlights

- Revenue increased by 134% from US$133.2 million in 2010 to US$311.3 million in 2011.
- Comprehensive income increased by 217% from US$27.4 million in 2010 to US$86.8 million in 2011.
- Gold production from the CSH Mine increased by 20% from 111,289 ounces in 2010 to 133,541 ounces in 2011.
- Jiama was in production for the full year in 2011 compared to one month in 2010. The Jiama Mine produced 9,781 tonnes (21,563,193 pounds) of copper in 2011.
- The Jiama 2010 drill program upgraded a significant amount of Jiama's inferred resources to measured and indicated ("M&I") resources. As a result, the total M&I resources increased to 1,006.0 million tonnes containing 4.08 million tonnes of copper.

Selected Annual Information

	Year ended December 31		
	2011	2010	2009
US$ Millions except for per share			
Total revenue	**311.3**	133.2	81.0
Profit (loss) from continuing operations	**109.9**	58.5	19.2
Net profit (loss)	**82.0**	27.1	(8.4)
Basic earnings (loss) per share (cents)	**20.04**	13.82	(5.58)
Diluted earnings (loss) per share (cents)	**20.04**	13.76	(5.58)
Total assets	**1,744.5**	1,655.6	174.6
Total non-current liabilities	**321.1**	321.8	89.3
Distribution or cash dividends declared per share	**—**	—	—

OUTLOOK

- For 2012, the Company has budgeted production of 130,000-135,000 ounces of gold from the CSH Mine.
- For 2012, the Company has budgeted production of 9,800-11,500 tonnes (21,599,200 - 25,346,000 pounds) of copper from the Jiama Mine.
- At the CSH Mine, a 59,000 metre (108 holes) drilling program was completed at the end of October 2011 in the mining permit area. A full evaluation on the mine's potential for gold mineralization is in progress, for both down depth and surrounding the mining permit area. The Company is doing preparatory work and preparing an expansion feasibility study and reserve analysis on the receipt of a positive feasibility study. The Company will make a decision to expand the mining and processing capacity at CSH under the schedule defined in the feasibility.
- At the Jiama Mine, a 37,000 metre (71 holes) drilling program was completed in the fourth quarter of 2011 in the mining permit area. The Company is doing preparatory work and is now preparing a feasibility study and updating the reserve estimate with a view to increase the Jiama Mine Phase II capacity. This process is expected to culminate in an updated feasibility study. The feasibility study and reserve analysis are expected to be completed in 2012. On receipt of a positive feasibility study the Company will make a decision to expand the mining and processing capacity under the schedule defined in the feasibility.
- The Company will continue to leverage the technical and operating experience of the Company's controlling shareholder, China National Gold Group ("CNG"), to improve operations at the CSH Mine and the Jiama Mine. In addition, the Company continues to focus its efforts on increasing and optimizing 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 opportunities, namely projects outside of China, that can be readily and quickly brought into production with the possibility of further expansion through continued exploration.

HISTORICAL FINANCIAL INFORMATION

The consolidated financial statements of the Company include the annual consolidated financial statements of China Gold International and its subsidiaries. The Company's financial statements are presented in U.S. dollars.

Principal Income Statement Components

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

The sales price of gold dore bars is primarily determined by spot gold prices in the market, with reference to prices on the Shanghai Gold Exchange. The sales price of copper concentrate is based on a sales contract which is primarily based on spot copper prices in the market, with reference to prices on the Shanghai Futures Exchange Sight Contract. The sales price for copper concentrate is then reduced by approximately 10% to 16% to cover the shipping and smelting cost of the contained copper value in the copper concentrate.

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

The Company's gold production volume is primarily determined by ore grade, mining and processing capacity and metal recovery rates. Production volume at the CSH Mine is also adversely affected by the low temperature during the winter months as the leaching of gold slows.

The Jiama Mine commenced production in September 2010 and was in production for the entire 2011 year. The Company was able to ramp up the production of copper concentrate month over month since the beginning of 2011. Revenue generated by the Jiama Mine represents 31% of the Company's total revenue in 2011 compared to 3.6% in 2010.

Cost of sales primarily includes mining costs (primarily fees paid to third-party contractors for providing mining services), ore processing costs (primarily costs of crushing, chemicals, drip metres, labor and utilities costs), other mine operating costs (primarily administrative and management staff salaries, benefits and office expenses), taxes, depreciation and depletion. Historically, mining costs have been the largest component of the costs of sales. Increases in depreciation and depletion expenses due to additional capital expenditures also increased the cost of sales.

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

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

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

Exploration and evaluation expenditures are charged to the consolidated statement of comprehensive income in the period incurred until it is determined that a mineral property has economically recoverable reserves. For the criteria used when assessing economic recoverability, see Note 3 in the Company's annual audited consolidated financial statements for the year ended December 31, 2011. Following the establishment of economic recoverability, exploration and evaluation expenditures are capitalized and are included in the carrying amount of mineral assets under property, plant and equipment.

Foreign exchange gain (loss) primarily consists of foreign exchange differences arising from the translation of the balances of RMB-denominated term loans and the syndicated loan facility into U.S. dollars, and the translation of the RMB-denominated financial statements of the foreign subsidiaries into U.S. dollars.

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

Interest and other income primarily consist of interest earned on bank deposits.

Finance costs consist of interest on the Company's borrowings recognized using the effective interest method and accretion of environmental rehabilitation liabilities, net of capitalized interest. Interest is capitalized if the borrowings underlying the interest expenditures are for the construction or development of qualifying assets.

The Company expects its working capital and capital expenditures will continue to be partially funded with bank loans. Accordingly, the Company expects finance costs will continue to affect the results of operations. Fluctuations in interest rates in the future will affect the Company's finance costs, which in turn will affect the results of operations.

Fair value change on warrant liabilities represents the change, between reporting periods, in the estimated fair value of warrants that were granted and outstanding as of the end of the 2009 fiscal year. The fair value of warrants is determined using the Black-Scholes option pricing model and requires the input of various subjective assumptions such as the expected volatility of the Company's share price and expected per share dividends. All of the outstanding warrants were exercised by the end of the second quarter of 2010, and thus no fair value changes were recognized in 2011.

Income taxes for the Company are provided at the combined Canadian federal and provincial income tax rates of 26.5% and 28.5% for the years ended December 31, 2011 and 2010, respectively. The Company is incorporated in Canada; however, it has had no taxable profits since incorporation. During the same periods, the Company's CSH Chinese Joint Venture was subject to the PRC enterprise income tax at a rate of 25% for the years ended December 31, 2011 and 2010. The Company's subsidiaries, Tibet Huatailong Mining Development Co., Ltd and Jiama Industry and Trade, established in Tibet, PRC, are subject to a preferential enterprise income tax rate of 15%, applicable to enterprises in western China.

RESULTS OF OPERATIONS

Selected Quarterly Financial Data

QUARTER ENDED	2011				2010			
(US$ in thousands except per share)	**31-Dec**	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
Revenues	**93,544**	89,407	92,938	35,423	48,886	46,631	27,181	10,499
Cost of sales	**61,428**	53,017	52,519	23,587	26,824	23,179	13,330	5,308
Mine operating earnings	**32,114**	36,391	40,419	11,837	22,063	23,452	13,850	5,191
General and administrative expenses	**4,624**	3,590	5,217	3,937	1,828	1,396	1,171	946
Exploration and evaluation expenses	**173**	160	70	64	559	69	70	23
Income from operations	**34,250**	32,640	35,132	7,836	19,675	21,987	12,610	4,222
Foreign exchange gain (loss)	**1,596**	326	397	34	(595)	(631)	(872)	618
Finance costs	**4,798**	3,862	2,882	2,511	2,164	1,450	1,489	740
Listing expenses	**—**	—	—	—	43	514	1,194	351
Profit (loss) before income tax	**33,805**	30,520	34,713	5,444	16,923	19,405	8,205	(2,533)
Income tax expense	**6,597**	6,689	7,293	1,941	4,392	5,581	3,235	1,652
Net income (loss)	**27,209**	23,830	27,420	3,503	12,530	13,825	4,970	(4,185)
Basic earnings (loss) per share (cents)	**6.86**	5.79	6.78	0.82	5.89	7.71	2.82	(2.60)
Diluted earnings (loss) per share (cents)	**6.86**	5.79	6.78	0.81	5.85	7.69	2.81	(2.60)

Selected Quarterly and Annual Production Data

CSH Mine	Three months ended December 31		Year ended December 31	
	2011	2010	**2011**	2010
Gold produced (ounces)	**41,297**	35,582	**133,541**	111,289
Gold sold (ounces)	**41,954**	32,998	**136,290**	103,673
Total cost of gold sold per ounce	**931**	688	**876**	633
Cash cost* per ounce of gold	**836**	609	**778**	542

* Non-IFRS measure

Jiama Mine	Three months ended December 31 2011	Year ended December 31 2011	2010
Copper produced (tonnes)	**2,964**	**9,781**	226
Copper produced (pounds)	**6,534,987**	**21,563,193**	498,046
Copper sold (tonnes)	**2,998**	**9,854**	519
Copper sold (pounds)	**6,609,967**	**21,725,105**	1,144,198
Gold produced (ounces)	**3,083**	**8,133**	145
Gold sold (ounces)	**2,790**	**8,631**	623
Total cost of copper sold per tonne	**9,274**	**9,166**	5,842
Total cost of copper sold per pound	**4.21**	**4.16**	2.65
Total cost of copper equivalent per tonne**	**6,383**	**6,517**	—
Total cost of copper equivalent per pound**	**2.90**	**2.96**	—
Cash cost* per tonne of copper	**7,099**	**6,727**	4,805
Cash cost* per pound of copper	**3.22**	**3.05**	2.18
Cash cost* per tonne of copper equivalent**	**4,886**	**4,783**	—
Cash cost* per pound of copper equivalent**	**2.22**	**2.17**	—

* Non-IFRS measure

** Copper equivalent = weight of copper sold + [(weight of gold sold* gold price/ copper price)]+[(weight of silver sold *silver price/copper price)] The prices for the respective metals used in this copper equivalent calculation were the weighted average of actual sales price from January 2011 to December 2011

Review of Quarterly Data

Three months ended December 31, 2011 compared to three months ended December 31, 2010

Revenue increased by 91%, or US$44.7 million, from US$48.9 million for the three months ended December 31, 2010, to US$93.5 million for the three months ended December 31, 2011. The additional revenue from the newly acquired Jiama Mine accounted for 27%, or US$25.5 million (2010: US$4.8 million), of total revenue for the quarter. Revenue for the CSH Mine accounted for 73%, or US$68 million (2010: US$44.1 million), of total revenue for the quarter. The increase in revenue was also attributed to the 33% increase in gold sold (ounces) from 33,621 in 2010 as compared to 44,744 for the same period in 2011. The weighted average price of gold increased by approximately US$380 per ounce for the comparative periods. Total copper sold increased by 478% from 519 tonnes to 2,998 tonnes.

Cost of sales increased by 129% or US$34.6 million, from US$26.8 million for the three months ended December 31, 2010 to US$61.4 million, for the same period in 2011. Jiama's cost of sales contributed US$22.3 million, or 36%, which included US$6.5 million in depletion and amortization costs which were not applicable in 2010. Jiama's cost of sales for 2010 was US$4.1 million which included only one month of costs as it was acquired by the Company in December 2010. Cost of sales as a percentage of revenue was higher for the Company at 66% for the three months ended December 31, 2011 (three months ended December 31, 2010: 55%) due to the addition of the Jiama Mine and the increased production at both mines.

Mine operating earnings for the Company increased by 46%, or US$10 million, from US$22.1 million for the three months ended December 31, 2010 to US$32.1 million for the three months ended December 31, 2011. Mine operating earnings as a percentage of revenue decreased to 34% for the three months ended December 31, 2011 compared to 45% for the three months ended December 31, 2010. The decrease was mainly due to the addition of the Jiama Mine and the overall increase in cost of sales.

General and administrative expenses increased by 153%, or US$2.8 million, from US$1.8 million for the three months ended December 31, 2010 to US$4.6 million for the three months ended December 31, 2011. The increase was primarily attributable to the addition of Jiama's expenses, totaling US$4.0 million, of which US$1.6 million related to salaries and benefits and US$1.8 million related to administration and office expenses. As the Company acquired Jiama on December 1, 2010, only one month of general and administrative expenses were included in the Group's 2010 consolidated total.

Exploration and evaluation expenditures decreased by 69%, or US$386,000, from US$559,000 for the three months ended December 31, 2010 to US$173,000 for the three months ended December 31, 2011. (The capitalized exploration expenditures for the CSH Mine and the Jiama Mine can be found in the section titled "Mineral Properties.")

Income from operations for the fourth quarter of 2011 increased by 74%, or US$14.6 million, from US$19.7 million for the three months ended December 31, 2010 to US$34.3 million for the three months ended December 31, 2011. The increase was primarily attributable to an increase of US$8.5 million in CSH's mine operating earnings.

Listing expenses decreased by 100% from US$43,000 for the three months ended December 31, 2010 to nil for the three months ended December 31, 2011. This decrease was due to the completion of the listing on the HKSE in December 2010.

Finance costs increased by 122%, or US$2.6 million from US$2.2 million for the three months ended December 31, 2010 to US$4.8 million for the three months ended December 31, 2011, primarily attributed to the addition of Jiama's finance costs of US$3.2 million. There was no capitalized interest for the three months ended December 31, 2011.

Foreign exchange gain increased by 368%, or US$2.2 million from a loss of US$595,000 for the three months ended December 31, 2010 to a gain of US$1.6 million for the three months ended December 31, 2011. The current period's gain is related to the translation of the foreign subsidiaries' books of account denominated in Chinese RMB to US dollar.

Interest and other income increased from US$51,000 for the three months ended December 31, 2010 to US$2.8 million for the three months ended December 31, 2011. This increase was primarily due to the addition of Jiama's interest and other income of US$1.6 million consisting of bank interest and government subsidies received. The additional increase is also attributable to interest income earned on term deposits.

Income tax expense increased by 50%, or US$2.2 million, from US$4.4 million for the three months ended December 31, 2010 to US$6.6 million for the same period in 2011. The increase was due to higher mine operating earnings resulting in an increase in taxable income.

Net income of the Company increased by US$14.7 million from US$12.5 million for the three months ended December 31, 2010 to US$27.2 million for the three months ended December 31, 2011.

Review of Annual Data

Year ended December 31, 2011 compared to year ended December 31, 2010

Revenue increased by 134%, or US$178.1 million, from US$133.2 million for the year ended December 31, 2010, to US$311.3 million for the year ended December 31, 2011. The significant increase is attributed to improved recovery rates for gold and copper, increased production at both mines and higher average commodity prices in 2011 compared to 2010. Revenue from the Jiama Mine accounted for 31%, or US$96.8 million, of total revenue for the year ended 2011, compared to US$4.8 million in 2010. As the Jiama Mine was acquired in December 2010, only one month of its revenue contributed to the Group's overall revenue in 2010. Revenue from the CSH Mine accounted for 69% of total revenue, with an increase of 67%, or US$86.07 million from 2010 to 2011, due to a 31% increase in total gold sold (2011: 136,290oz, 2010: 103,673oz) and an increase of the weighted average price of gold by approximately 25%.

Cost of sales increased by 178% or US$121.9 million, from US$68.6 million for the year ended December 31, 2010 to US$190.6 million for the year ended December 31, 2011. Jiama's cost of sales accounted for US$71.2 million, or 37%, which included US$24.0 million in depletion and amortization costs which were not applicable in 2010. Jiama's cost of sales for 2010 was US$4.1 million which included only one month of costs as it was acquired by the Company in December 2010. Cost of sales as a percentage of revenue was higher for the Company at 61% in 2011, compared to 52% in 2010.

Mine operating earnings for the Company increased by 87%, or US$56.2 million, from US$64.6 million for the year ended December 31, 2010 to US$120.8 million for the year ended December 31, 2011. Mine operating earnings as a percentage of revenue decreased to 39% for the year ended December 31, 2011 compared to the year ended December 31, 2010 at 48%. The decrease was mainly due to the increase in the cost of sales attributed to the addition of Jiama.

General and administrative expenses increased by 225%, or US$12.1 million, from US$5.3 million for the year ended December 31, 2010 to US$17.4 million for the year ended December 31, 2011. The addition of Jiama's general and administrative expenses contributed US$11.3 million (2010: US$1.5 million), which include significant costs of salaries and benefits of US$5.8 million and US$4.6 million in administration and office expenses. As a result of the Company's acquisition and dual listing in December 2010, additional expenses related to professional fees, investor relations costs, and various business operating expenses also attributed to the increase in 2011.

Exploration and evaluation expenditures decreased by 35% or US$254,000 to US$467,000 for the year ended December 31, 2011 compared to US$721,000 for the year ended December 31, 2010. (The capitalized exploration expenditures for the CSH Mine and the Jiama Mine can be found in the section titled "Mineral Properties.")

Income from operations increased by 88%, or US$51.4 million, from US$58.5 million for the year ended December 31, 2010 to US$109.9 million for the year ended December 31, 2011. The addition of Jiama contributed US$14.4 million for the year ended December 31, 2011. The overall increase is attributable to higher production and increased revenue from both the CSH and Jiama mines.

Listing expenses decreased by 100% from US$2.1 million for the year ended December 31, 2010 to nil for the year ended December 31, 2011. This decrease is due to the completion of the listing on the HKSE in December 2010.

Finance costs increased by 140%, or US$8.2 million from US$5.8 million for the year ended December 31, 2010 to US$14 million for the year ended December 31, 2011, primarily attributable to the addition of Jiama's finance costs of US$9.4 million. There was no capitalized interest for the year ended December 31, 2011.

As all the issued and outstanding stock-purchase warrants were exercised by the end of May 2010, there is no expense relating to the change in the fair value of stock-purchase warrants in 2011. The change in fair value of stock-purchase warrants in the comparative period was US$7.2 million.

Foreign exchange gain increased by US$3.8 million from a loss of US$1.5 million for the year ended December 31, 2010 to a gain of US$2.4 million for the year ended December 31, 2011. The gain in 2011 is due to the foreign subsidiaries' translation of their RMB-denominated accounts into their US dollar functional currency. Fluctuations in exchange rates during the period also had a direct affect on foreign exchange gain/loss.

Interest and other income increased from US$66,852 for the year ended December 31, 2010 to approximately US$6.3 million for the year ended December 31, 2011. This increase was primarily due to government grants of US$1.98 million received by Jiama and interest income of US$2.1 million earned on term deposits. During the second quarter of 2011, modifications were made to the CSH loan due to the Agricultural Bank of China, which resulted in the recognition of a gain on modification of borrowing of US$1.9 million.

Income tax expense increased by 52%, or US$7.6 million, from US$14.9 million for the year ended December 31, 2010 to US$22.5 million for the year ended December 31, 2011. The increase was due to an increase in taxable income for the year ended December 31, 2011. Income tax expense for the CSH Mine totaled US$21.3 million, and US$635,000 was realized for the Jiama Mine, for the year ended December 31, 2011.

Net income of the Company increased by US$54.8 million from US$27.1 million for the year ended December 31, 2010 to income of US$82.0 million for the year ended December 31, 2011.

NON-IFRS MEASURES

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

	CSH Mine			
	Three months ended December 31,		Year ended December 31,	
	2011	2010	**2011**	2010
	US$	US$	**US$**	US$
Cost of mining per tonne of ore	**2.41**	1.25	**1.81**	1.24
Cost of mining waste per tonne of ore	**4.23**	3.04	**2.52**	1.74
Other mining costs per tonne of ore	**0.50**	0.53	**0.40**	0.38
Total mining costs per tonne of ore	7.14	4.82	4.73	3.36
Cost of reagents per tonne of ore	**1.84**	1.13	**1.15**	0.90
Other processing costs per tonne of ore	1.19	1.04	**0.96**	0.59
Total processing cost per tonne of ore	3.03	2.17	2.11	1.49

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

The Company has included cash cost per gold ounce 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 cost per ounce data because it understands that certain investors use this information to determine the Company's ability to generate earnings and cash flow. The measure is not necessarily indicative of operating results, cash flow from operations, or financial condition as determined under IFRS. Cash costs are determined in accordance with the Gold Institute's Production Cost Standard. The following table provides a reconciliation of cost of sales to the cash costs of production in total dollars and in dollars per gold ounce for the CSH Mine or per copper concentrate tonne for the Jiama Mine:

	CSH Mine (Gold)							
	Three months ended December 31,				Year ended December 31,			
	2011		2010		**2011**		2010	
	US$	**US$ per ounce**	US$	US$ per ounce	**US$**	**US$ per ounce**	US$	US$ per ounce
Total Production Costs	**39,080,104**	**932**	22,702,707	688	**119,399,429**	**876**	64,520,576	633
Adjustments	**(4,027,019)**	**(96)**	(2,592,229)	(79)	**(13,365,102)**	**(98)**	(8,945,174)	(91)
Total cash costs	**35,053,085**	**836**	20,110,478	609	**106,034,327**	**778**	55,575,402	542

	Jiama Mine (Copper)					
	Three months ended December 31, 2011			Year ended December 31, 2011		
	US$	**US$ per tonne**	**US$ per pound**	**US$**	**US$ per tonne**	**US$ per pound**
Total Production Costs	**27,805,992**	**9,274**	**4.21**	**90,324,105**	**9,166**	**4.16**
Adjustments	**(6,521,490)**	**(2,175)**	**(0.99)**	**(24,029,544)**	**(2,438)**	**(1.11)**
Total cash costs	**21,284,502**	**7,099**	**3.22**	**66,294,561**	**6,728**	**3.05**

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

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., 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 following table shows the exploration expenditures expensed and capitalized during the years ended December 31, 2011 and 2010

	CSH Mine Year ended December 31, 2011 US$	2010 US$
Exploration expensed	**467,251**	594,453
Exploration capitalized	**6,381,602**	—
Total	**6,848,853**	594,453

Mineral Resources and Ore Reserves

An updated mine plan for the CSH Mine was developed and reported as at June 30, 2010 in the BD ITR dated November 17, 2010. This plan was prepared based on heap leaching with a crushing plant at a throughput of 30,000 tonnes per day ("tpd") which was achieved as planned, by March 31, 2010. The detailed technical information can be found in the technical report filed at www.sedar.com and www.hkexnews.hk.

Mineral reserves were calculated in the final pit designs at a positive net value cutoff that corresponds to a gold grade cutoff of approximately 0.3 grams per tonne gold as scheduled in the mine plan. The proven and probable reserves at the CSH mine as of December 31, 2009 stood at approximately 138 million tonnes of ore with an average grade of 0.67 g/t gold, representing approximately 3.0 million ounces of contained gold. After two years of mining, the remaining reserves at CSH are summarized in the table below:

CSH Mine Reserves by category, Northeast and Southwest pits combined at December 31, 2011:

CSH Gold Mine Total Reserves at December 31, 2011

Classification	Cutoff Au (g/t)	Insitu Ore (Million tonnes)	Grade Au (g/t)	Contained Au (Kg)	Contained Au (Million oz)
Proven	0.3	67.2	0.70	47,150	1.51
Probable	0.3	47.6	0.66	31,603	1.02
Total	0.3	114.8	0.69	78,753	2.53

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

At December 31, 2011, the project's Measured and Indicated Gold Resources, using 0.3 grams per tonne ("g/t") Au cut-off grade, stand at 219 million tonnes averaging 0.64 g/t gold. This translates into 4.53 million ounces of contained gold (inclusive of reserves) in the deposit.

Details of the resources update based on the BD ITR dated June 30, 2010 after depletion in the balance of 2011 are summarized in the following table:

CSH Mine Resources by category, Northeast and Southwest Zones (inclusive of reserves).

Resource Estimates for the CSH Mine at December 31, 2011

	Measured		Indicated		Measured+Indicated			Inferred		
Cutoff (g/t)	Million Tonnes	Au Grade (g/t)	Million Tonnes	Au Grade (g/t)	Million Tonnes	Au Grade (g/t)	Au Million Ounces	Million Tonnes	Au Grade (g/t)	Au Million Ounces
0.30	**89.71**	**0.68**	**129.71**	**0.62**	**219.41**	**0.64**	**4.53**	**0.51**	**0.44**	**0.007**
0.35	81.26	0.71	114.87	0.65	196.13	0.68	4.28	0.35	0.49	0.005
0.40	72.97	0.75	99.80	0.70	172.77	0.72	4.00	0.24	0.54	0.004
0.45	64.82	0.79	85.96	0.74	150.78	0.76	3.70	0.18	0.57	0.003
0.50	57.01	0.84	73.87	0.78	130.88	0.81	3.40	0.12	0.62	0.002

Production Update

According to the most recent column leach test completed by Metcon Research of KD Engineering, gold recovery greatly improves when ore is crushed. Higher gold grades also result in better gold recovery rates. As of March 2010, mine production has consisted almost entirely of crushed ore and the crusher facility has consistently operated at its design capacity of 30,000 tpd.

	CSH Mine			
	Three months ended December 31,		Year ended December 31,	
	2011	2010	**2011**	2010
	US$	US$	**US$**	US$
Ore mined and placed on pad (tonnes)	**2,636,332**	2,489,654	**11,461,617**	12,421,839
Average grade of ore (grams per tonne)	**0.57**	0.59	**0.53**	0.67
Recoverable gold at 49% recovery rate (ounces)	**41,670**	20,371	**114,487**	111,552
Ending ore inventory (ounces)	**37,140**	58,994	**37,140**	58,944
Waste rock mined (tonnes)	**9,698,462**	8,129,131	**31,487,783**	22,417,577

For the year ended December 31, 2011, the total amount of ore put on the leach pad was 11,461,617 tonnes, with total contained gold of 6,119,588 grams (196,749 ounces). The accumulative project-to-date gold recovery rate has increased from approximately 43% to 49% from 2010 to 2011. The Company continues to carefully monitor the behavior of gold inventory in the process.

Exploration

The Company commenced a major drilling campaign at its CSH Mine in Inner Mongolia, China on May 20, 2011. Approximately 59,000 metres of (108 holes) drilling was completed by the end of October 2011 within the mining permit area. The focus of the drill program is to delineate more resources at depth within the expectation to further expand the current mining capacity. The drill program is also required under the Chinese regulation in order to renew the CSH mining permit, which will expire on August 13th, 2013.

Exploration outside of the mining permit area continued at the CSH Mine during the 2011 field season within the company's licensed area. The 2011 program included about 17 square kilometers of soil geochemical survey, 54 square kilometers of gravity survey and 33 line kilometers of IP (Induced Polarization) survey. Various anomalies were found on the property and further drilling is planned for the 2012 field season.

The Jiama Mine

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

The Jiama Mine presently has both open-pit and underground mining operation. The open-pit mining operation includes two open pits, being the smaller Tongqianshan pit and the larger Niumatang Pit. The underground mining operation is accessed through two shafts having an initial 355 metre depth which is planned to extend to a final depth of 600 metres. Phase I of the mine development includes the open-pit infrastructure at the Tongqianshan pit, an underground ore transportation system, and a 6,000 tpd mineral processing plant. Phase I of the Jiama Mine commenced mining operations in the latter half of 2010 and reached its name-plate capacity of 6,000 tpd in early 2011. For Phase II development, which was originally planned for a 12,000 tpd mining operation, the Company has retained engineering firms to conduct a feasibility study in contemplation of building a larger scale mining operation using the additional drilling results as the basis for the conceptual and then operational mine model.

The following table shows the exploration expenditures expensed and capitalized during the years ended December 31, 2011:

	Jiama Mine Year ended December 31, 2011 US$
Exploration expensed	—
Exploration capitalized	15,396,450
	15,396,450

Mineral Resources and Ore Reserves

On October 6, 2011, Behre Dolbear completed a technical review and, as part of its engagement, produced a Canadian National Instrument 43-101 compliant technical report ("the Jiama Technical Report") on the Jiama Mine as at June 30, 2011. Set forth below are the mineral resource estimates for the Jiama Mine. Further information can be found in the technical report filed at www.sedar.com and www.hkexnews.hk.

The 2010 drill program was completed at the Jiama project in December 2010 with 76 drill holes totaling 45,537 meters. The 2010 drill program defined and upgraded a significant amount of Jiama's inferred resources to measured and indicated resources. As a result, the total measured and indicated resources increased by 443% from 185.1 million tonnes mineralized materials averaging 0.74 percent copper and containing 1.38 million tonnes of copper to 1,006.0 million tonnes averaging 0.41 percent copper and containing 4.08 million tonnes of copper.

The resources for the Jiama project as of June 2011 are summarized in tables 1.1 and 1.2.

TABLE 1.1
BEHRE DOLBEAR'S JORC MEASURED AND INDICATED MINERAL RESOURCES ESTIMATES FOR THE JIAMA PROJECT AS OF JUNE 2011
(CUT OFF GRADE FOR THE RESOURCE ESTIMATE IS 0.3% COPPER OR 0.03% MOLYBDENUM)

Model	Category	Tonnes	Average grade Cu	Mo	Au	Ag
		(kt)	(%)	(%)	(g/t)	(g/t)
Shallow Skarn	Measured	60,579	0.82	0.057	0.33	15.47
	Indicated	210,722	0.75	0.061	0.29	14.07
	Meas+Ind	271,301	0.77	0.060	0.30	14.38
Steep Skarn	Measured	4,012	0.76	0.031	0.27	17.59
	Indicated	18,971	0.76	0.032	0.26	17.62
	Meas+Ind	22,983	0.76	0.032	0.26	17.61
Hornfels	Measured	0	0.00	0.000	0.00	0.00
	Indicated	655,089	0.27	0.037	0.03	1.04
	Meas+Ind	655,089	0.27	0.037	0.03	1.04
Porphyry	Measured	0	0.00	0.000	0.00	0.00
	Indicated	56,596	0.11	0.056	0.01	0.74
	Meas+Ind	56,596	0.11	0.056	0.01	0.74
All Models	**Total**	**1,005,969**	**0.41**	**0.044**	**0.10**	**5.00**

TABLE 1.2
BEHRE DOLBEAR'S JORC INFERRED MINERAL RESOURCE ESTIMATES FOR THE JIAMA PROJECT AS OF JUNE 2011
(CUT OFF GRADE FOR THE RESOURCE ESTIMATE IS 0.3% COPPER OR 0.03% MOLYBDENUM OR 1% LEAD OR 1% ZINC)

Model	Category	Tonnes	Average grade Cu	Mo	Au	Ag
		(kt)	(%)	(%)	(g/t)	(g/t)
Shallow Skarn	Inferred	94,325	0.61	0.056	0.23	11.66
Steep Skarn	Inferred	26,012	0.71	0.026	0.21	17.88
Hornfels	Inferred	39,460	0.23	0.039	0.03	1.02
Porphyry	Inferred	10,356	0.13	0.058	0.01	0.74
All Models	**Total**	**170,153**	**0.51**	**0.048**	**0.17**	**9.48**

Mineral Reserves

The reserve for the Jiama project will be updated following completion of the ongoing feasibility study to support the contemplated Phase II mine expansion at the Jiama Mine.

On September 17, 2010, Behre Dolbear completed a technical review and produced an NI 43-101 technical report on the Jiama Property as at June 30, 2010. Set forth below are the mineral reserve estimates for the property as of December 31, 2011. Further information can be found in the technical report filed at www.sedar.com and www.hkexnews.hk.

The following table shows the reserves remaining as at December 31, 2011:

Reserve Estimated for the Jiama Mine as at December 31, 2011
(Cut Off grade for the resource estimate is 0.3% Copper or 0.03% Molybdenum)

		Grade				Contained Metals			
Type	**Kt**	**Cu**	**Mo**	**Au**	**Ag**	**Cu**	**Mo**	**Au**	**Ag**
		%	%	g/t	g/t	Kt	Kt	t	t
Total Proven and Probable	103,440	0.84	0.039	0.31	16.4	868.90	40.34	32.07	1,696.42

Results of Exploration Program

The exploration program in 2011 consisted of 37,000 metres of drilling with a total of 71 diamond drill holes in three phases. It focused on four targets in a 3 kilometre long three-in-one complex system consisting of the Hornfels, Skarn and Porphyry mineralized bodies. The first target is the 100x100 metre to 200x100 metre spacing in-fill drilling in the central part of the Skarn type mineralized body. The purpose is to upgrade the current inferred and indicated resources to the indicated and measured categories. The second drilling target is the peripheral area of the existing standalone quartz-diorite porphyrite gold mineralized body and gold rich Skarn type mineralized body which has been confirmed by the drilling program in 2010. The drilling program is to define a reasonable size gold or gold rich deposit. The third target is to define the extension of the Skarn type mineralized body by drilling holes along the North-East strike extension of the major Skarn mineralized body. The fourth target is the porphyry mineralized body in the center of the mineralized zone. One or more 2000-3000 metre deep holes, will be drilled to determine the depth of the porphyry mineralization. Along with the drilling program, a magnetotelluric geophysical survey may be conducted to define the extent of the deep porphyry system. The 2011 drilling program began in April 2011 and was completed by the end of 2011.

Commissioning and Production during the Commissioning Process

The Jiama Mine went into commissioning for commercial production in September 2010 and by early 2011, the mine reached its designed capacity of 6,000 tpd. The mine is presently producing its principal product of copper concentrate with gold and silver credits. Commercial production was affected by interruptions or shortages in power supply until January 23, 2011. The Jiama Mine is now connected to the recently completed DC Qinghai-Tibet Power Grid Interconnection Project ("QTPGI'), a 2,530 kilometers-long, 400 kV transmission line. QTPGI can now provide sufficient electrical power to satisfy the present requirements at the Jiama Mine as well as any future requirements for the contemplated Phase II expansion.

LIQUIDITY AND CAPITAL RESOURCES

The Company operates in a capital intensive industry. The Company's liquidity requirements arise principally from the need for working capital to finance development of our mining and processing operations, exploration activities and acquisition of exploration and mining rights. The Company's principal sources of funds have been proceeds from the issuance of promissory notes, borrowing from commercial banks in China, equity financings, and cash generated from operations. The Company's liquidity will primarily depend on its ability to generate cash flow from 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, 2011, the Company had an accumulated surplus of US$40.2 million and working capital of US$260.9 million. China Gold International's cash balance at December 31, 2011 was US$354.3 million.

For the CSH Mine, the third principal repayment of RMB20 million (approximately US$3.1 million) on the Company's RMB290 million (approximately US$44.8 million) term loan from the Agricultural Bank of China ("ABC") was made in September 2011. The aggregate of three principal repayments due in 2012 are RMB80 million (US$12.6 million). Interest payments of approximately US$200,000 are paid monthly on the ABC loan and will continue to be paid in 2012.

For the Jiama Mine, the first principal repayment on the loan for RMB200 million (approximately US$31.4 million) from the Bank of China ("BOC") was paid on December 28, 2011. Interest payments of approximately US$312,000 in 2012 will be made monthly on the BOC loan prior to the second repayment which is due on December 28, 2012. During the year ended December 31, 2011, an additional RMB478.05 million was drawn down from the syndicated loan facility. In June 2011, the Jiama Mine secured a RMB203 million to repay the principals of the syndicated loan, bringing the total loan to RMB702 million (approximately US$111.4 million) as at December 31, 2011. The first payment of RMB100 million on the syndicated loan facility ("SLF") balance with various banks is due in June 2013. Interest payments of approximately US$402,000 are paid monthly on the SLF and will continue to be paid next year in 2012.

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

Restrictive covenants

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

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

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

As of June 1, 2011, the lenders (ABC, BOC, and a syndicate of banks comprised of the BOC, China Development Bank, and ABC) of the Company's RMB1.74 billion (US$254.51million) loan facilities agreed to release CNG, the Company's controlling shareholder, from its guarantees on the ABC, BOC, and syndicated loans. The guarantees have been replaced by a direct security interest over relevant mining rights at the CSH Mine and relevant mining rights and assets at the Jiama Mine in favour of the lenders.

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

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

				Payment Due by Year			
	Total US$	**2012 US$**	**2013 US$**	**2014 US$**	**2015 US$**	**2016 US$**	**Thereafter US$**
Principal repayment on ABC term loan	**36,546,804**	12,711,932	15,889,915	7,944,957	—	—	—
Principal repayment on BOC loan (RMB500,000,000)	**79,449,573**	31,779,829	23,834,872	23,834,872	—	—	—
Principal repayment on Syndicated loan (RMB702,000,000)	**111,547,201**	—	15,889,915	23,834,872	31,779,829	40,042,585	—
Operating leases Vancouver(a)	**1,398,971**	1,169,024	102,199	102,199	25,549	—	—
Operating leases CSH Mine(a)	**519,176**	33,051	33,051	33,051	33,051	33,051	353,921
Operating leases Jiama(a)	**1,529,043**	213,145	153,663	153,663	153,663	153,663	701,246
Capital commitments of CSH Mine(b)	**1,964,115**	1,964,115	—	—	—	—	—
Capital commitments of the Jiama Mine(b)	**56,476,538**	56,476,538	—	—	—	—	—
Total	**289,431,421**	104,347,634	55,903,615	55,903,614	31,992,092	40,229,299	1,055,167

(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.

Cash flows

The following table sets out selected cash flow data from the Company's consolidated cash flow statements for the years ended December 31, 2011 and 2010

	Years ended December 31	
	2011	2010
	US$	US$
Net cash flows from operating activities	**115,603,422**	10,908,799
Net cash flows from (used in) investing activities	**(71,032,141)**	6,858,877
Net cash flows from financing activities	**5,727,327**	259,854,092
Effect of foreign exchange rate changes on cash and cash equivalents	**2,405,580**	2,289
Net increase in cash and cash equivalents	**52,704,188**	277,624,057
Cash and cash equivalents, beginning of period	**301,608,717**	23,984,660
Cash and cash equivalents, end of period	**354,312,905**	301,608,717

Operating cash flow

For the year ended December 31, 2011, net cash flow from operating activities was US$115.6 million which was primarily attributable to (i) profit before income tax US$104.5 million, and (ii) depreciation and depletion of US$21.9 million, (iii) amortization of intangible assets of US$15.7 million, and (iv) finance costs of US$14.0 million, offset by (i) a decrease in inventory of US$10.9 million, (ii) interest paid of US$14.1 million, (iii) income tax paid of US$18.5 million, (iv) a decrease of US$8.7 million in accounts payable and (v) an increase in prepaid expenses and deposit of US$5.5 million.

For the year ended December 31, 2010, net cash flow from operating activities was US$10.9 million which was primarily attributable to (i) net income of US$42.0 million, and (ii) depreciation and depletion of $9.6 million, (iii) the fair value change on warrant liabilities of US$7.2 million, and (iv) finance costs of US$5.8 million, offset by (i) an increase in inventory of US$18.2 million, (ii) interest paid of US$6.0 million, (iii) income tax paid of US$5.9 million, and (iv) a decrease of US$26.7 million in accounts payable.

Investing cash flow

For the year ended December 31, 2011, net cash outflow from investing activities was US$71.0 million, which was primarily attributable to the acquisition of property, plant and equipment

For the year ended December 31, 2010, net cash from investing activities was US$6.9 million, which was primarily attributable to (i) the acquisition of property, plant and equipment of US$13.2 million, (ii) deposits paid to joint venture partner of the Dadiangou project of US$5.2 million, offset by (i) the cash of US$13.6 million from the acquisition of Jiama and (iii) the deposits of US$11.6 million from the disposal of the Dadiangou Gold project.

Financing cash flow

For the year ended December 31, 2011, net cash from financing activities was US$5.7 million, which is primarily attributable to the proceeds from the syndicated loan facility of US$74.0 million for the Jiama mine offset by repayment made on both ABC and syndicated loans totaling US$68.3 million.

For the year ended December 31, 2010, net cash from financing activities was US$259.9 million which was primarily attributable to the proceeds of US$305.0 million from the issuance of common shares following the Global Offering and exercise of warrants and stock options as well as on the proceeds from borrowings of US$7.5 million. This was partially offset by (i) the repayment of a term loan from CNG of US$40.0 million and (ii) repayment of borrowings of US$12.7 million.

RELATED PARTY TRANSACTIONS

China National Gold (CNG) owns the following percentages of outstanding common shares of the Company

	December 31, 2011 %	December 31, 2010 %
CNG	**39.3**	39.0

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

On October 24, 2008, CNG and Inner Mongolia Pacific Mining Co. Ltd., which is a subsidiary of the Company and operates the Company's CSH Gold Mine, entered into a non-exclusive contract for the purchase and sale of dore pursuant to which Inner Mongolia Pacific Mining Co. Ltd. shall sell gold doré bars to CNG from time to time through to December 31, 2011, with prices equal to the daily average price of Au9995 gold ingot as quoted on the Shanghai Gold Exchange at the time of each transaction during the contract period minus a refinery charge.

Revenue from sales of dore bars to CNG increased from US$115.7 million for the year ended December 31, 2010 to US$205.0 million for the year ended December 31, 2011. Silver sales to CNG decreased by US$1.0 million to nil for the same period as silver was sold to a third party rather than to CNG during 2011.

The purchase and sale of dore is approved by the Company's independent shareholders of the Company (excluding CNG) and is based on the applicable ratios and transactions pursuant to the terms of the 2008 contract for the purchase and sale of dore within the monetary cap of RMB 1,300 million for 2011. During the year, the Company exceeded its monetary cap on the sale of doré to CNG by RMB25,279,333. The Company held an Extraordinary General Meeting on March 16, 2012 to approve the CSH gold sales contract to CNG from 2012 to 2014.

Henan Zhongyuan Gold Refinery of Zhonglin Gold Company, 100% owned by CNG provides refinery and other related services to the Company pursuant to an agreement entered into between the Company and CNG. Refinery fees for the year ended December 31, 2011 were US$1.8 million compared to US$1.05 million for the same period ended December 31, 2010.

The Company incurred no interest expense to CNG during the year ended December 30, 2011 compared with approximately US$3.0 million in the same period in 2010, as the loan from CNG was repaid in December 2010.

On December 1, 2010, the Company acquired Skyland Mining Limited, the owner of the Jiama Mine, from China National Gold Group Hong Kong Limited ("CNGHK") and a third party, Rapid Result. The Company issued an aggregate of 170,252,294 common shares, of which 86,828,670 common shares were issued to CNGHK to complete the acquisition. The terms of the transaction were settled by a special committee of independent directors with the support of a valuation and fairness opinion by Haywood Securities Inc., an independent securities firm. The Skyland Purchase Agreement included a post-closing adjustment mechanism based on the net working capital of Skyland as at November 30, 2010 which could adjust the total consideration paid. An independent international auditing firm was retained to provide a report on the working capital adjustment and calculation. The working capital adjustment was reviewed by the Company, the Company's auditors and the Skyland vendors who all agreed with the report's findings. The report calculated a working capital adjustment of US$2.66 million. As the amount was determined to be immaterial in relation to the size of the transaction and factoring in other parameters, the Company and the Vendors proposed to waive the application of the working capital adjustment and a Board resolution was approved to that effect. A written legal opinion was obtained from the Company's lawyers confirming the waiver of the working capital adjustment, which was delivered according to the Purchase Agreement.

In April 2010, the Company's wholly owned subsidiary, Gansu Pacific Mining Co. Ltd., and its joint venture partner, NINETC, agreed to sell the Company's Dadiangou gold project to Gansu Zhongjin Gold Mining Co. Ltd for a purchase price of US$13.1 million, of which the Company is entitled to 53%, or approximately US$7 million. In November 2010, the Dadiangou exploration right transaction application between Gansu Zhongjin Gold Mining Co. Ltd and NINETC was approved by the Gansu Provincial Government. The transaction procedure was completed in October 2011 and the Company has received its share of the cash proceeds.

PROPOSED TRANSACTIONS

The Company does not have significant asset and/or business acquisitions proposed and/or approved by the Board of Directors. The Company is in the process of closing Gansu Pacific Mining Ltd., a subsidiary in China, subsequent to the disposal of the exploration permit of Gansu Pacific Mining Ltd. in October 2011. The Board has given the Company approval to conduct reviews of a number of potential asset and/or business acquisitions.

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 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 3 of the consolidated financial statements.

CHANGE IN ACCOUNTING POLICIES

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

FINANCIAL INSTRUMENTS AND OTHER INSTRUCMENTS

The Company holds a number of financial instruments, the most significant of which are accounts receivable, accounts payable, cash and loans. The financial instruments are all recorded at fair values on the balance sheet.

The company did not have any derivatives as of December 31, 2011.

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2011, the Company had not entered into any material 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 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 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, 2011, the Company had 396,163,753 common shares issued and outstanding.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for the design of disclosure controls and procedures ("DC&P") and the design of internal control over financial reporting ("ICFR") to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company's Chief Executive Officer and Chief Financial Officer have each evaluated the Company's DC&P and ICFR as of December 31, 2011 and, in accordance with the requirements established under Canadian National Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings, the Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures were effective as of December 31, 2011 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) framework to evaluate the Company's ICFR as of December 31, 2011 and have concluded that these controls and procedures were effective as of December 31, 2011 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, 2011, 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 PRC 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

The scientific and technical information in respect of the CSH Gold Project contained in this section of the MD&A represents a summary from the CSH Technical Report. A complete copy of the CSH Technical Report is available on SEDAR at www.sedar.com. Disclosure of a scientific or technical nature in this section of the MD&A in respect of updates at the CSH Gold Project since the date of the CSH Technical Report was prepared by or under the supervision of Mr. Mario Rossi and Mr. Songlin Zhang, each 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 was prepared by or under the supervision of Dr. Yingting Tony Guo, P. Geo, a qualified person for the purposes of National Instrument 43-101.

Further information can be found in the technical reports dated November 17, 2010 for the CSH Mine and dated October 6, 2011 for the Jiama Mine filed at www.sedar.com and www.hkexnews.hk.

March 27, 2012