

# **CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.**

Annual Information Form

For the Year Ended  
December 31, 2019

Dated March 30, 2020

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## **FORWARD-LOOKING INFORMATION**

Certain statements made herein, other than statements of historical fact relating to China Gold International, represent forward-looking information. In some cases, words or phrases such as "may", "will", "expect", "anticipate", "contemplates", "aim", "estimate", "intend", "plan", "believe", "potential", "continue", "is/are likely to", "should", the negative of these terms and other similar expressions are used to identify forward-looking information. This forward looking information includes, among other things: China Gold International's business strategies and capital expenditure plans; estimates of future mine operating performance; the mine plans for the CSH Gold Project and the Jiama Project; acquisition plans; the regulatory environment as well as the industry outlook generally; general economic trends in China; and statements respecting anticipated business activities, planned expenditures, corporate strategies, participation in projects and financing, and other statements that are not historical facts.

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

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

## PRELIMINARY NOTES

### Date of Information

Unless otherwise indicated, all information contained in this Annual Information Form ("AIF") is current as of December 31, 2019.

### Existing Documents Incorporated by Reference

Information has been incorporated by reference into this AIF from documents listed in the table below, which have been filed with securities regulatory authorities in Canada. The documents incorporated by reference are available for viewing on the SEDAR website at [www.sedar.com](http://www.sedar.com). In addition, copies of the documents may be obtained on request without charge from the Company at Suite 660, One Bentall Centre, Box 27, 505 Burrard Street, Vancouver, BC, V7X 1M4, telephone: (604) 609-0598.

Documents listed in the table and information provided in those documents are incorporated by reference except to the extent that their contents are modified or superseded by a statement in a subsequently filed document.

<u>Description of document</u>	<u>Date of document</u>	<u>Date of Filing</u>
Audited financial statements for the years ended December 31, 2018 and 2019, together with the accompanying Auditor's Report dated March 24, 2020.		
Management's Discussion and Analysis for the year ended December 31, 2019.		
Annual Report for the year ended December 31, 2019		
Information Circular for 2019 Annual General Meeting	May 22, 2019	May 22, 2019

### Currency and Exchange Rates

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

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

	Year Ended December 31		
	2019 <sup>(1)</sup>	2018 <sup>(1)</sup>	2017 <sup>(2)</sup>
End of period <sup>(1)</sup>	1.2988	1.3630	1.2545
High for the period	1.3600	1.3642	1.3743
Low for the period	1.2988	1.2288	1.2128
Average for the period	1.3269	1.2957	1.2986

<sup>(1)</sup> calculated based on the Bank of Canada daily exchange rate

<sup>(2)</sup> calculated based on the Bank of Canada noon rate (Bank of Canada ceased publishing the noon rate as of March 1, 2017)

On March 27, 2020, the daily average rate for Canadian dollars in terms of the United States dollar, as quoted by the Bank of Canada, was US\$1.00 = C\$1.4056.

On March 27, 2020, the daily average rate for Canadian dollars in terms of one RMB, as quoted by the Bank of Canada, was RMB1.00 = C\$0.1981.

### **Defined Terms and Abbreviations**

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

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

"**Bonds**" means the issuance of bonds by Skyland BVI on July 6, 2017 in an aggregate principal amount of US\$500 million;

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

"**CGDI**" means Changchun Gold Design Institute;

"**CGG Non-Compete**" means an undertaking granted in 2010 by the Company to China National Gold in which it undertakes not to compete with China National Gold and its Controlled Entities in respect of gold and nonferrous mineral prospects in PRC;

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

"**China Gold Finance**" means China National Gold Group Finance Co., Ltd.

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

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

"**China National Gold**" or "**CNG**" means China National Gold Group Co., Ltd. (formerly, China National Gold Group Corporation);

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

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

"**CNG Non-Compete**" means the undertaking granted in 2010 by China National Gold in which China National Gold agrees to not compete with the Company, nor allow its Controlled Entities to compete with the Company in the International Mining Business;

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

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

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

"**CSH Technical Report**" means the technical report regarding the CSH Gold Project entitled "Technical Report Expansion Feasibility Study for the Chang Shan Hao (CSH) Gold Project Inner Mongolia, People's Republic of China" dated October 21, 2012;

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

"**Group**" means China International Gold and its subsidiaries;

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

"**Hong Kong Listing Rules**" means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

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

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

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

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

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

"**Jiama Technical Report**" means the technical report regarding the Jiama Project entitled "Pre-Feasibility Study Technical Report on the Jiama Copper-Polymetallic Project, Metrokongka County, Tibet Autonomous Region, The People's Republic of China dated January 2014;

"**kg**" means kilogram;

"**km**" means kilometres;

"**km<sup>2</sup>**" means square kilometres;

"**kV**" means kilovolt;

"**m<sup>3</sup>**" means cubic metres;

"**m**" means metres;

"**mm**" means millimetres;

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

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

"**oz**" means ounce;

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

"**Skyland BVI**" means Skyland Mining (BVI) Limited, a wholly-owned subsidiary of China Gold International;

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

"**t**" means tonnes;

"**tpd**" or "**t/d**" means tonnes per day;

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

"**Trust Deed**" means the contract setting out terms and conditions of the issuance of the Bonds;

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

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

## **CORPORATE STRUCTURE**

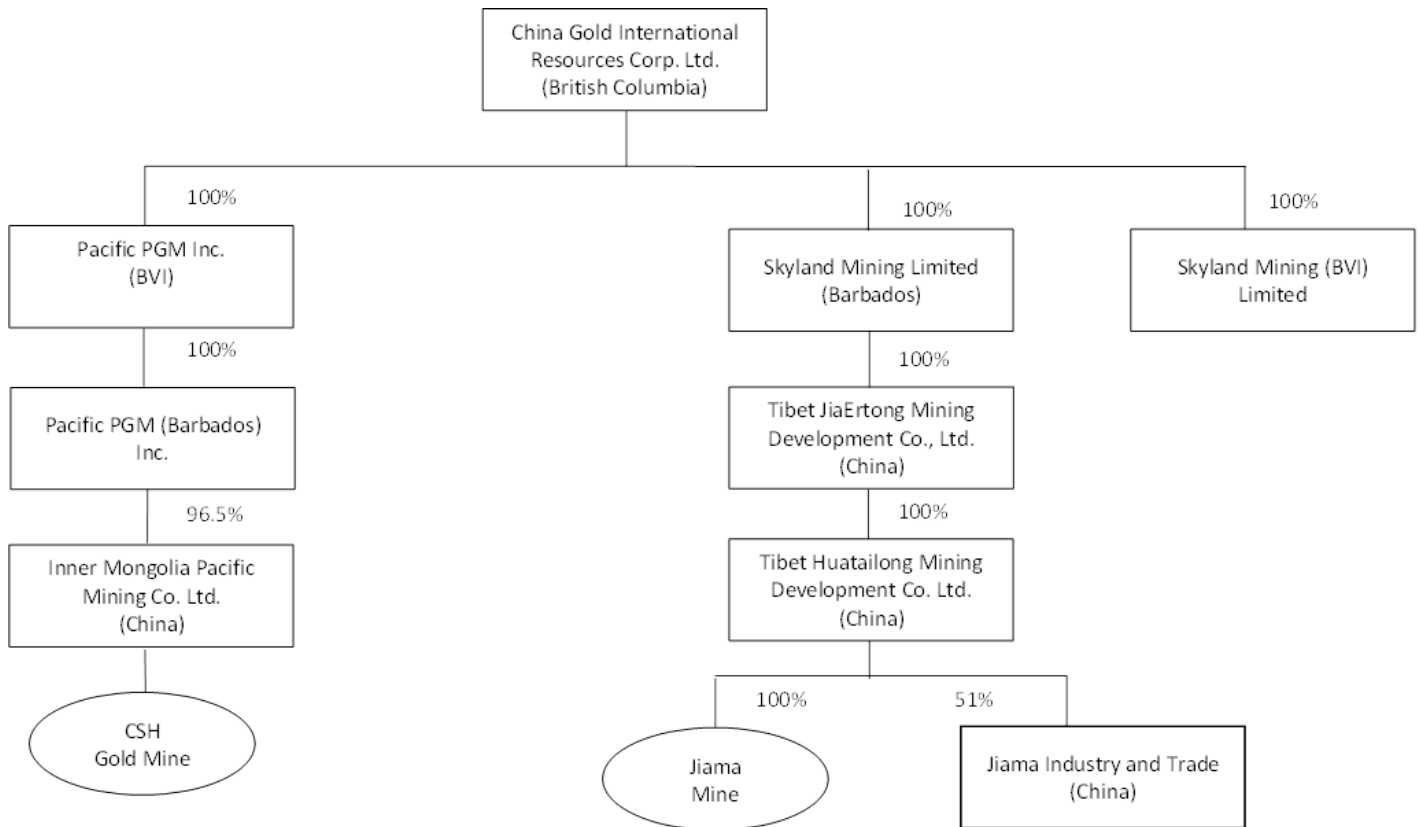
### **Name and Incorporation**

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

China Gold International’s corporate head office and registered and records office is located at Suite 660, One Bentall Centre, 505 Burrard Street, Box 27, Vancouver, British Columbia, Canada, V7X 1M4.

**Intercorporate Relationships**

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



## GENERAL DEVELOPMENT OF THE BUSINESS

### **Overview**

China Gold International is a gold and base metal mining company based in Vancouver, Canada. The Company conducts business in one operating segment consisting of the acquisition, exploration and production of mineral properties. China Gold International's main properties are the CSH Gold Project, which is located in Inner Mongolia, PRC and the Jiama Project, which is located in the Tibet Autonomous Region of the PRC. China Gold International holds a 96.5% interest in the CSH Gold Mine, while its Chinese joint venture partner holds the remaining 3.5% interest. The CSH Gold Project commenced commercial production on July 1, 2008. The Company acquired 100% interest in the Jiama Project on December 1, 2010. The Jiama Project hosts a large scale copper-gold polymetallic deposit consisting of copper, gold, molybdenum, silver, lead and zinc, and commenced commercial production in September 2010. The Jiama Project recently completed several phases of expansion to increase its mining and mineral processing capacity. The Jiama Project's final planned expansion reached commercial production effective July 1, 2018, ahead of schedule.

China National Gold, a Chinese state-owned enterprise, indirectly owns an approximate 39.3% interest in China Gold International through its subsidiary, China Gold HK.

### **Three Year History**

Over the three most recently completed financial years, the significant events described below contributed to the development of our business.

#### *2017*

Effective March 31, 2017, Xiangdong Jiang resigned as Vice-President, Production due to personal reasons and transitioned from an executive director role to a non-executive director role.

On May 26, 2017 Inner Mongolia Pacific and China National Gold entered into the Supplemental Contract for Purchase and Sale of Doré (the "Supplemental Contract for Purchase and Sale of Doré") for the sale and purchase of gold doré bars and silver by-products produced at the CSH Gold Mine, extending the commencing on January 1, 2018 through December 31, 2020. The original Contract for Purchase and Sale of Doré expired December 31, 2017. In addition, on May 26, 2017 the Company and China National Gold entered into a Second Supplemental Product and Service Framework Agreement to extend the term to December 31, 2020 and to extend the scope of the original Product and Service Framework Agreement to include leasing services to be provided by Zhongxin International Financial Leasing (Shenzhen) Co. Ltd., the shares of which are 80% owned by China National Gold (the "Second Supplemental Product and Service Framework Agreement")

At the annual general and special meeting of shareholders held June 28, 2017, the Company's independent shareholders approved the Supplemental Contract for Purchase and Sale of Doré and the Second Supplemental Product and Service Framework Agreement, each of which transaction was subject to independent shareholder approval as a non-exempt continuing connected transaction under Chapter 14A of the Hong Kong Listing Rules.

On July 6, 2017, the Company, through Skyland BVI, and with the assistance of China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Limited, CCB International Capital Limited, Industrial Bank Co., Ltd. Hong Kong Branch and Standard Chartered Bank, completed the issuance of bonds in an aggregate principal amount of US\$500 million. The Bonds were issued at a price of 99.663%, bearing interest at a rate of 3.25% with a maturity date of July 6, 2020



and were rated BBB- by Standard & Poor's. The Bonds are unconditionally and irrevocably guaranteed by the Company. The net proceeds of the bond offering will be used for repaying existing indebtedness, working capital and general corporate purposes of the Company.

In the second half of 2017, there were a series of wall failures on one side of the pit at the CSH Gold Project leading to short term interruptions of mining activities. 2017 production was not significantly impacted. The Company is conducting studies to develop remediation plans to address the slope stability issues and to assess the impact on the long term mine plan.

In September 2017, the Company announced that on August 31, 2017 Standard & Poor's upgraded its rating outlook on the Company to stable from negative and reaffirmed the Company's BBB- long-term corporate credit rating. S&P further affirmed its BBB- long term issue rating on the notes issued by the Company through its wholly-owned subsidiary, Skyland Mining (BVI) Limited. S&P noted that the Company has a strong, long-term commitment of support from its senior management team, good organic growth prospects, and continues to view the Company as highly strategically important to its controlling shareholder, China National Gold, as China National Gold's only overseas operation and financing platform.

On December 18, 2017, the Company and China Gold Finance entered into a deposit services agreement (the "Deposit Services Agreement") pursuant to which the Company and its subsidiaries may, from time to time, make withdrawals and deposits with China Gold Finance up to a daily maximum deposit balance (including interest) not exceeding RMB 100,000,000. Deposit interest rates payable by China Gold Finance for any deposits shall be, at a minimum, 20% higher than the benchmark interest rate published by The People's Bank of China for the same period and for the same type of deposit.

In addition, on December 18, 2017, the Company and China Gold Finance entered into a loan agreement (the "Loan Agreement") pursuant to which China Gold Finance agreed to provide an unsecured loan in the aggregate amount of RMB 350,000,000 to satisfy the financial needs of the Group within the PRC. Loan interest payable to China Gold Finance is based on the RMB benchmark rate for a one year loan published by The People's Bank of China ("**PBOC**") (4.35%) with a 5% discount.

China Gold Finance is licensed by the China Banking Regulatory Commission. China National Gold Group Co., Ltd. (formerly: China National Gold Group Corporation), the controlling shareholder of the Company, holds a 51% interest in China Gold Finance and therefore, both the Deposit Services Agreement and the Loan Agreement (together, the "Transactions") constitute a "related party transaction" as defined in Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("**MI 61-101**"). For the purposes of MI 61-101, the Transactions are exempt from (i) minority approval requirements in accordance with section 5.7(a) by virtue of the fact that the value of the loan and the deposit, in each case, is less than 25% of the Company's market capitalization and (ii) the formal valuation requirement because each of the loan and the deposit is a credit facility.

On December 31, 2017, the Company reached commercial production at Jiama Project's Phase II, Series I expansion ("**Series I**") increasing the ore processing capacity at the Jiama Project from 6,000 tpd to 28,000 tpd. Series I contributed significantly to the Company successfully achieving guidance of 79 million pounds of copper production in 2017. Construction of the Jiama Project's Phase II, Series II ("**Series II**") was completed and development and production testing is currently underway. The Company expects Series II, which will add an additional 22,000 tpd, to achieve commercial production by mid- 2019.

2018

In September 2018, the Company was selected as a constituent of the Hang Seng Family of Indexes. The Hang Seng Stock Connect Hong Kong Index provides a benchmark for the performance of equities listed in Hong Kong that are eligible for trading via the southbound trading link of the Stock Connect Scheme, while the Hang Seng Stock Connect MidCap & SmallCap Index and the Hang Seng Stock Connect SmallCap Index reflect the overall performance of the MidCap & Small Cap and the SmallCap segments of the Hang Seng Stock Connect Hong Kong Index, respectively. The Hang Seng SCHK Mainland China Companies Index offers investors references for the performance of Stock Connect eligible companies with different geographical business focuses, while the Hang Seng SCHK ex-AH Companies Index serves as a benchmark for the performance of Stock Connect eligible companies excluding those with both A-shares and H-shares listings.

Effective July 31, 2018, the Company reached commercial production at Jiama Project's Phase II, Series II expansion increasing the ore processing capacity at the Jiama Project, ahead of schedule. The Company expects to achieve full commercial production in mid- 2019.

On November 13, 2018, Mr. Bing Liu resigned as Chief Executive Officer and Executive Director, Mr. Lianzhong Sun resigned as Non-Executive Director, Mr. Liangyou Jiang was appointed Chief Executive Officer, Mr. Yongqing Teng and Ms. Fuzhen Kang were appointed as Non-Executive Directors and Mr. Zhongxin Guo was appointed Chief Engineer.

On December 18, 2018, the Company and China Gold Finance entered into a four (4) month term extension supplemental loan agreement extending the original Loan Agreement entered into on December 18, 2017, all other terms and conditions of the original Loan Agreement remain the same.

Also on December 18, 2018, the Company and China Gold Finance entered into a one (1) year term extension supplemental deposit services agreement extending the original Deposit Services Agreement entered into on December 18, 2017, all other terms and conditions of the original Deposit Services Agreement remain the same.

2019

Effective June 25, 2019, Mr. Xiangdong Jiang retired as an Executive Director of the Board. Each of Mr. Yunfei Chen, Mr. Gregory Hall and Mr. John King Burns voluntarily did not stand for re-election as independent directors of the board. Mr. Shiliang Guan was elected as an Executive Director. Mr. Wei Shao, Dr. Bielin Shi and Ms. Ruxia Han were each elected as Independent Directors.

On July 29, 2019, the CSH mine provided an updated mine plan and life of mine production schedule due to the short term interruptions of mining activities caused by a series of wall failures in the second half of 2017. Based on its studies, the Company has adopted an updated pit design and updated the life of mine production schedule to seven years.

Effective November 14, 2019, Mr. Xin Song resigned as Chairman of the Board.

Also on December 18, 2019, the Company and China Gold Finance entered into a second one (1) year term extension supplemental deposit services agreement extending the original Deposit Services Agreement entered into on December 18, 2017 and initial supplemental deposit services agreement entered into on December 18, 2018, all other terms and conditions of the original Deposit Services Agreement remain the same.

*Since December 31, 2019*

The Board appointed Liangyou Jiang, currently the Chief Executive Officer of the Company and an Executive Director, will be appointed as the Chairman with effect from 29 March 2020.

The Company is currently experiencing uncertainty related to the rapidly developing novel coronavirus ("COVID-19") situation. It is anticipated that the spread of COVID-19 and global measures to contain it, will have an impact on the Company, however it is challenging to quantify the potential magnitude of such impact at this time. The Company is regularly assessing the situation and remains in contact with its customers and suppliers to assess any impacts and risks.

## **DESCRIPTION OF THE BUSINESS**

### **Laws and Regulations Relating to Mining in China**

The following represents a summary of relevant laws of the PRC that affect the business operations of China Gold International. This summary represents a general discussion of relevant laws by the Company and does not constitute legal advice. This information is current to the year ended December 31, 2019.

#### *Mineral Resource Laws*

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

According to the *Mineral Resources Law* of the PRC, the *Administrative Measures on Registration of Tenement of Mineral Resources Exploration and Survey* and the *Administrative Measures on Registration of Mineral Resources Exploitation*, before exploration and mining activities relating to mineral resources can commence, the project company must first obtain exploration permits and mining permits, which generally entitle the project company to the exploration and mining rights attached to the relevant mineral project. Furthermore, if the mining activities involve gold resources, a Gold Operating Permit issued by the National Development and Reform Commission ("NDRC") must also be obtained.

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

### *Rights and Obligations of Holders of Exploration Permits*

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

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

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

- to commence and complete the exploration work within the term of the exploration permit;
- to report commencement of the exploration to the exploration registration authorities;
- to carry out the exploration work in accordance with the exploration plan and to ensure that there is no occurrence of unauthorised mining activities in the designated area;
- to carry out integrated exploration and assessment activities on the paragenetic and associated mineral resources;
- to submit an exploration report of the mineral resources to the relevant government authority for approval;
- to file with the exploration result of mineral resources for record as required;
- to act in line with the laws and regulations relating to labour safety, land rehabilitation and environment protection; and
- to take steps to eliminate potential safety hazards upon the completion of the exploration work.

### *Rights and Obligations of Holders of Mining Permits*

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

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

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

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

#### *Laws and Regulations Relating to the Administration of Gold*

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

On October 30, 2002, the Shanghai Gold Exchange commenced operation under the supervision of the State Council. Thereafter, the PBOC ceased its gold allocation and gold purchase operations. All PRC gold producers are now required to sell their standard gold bullion through the Shanghai Gold Exchange, and prices of gold on the Shanghai Gold Exchange are determined by market demand and supply, which essentially converge with the price of gold in the international market. On February 27, 2003, the State Council cancelled the approval requirements for the production and sale of gold and gold products. As a result, although the Administrative Regulations have not been abolished, the policy of "centralised purchase and allocation of gold" as stipulated under the Administrative Regulations has been terminated in practice.

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

## *Laws and Regulations Relating to Environmental Protection*

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

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

The *Environmental Protection Law* of the PRC and the *Administrative Regulations on Environmental Protection for Construction Project* stipulate that prior to the construction of new facilities or expansion or transformation of existing facilities that may cause a significant impact on the environment, a report on the environmental impact of the construction project needs to be submitted to the relevant environmental protection authority for approval. Environmental protection facilities shall be designed, constructed and put into use concurrently with the main production facilities. The newly constructed production facilities may not be operated until the relevant authority is satisfied after inspection that accompanied environmental protection facilities are in compliance with all relevant environmental protection standards.

Under the *Mineral Resources Law* of the PRC, the amended *Land Administration Law* of the PRC and *Regulation on Land Rehabilitation*, exploration of mineral resources must be in compliance with the legal requirements on environmental protection so as to prevent environmental pollution. If any damage is caused to cultivated land, grassland or forest as a result of exploration or mining activities, mining enterprises must restore the land to a state appropriate for use by reclamation, re-planting trees or grasses or such other measures as appropriate to the local conditions. Mining enterprises shall submit a rehabilitation plan when applying for construction land or mining rights, and shall include land rehabilitation expenses in their production costs or in their gross investment in construction projects. At completion of the rehabilitation stipulated in the plan, the rehabilitation shall pass an acceptance examination conducted by the relevant government authority. If the rehabilitation is not completed or does not comply with the relevant examination requirements, the mining enterprise must pay a fee for land rehabilitation.

Upon closure of a mine, a report in relation to land rehabilitation and environmental protection must be submitted for approval. Enterprises which fail to perform or satisfy the requirements on land rehabilitation may be penalised by the relevant land administration authority.

The Ministry of Environmental Protection shall formulate national standards on emission of pollutants in accordance with the national standards on environmental quality, and the State economic and technological conditions. Governments at the provincial level and of the autonomous regions and municipalities may formulate their respective local standards on the discharge of pollutants for items not specified in the national standards. These local governments may formulate local standards which are more stringent than the national ones for items already specified in the national standards. Pursuant to the requirements under the amended *Law on Prevention of Water Pollution* of the PRC, the amended *Law on Prevention of Air Pollution* of the PRC, and *Administrative Regulations on Levy and Utilisation of Sewage Charge*, enterprises which discharge water or air pollutants must pay discharge fees pursuant to the types and volumes of pollutants discharged. The discharge fees are calculated by the local environmental protection authority which shall review and verify the types and volumes of pollutants discharged. Once the discharge fees have been calculated, a notice on payment of discharge fees will be

issued to the relevant enterprises. In addition, enterprises which discharge sulphur dioxide at a level exceeding the prescribed standards are required to install "desulphurising devices " or adopt other "desulphurising" measures to control the emission of sulphur dioxide.

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

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

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

#### *Laws and Regulations Relating to Production Safety*

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

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

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

A mining enterprise must establish a management body or a designated safety management team to be responsible for production safety matters. Education and training on production safety must be provided to workers to ensure that they fully understand the regulations on and the procedures required for production safety, and are able to master the necessary skills for operation safety for their own positions. Those who do not receive this education and training are not permitted to work at the mine.

The penalties for breach of production safety laws vary from warnings, fines, suspension of production or operation and other administrative sanctions, depending on the degree of damage and the nature of the

incident. The person who is personally responsible for such incident may be subject to demotion or termination of employment, or criminal liability for serious breaches resulting in significant incidents. The State has implemented an accountability system over incidents relating to production safety.

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

#### *Laws and Regulations Relating to Taxation*

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

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

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

#### *Laws and Regulations relating to Foreign Investment in Gold*

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

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



- submitted to and approved by the NDRC if it has a total investment amount of \$50 million or more; and
- first submitted to and examined by the NDRC and following such examination, it must be submitted to and approved by the State Council if it has a total investment amount of \$100 million or more.

#### *Laws and Regulations relating to Foreign Investment in Molybdenum*

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

#### *Laws and Regulations Relating to CJVs*

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

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

- amendment of the CJV's articles of association;
- termination or dissolution of the CJV;
- reduction or increase of the registered capital of the CJV;
- merger, division or change in the organizational form of the CJV;
- mortgage of assets of the CJV; and
- other matters agreed to by the parties to the CJV.

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

## *Laws and Regulations Relating to Geological Environment Protection*

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

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

### **Risk Factors**

*Readers should carefully consider all of the information set out in this AIF, including the risks and uncertainties described below. China Gold International's business, financial condition or results of operations could be materially and adversely affected by any of these risks.*

#### **The Company is subject to commodity price risks.**

Substantially all of the Company's revenues and cash flows from operating activities are derived from the sale of gold, copper and other metals. Historically, the market prices for gold, copper and other metals have fluctuated widely and experienced periods of significant decline. Prices are influenced by numerous

factors and events which are beyond the Company's control such as world demand and supply, forward selling activities, costs of production by other producers and other macro-economic factors such as expectations regarding inflation, interest rates, currency exchange rates as well as general global economic conditions and political trends. The Company does not engage in any hedging activities. If market prices for these metals should fall due to these or other factors and events, China Gold International's business, results of operations and the price of the Common Shares could be materially and adversely affected.

**The Company is subject to foreign exchange risk.**

The majority of the Company's operating costs are denominated in RMB, but the Company's consolidated financial results are published in U.S. dollars. Therefore, if the RMB appreciates against the U.S. dollar, it could adversely affect the Company's consolidated financial results. Moreover, to the extent that the Company needs to convert the proceeds from its future financing into the RMB for the Company's operations, appreciation of the RMB against the relevant foreign currencies could have an adverse effect on the RMB amount the Company would receive from the conversion.

**The Company's reserve and resource estimates are based on assumptions which may prove to be inaccurate, and it may produce less than the current estimates.**

The figures for mineral reserves and mineral resources contained in this Annual Information Form are estimates only based on a number of assumptions, any adverse changes to which could require us to lower our mineral resource and mineral reserve estimates and no assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realized or that mineral reserves could be mined or processed profitably. Our estimates of economically recoverable reserves are primarily based upon interpretations of geological models, which make various assumptions, such as assumptions with respect to, prices, costs, regulations, and environmental and geological factors. These assumptions have a significant effect on the amounts recognized in our technical reports and our financial statements, and any material difference between these assumptions and actual events may affect the economic viability of our properties or any project undertaken by us. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any reserve or resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Short-term operating factors relating to the mineral reserves, such as the need for orderly development of the ore bodies or the processing of new or different ore grades, may cause the mining operation to be unprofitable in any particular accounting period. In addition, there can be no assurance that gold, silver or copper recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. Valid estimates made at a given time may significantly change when new information becomes available.

Fluctuation in gold, copper and other metal prices, results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may require revision of such estimate. The volume and grade of reserves mined and processed and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of mineral reserves and mineral resources, or of the Company's ability to extract these mineral reserves, could have a material adverse effect on the Company's results of operations and financial condition.

**The Company's production estimates are subject to operating risks.**

China Gold International generates all of its cash flow from the production of minerals at its two operating mines, the CSH Gold Project and the Jima Project. The Company's production estimates from these mines are based on numerous assumptions including, among other things, reserve estimates,

assumptions regarding ground conditions and physical characteristics of ores (such as hardness and presence or absence of certain metallurgical characteristics), estimated recovery rates and estimated rates and costs of production. By its nature, the business of mining and processing contains elements of significant risk and hazards which can affect these assumptions and thereby modify production. Actual production may vary from estimates for a variety of reasons, including risks and hazards set out below:

- actual ore mined varying from estimates in grade, tonnage, and metallurgical and other characteristics;
- lower than estimated recovery rate;
- mining dilution;
- pit wall failures or cave-ins;
- industrial accidents;
- natural phenomena such as inclement weather conditions, floods, blizzards, droughts, rock slides and earthquakes;
- encountering of unusual or unexpected geological conditions;
- changes in power costs and potential power shortages;
- shortages of principal supplies needed for operation, including explosives, fuels, equipment parts and lubricating oil;
- litigation; and
- restrictions imposed by government authorities.

The Company's mining operations may also be disrupted by environmental hazards, industrial accidents (including but not limited to mishandling of dangerous articles), technical or mechanical failures, processing deficiencies, labour disputes, community protests or civil unrest, discharge of toxic chemicals, fire, explosions, and other delays. China Gold International's mines are also subject to equipment failures and technical risks in that the Company's infrastructure may not perform as designed. For example, the mine production at the CSH Gold Project is expected to depend mostly on the crushing production and heap leach gold recovery rate. Since the height of the heap is increasing year after year at the CSH Gold Project, gold bearing solutions will take longer to reach the processing plant, which could cause delays in the gold production. Meanwhile, the remote location and harsh climate at the Jiama Project makes it susceptible to electricity shortfalls during the winter months which have disrupted production in the past.

Such occurrences could result in damage to mineral properties, interruptions in production, increased production costs, monetary losses, injury or death to persons, damage to the Company's property or the property of others, monetary losses and legal liabilities. The Company's failure to achieve its production estimates could have a material and adverse effect on the Company's future cash flow, results of operations and financial condition.

**The Company may not be able to maintain an adequate and timely supply of electricity, water, auxiliary materials, equipment, spare parts and other critical supplies at reasonable prices or at all.**

Cost effective operations of the Company's mines depend, among other things, on the adequate and timely supply of electricity, water and auxiliary materials. Major auxiliary materials used in the Company's production include forged steel grinding balls, chemical products, explosives, lubricating oil, electric wires and cables, rubber products and fuel. The Company sources its auxiliary materials from domestic suppliers and its equipment from suppliers in the PRC and other countries. If the Company's supply of auxiliary materials, equipment or spare parts are interrupted or their prices increase, or the

Company's existing suppliers cease to supply the Company on acceptable terms, the Company's business, financial condition and results of operations could be materially and adversely affected.

Electricity and water are the main utilities used in the Company's exploration and mining. Because the Company's mines are situated in remote locations in China, the Company faces a relatively higher risk of an interruption or shortage in the Company's electricity supply, which could materially and adversely affect the Company's production and production safety by disrupting operations such as water pumping and ventilation. For example, the remote location and harsh climate at the Jiama Project makes it susceptible to power shortages during the winter months which have disrupted production in the past.

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

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

The Company intends to continue to acquire high-quality mineral resources as part of its strategy, but may not identify suitable acquisition opportunities. Even if the Company identifies suitable opportunities, it may not be able to complete those transactions on terms commercially acceptable to it or at all. The inability to identify suitable acquisition targets or the inability to complete such transactions could materially and adversely affect the Company's competitiveness and growth prospects. In the event that the Company successfully completes an acquisition, it could face difficulties in integrating the acquisition with its operations or fail to achieve the strategic purpose of such an acquisition. IMPM and Huatailong, are all located in the PRC. Although the Company has established a set of internal control mechanisms to manage its subsidiaries, including personnel management policies, internal control policies, as well as internal audit strengthening the control of its subsidiaries, its internal control mechanisms may be insufficient to adapt to increasingly complicated circumstances. Difficulties in integrating acquisitions or failures of internal controls relating to the management of the Company's subsidiaries could disrupt its ongoing business, distract its management and employees, and increase its expenses, any of which could materially and adversely affect the Company's business and results of operations and financial condition.

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

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

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

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

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

In addition, the Company's financing agreements include various conditions and covenants that require China Gold International to obtain lenders' consents prior to carrying out certain activities and entering into certain transactions, such as incurring additional debt, creating additional charges on Company assets, and providing additional guarantees or disposing of certain assets. In connection with the Company's borrowings and other financing arrangements, the Company has agreed to comply with various financial and other covenants.

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

**The Company may incur substantial additional indebtedness, including guarantee of third parties' indebtedness, in the future, which could adversely affect its financial condition and ability to generate sufficient cash to satisfy its outstanding and future debt obligations.**

The Company may from time to time incur substantial additional indebtedness and guarantee third parties' indebtedness in its normal course of business. If it incurs additional debt or guarantee third parties' indebtedness, the risks that it could face as a result of such indebtedness and leverage could increase. The increase in the amount of the Company's indebtedness, including guarantee of third parties' indebtedness, could adversely affect its financial condition and ability to generate sufficient cash to satisfy its outstanding and future debt obligations.

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

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

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

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

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

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

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

If any such additional funding is obtained, it may be on terms that are highly dilutive or otherwise adverse to the Company's existing stockholders. Failure to obtain the funding or obtain the funding on commercially acceptable terms that the Company needs when it is required could have a material and adverse effect on the Company's business and results of operations.

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

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

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

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

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

China Gold International believes that the Company has a proper internal control and risk management system in place. However, due to the inherent limitations in the design and implementation of these systems, there is a risk that these systems will not be sufficiently effective in identifying and preventing a deficiency in internal controls. In addition, as some of the risk management and internal control policies and procedures are relatively new, the Company may need to establish and implement additional policies and procedures to further improve the Company's systems from time to time. Since the Company's risk management and internal controls depend on implementation by Company employees, there is a risk that such implementation will involve human errors or mistakes. If the Company fails to implement its policies and procedures in a timely manner, or fails to identify risks that affect the Company's business, the Company's business, results of operations and financial condition could be materially and adversely affected.

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

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



Company's future operations and development could have a material adverse effect on the Company's business and results of operations.

**The Company may not be adequately insured against losses and liabilities arising from the Company's operations.**

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

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

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

**The Company faces increasing domestic and foreign competition.**

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

**The Company may face the risk of increasing current liabilities.**

As of December 31, 2018 and 2019, the Company's current liabilities were approximately US\$426 million and US\$929 million, accounting for 25% and 53%, respectively, of total liabilities during the same periods.

**The Company faces risks relating to related party transactions.**

The Company purchases raw materials from, sells products to and provides gold refining services to its related parties on ordinary commercial terms, and the transactions with its affiliates are offset in the Company's consolidated financial statements. In the event of unfair related party transactions, it could undermine the Company's competitiveness and its independence, which could materially and adversely affect its business, result of operations and financial condition.

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

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

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

To access additional reserves in explored areas, the Company will need to successfully complete development projects, including extending existing mines and developing new mines. The Company typically conducts feasibility studies to determine whether to undertake significant construction projects. Actual results may differ significantly from those anticipated by such feasibility studies. Accordingly, there is no assurance that any future exploration activities or development projects will extend the life of our existing mining operations or result in any new economical mining operations.

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

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

Any failure to obtain or any delay in obtaining or retaining any required governmental approvals, permits or licenses could subject the Company to a variety of administrative penalties or other government actions and adversely impact the Company's business operations. The relevant state and provincial authorities in China do not allow exploration permit renewal applications to be submitted earlier than 30 days before the permit expiration date and a delay of 2 to 3 months for permit application processing times is not uncommon. The relevant state and provincial authorities in China do not issue formal documentation to guarantee permit renewal while processing renewal applications. If any administrative penalties and other government actions are imposed on or taken against the Company due to the Company's failure to obtain, or delay in obtaining or retaining, any required governmental approvals, permits or licenses, the

Company's business, financial condition and results of operations could be materially and adversely affected.

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

China National Gold holds approximately 39.3% of the Company's outstanding Common Shares. The Company also has a deep connection to China National Gold through cross-management, shared directors, the CNG Non-Compete and the CGG Non-Compete. There is a risk that China National Gold may, in the future, exercise its influence over the Company as a controlling shareholder in a manner inconsistent with the best interests of the Company's other shareholders. If that occurs, the Company may lose some of its competitive advantages and the Company's business and results of operations may be materially and adversely affected.

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

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

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

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

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

cash dividends. As a result of these PRC laws, rules and regulations, the Company's PRC subsidiaries are restricted in their ability to distribute dividends to their shareholders. Limitations on the ability of its PRC subsidiaries to pay dividends to the Company could negatively impact the Common Share price. The Company has never paid a dividend on its Common Shares. The Company has significant financial requirements and intends to retain future earnings for reinvestment in the Company's business and, therefore, has no current intention to pay dividends on its Common Shares in the foreseeable future.

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

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

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

**The Company's operations in the PRC may be impacted by the coronavirus**

The recent COVID-19 could impact the Company's operations. In December 2019, a novel strain of coronavirus was reported in China and other countries. While the Company's operations were impacted by an extended Chinese New Year closure period in response to COVID-19, the Company has not experienced any material impact on its production or operations to date. However, given the uncertainty and unpredictability of COVID-19 the Company may experience future business disruptions depending on future developments. The Company maintains rigorous health and safety policies and procedures, and the safety of its workers is paramount. The Company continues to monitor the health condition of its employees. A subsequent impact of COVID-19 or other public health crises could result in a slowdown or temporary suspension in operations impacted by a potential outbreak which could have a material adverse effect on the Company's operations and financial performance.

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

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

Although the Company seeks to comply with all new PRC laws, regulations, policies, standards and requirements applicable to the mining industry or all changes in existing laws, regulations, policies, standards and requirements, the Company may not be able to comply with them economically or at all.

Furthermore, any such new PRC laws, regulations, policies, standards and requirements or any such change in existing laws, regulations, policies, standards and requirements may also constrain the Company's future expansion plans and adversely affect its profitability.

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

China is, and for the foreseeable future is expected to remain, the country in which the Company concentrates most of its business activities and financial resources. Currently, all of the Company's operating assets are located in the PRC and all of the Company's revenue is derived from its operations in the PRC. The Company's results of operations and prospects are subject, to a significant degree, to economic, political and social developments in the PRC. The economy of the PRC differs from the economies of most developed countries in many respects, including the extent of governmental involvement, the level of development, the growth rate and government control of foreign exchange. The PRC is an emerging market jurisdiction and the Company's business may face unique risks associated with its operations in an emerging market jurisdiction. These risks include risks related to political factors such as government instability and changing governmental policy that may affect legal rights such as property ownership, legal and regulatory framework given that emerging market jurisdictions may have less developed legal or regulatory systems, the movement and conversion of currency out of the foreign jurisdiction which could hinder the repatriation of profits to investors and legal title to assets.

**The Company's business could be negatively affected by changes and uncertainties in the PRC legal system.**

The PRC legal system is based on civil law system. Unlike a common law system, prior legal decisions and judgments have limited significance for guidance. The PRC is still in the process of developing a comprehensive statutory framework. Since 1979, the PRC government has established a commercial law system, and has made significant progress in promulgating laws and regulations relating to economic affairs and matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. However, many of these laws and regulations are relatively new. The implementation and interpretation of these laws and regulations remain uncertain in many areas and may not be consistent with long-standing local conventions and customs. As a result, there may be ambiguities, inconsistencies and anomalies in the agreements that the Company is a party to or the legislation upon which these agreements are based, which are atypical of more developed legal systems and may affect the interpretation and enforcement of the Company's rights and obligations. Furthermore, the PRC legal system is based in part on government policies and administrative rules that the Company may not be aware of. Moreover, the legal protections available to the Company under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action may be protracted and could result in substantial costs and diversion of resources and management attention.

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

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

China Gold International is incorporated in British Columbia. In the event of a dispute arising from or in respect of the Company's operations in the PRC, the Company may be subject to the exclusive

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

**The Company depends on its two operating mines, namely, the CSH Gold Project and the Jiama Project, for substantially all of its revenue and cash flow from operating activities for the foreseeable future. Failure to obtain the expected economic benefits from these mines could materially and adversely affect its business, financial condition and results of operations.**

The Company's operations are exposed to uncertainties in relation to its operating mines. The CSH Gold Project and the Jiama Project are the Company's only operating mines now and the Company will continue to depend on them for substantially all of its operating revenue and cash flow for the foreseeable future. If the Company fails to derive the expected economic benefits from these mines due to a delay or difficulty encountered in the progress or development of these mines, an occurrence of any event that causes these two mines to operate at less than optimal capacity or for other results, the Company's business, financial condition and results of operations could be materially and adversely affected.

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

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

**The Company faces certain risks relating to the real properties that the Company owns, uses or leases.**

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

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

Pursuant to the *Enterprise Income Tax Law* of the PRC ("**EIT Law**") and implementation regulations issued by the State Council, to the extent any dividends for earnings derived since January 1, 2008 are

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

### **CSH Gold Project**

The following is primarily extracted from the summary of the CSH Technical Report on the CSH Gold Project. The CSH Technical Report is available for review under the Company's profile on the SEDAR database at [www.sedar.com](http://www.sedar.com). The following summary is derived from the CSH Technical Report and is qualified by reference to the CSH Technical Report in its entirety. Readers are encouraged to review the CSH Technical Report.

#### **Property Description**

The CSH Gold Project covers an area of 35.93 kilometers in the Inner Mongolia Autonomous Region of northern China, and is covered by a single Exploration Permit (No. 0100000220028). Formerly known as the 217 property, the Exploration Permit is centered at latitude 41° 40' North, longitude 109° 14' East.

China Gold International completed a 20,000 t/d gold recovery facility, heap leaching, carbon-in-column (CIC) gold absorption, carbon stripping, carbon regeneration and acid washing, bullion refining, and reagent systems along with the necessary ancillaries such as plant site electrical systems, water system, shops, camp facilities and access roads. A 30,000 t/d crushing facility was commissioned in September 2009 and has been in operations since that time. By the end of 2013, another 30,000 t/d crushing facility was commissioned. The total processing capacity of the CSH Gold Project is now at 60,000 t/d.

A fully licensed joint venture company - Ningxia Pacific Mining Co. Ltd., now Inner Mongolia Pacific Mining Co. Ltd was formed with Brigade 217 and all property work is being carried out through this entity.

#### **Geological Setting and Mineralization**

The CSH Gold Project is located within the North China Gold Belt extending along the northern margin of the North China Craton. Miller et al. (1998), Wang and Mo (1995), and Sengör et al. (1993) have described the tectonic setting and evolution of the North China Craton.

Proterozoic carbonaceous metasedimentary rocks host the CSH217 gold mineralization in the south limb of the CSH syncline. The syncline is one of the most prominent structural features in a major east-west trending fold belt that is characterized by complex fold interference patterns. Caledonian and Hercynian age composite granitoid batholiths occur to the north and south of the property. The host rocks to the gold

mineralization on the CSH217 property are mainly carbonaceous phyllite, schist, and slate within the lower members of the Bilute Formation.

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

Petrographic work indicates that gold is associated mostly with arsenopyrite and pyrrhotite (approximately 22% of total mass) or free (approximately 77% of total mass). Gold has also been observed as free flecks up to 2 mm in size directly associated with the sulphides in both the stringers and in the quartz "vein" material. Trace amounts of gold have been seen as inclusions within some arsenopyrite crystals. The pyrrhotite is nickeliferous and frequently shows strong pentlandite flame structures within the individual crystals.

### **Deposit Type**

The CSH217 deposit is a large bulk tonnage low-grade style of gold mineralization hosted within a ductile-brittle shear zone in Proterozoic sediments. Earlier property work and recent drilling data suggest that the gold mineralization was emplaced along the major southwesterly trending ductile-brittle shear zone. The ductile-brittle shear zone, which crosscuts the original bedding structure at about 10°, controlled the mineralization.

The shear zone is parallel to the foliation of the regional metamorphism, which is also parallel to the synclinal fold axis and deformation style typical of many greenstone and slate-belt terranes. Folding continued beyond the point of rupture, with the strain taken up in the developing shear zone. The quartz-sulphide veinlets are boudinaged within the foliation and were clearly deposited early in the deformational history and are perhaps related to basin dewatering during regional folding, typical of "Slate Belt" gold districts.

### **Exploration**

In 2002, Jinshan (previously Pacific Minerals) completed geophysical surveys along the length of the known mineralization (magnetics and TEM). A total of 2,997 meters in 23 diamond drill holes was completed, with most of this drilling concentrated on the Northeast Zone. Wide, low grade intervals were delineated and supported the potential for a low grade, bulk tonnage gold deposit. These results justified a further campaign in 2003.

In 2007, Jinshan drilled a total of 11,432 meters at the CSH property, including 3073 meters in Southwest Zone, 8147 meters in Northeast Zone, and two short prospecting holes drilled further west along the mineralization trend. In 2007, the 14 holes were drilled in the Southwest Zone, 5 holes as in-fills, to bring drilled sections in the east part of the zone to 50 meter spacing, and the rest as step-out holes in the west end. The in-fill holes further confirmed the continuity of the gold mineralization.

The main purposes of drilling in 2008 was to in-fill gaps in the mineralization model in both the Northeast and Southwest zones, to upgrade Inferred Resources to Indicated status, and to delineate gold mineralization at depths below the previous exploration efforts.



In total, 4972.88 meters were drilled in 23 holes, 1639.29 meters were drilled in Southwest Zone and 2583.89 meters in Northeast Zone. Three prospect holes, totaling 749.70 meters were drilled in the western extension of the Southwest Zone.

Little drilling was done during 2009 and 2010, with only three additional drill holes completed. The most significant drilling campaign to date at the CSH Gold Project was completed by the end of October, 2011, comprising of 108 holes for a total over 59,000 metres.

## **Drilling**

Details about the drill holes completed in 2007 and 2008 have been described in the prior Technical Reports mentioned elsewhere. Recovery has been good at CSH, and is not considered an issue. All drill holes were surveyed down-the-hole using a Sperry-Sun type single-shot survey instrument providing a photographic record of the hole angle and direction at 50 meter intervals. The magnetic effect of the pyrrhotite content of the mineralization on the borehole directional survey is not considered significant, as generally less than 1 percent pyrrhotite observed in the mineralization intercepts, and the incremental surveys down the hole are consistent. The collar locations were surveyed using a laser total station and tied to survey control points established with differential GPS, coordinates are recorded using the Beijing 54 coordinate system. All the core was logged by geologists and sampled at the site.

In recent years the Company has carried out exploration programs to identify additional mineralization at the CSH Gold Project to extend its mine life. The Company's drill program for 2017 included approximately 10,450 metres involving nine or more drill sites. The drill sites step out from known mineralized zones. The 2017 drill program was extended into 2018 and as of the end of 2018 approximately 10,844 metres of drilling was completed. The fieldwork of the geological exploration research project conducted by CSH was complete in the third quarter of 2019. The data processing of drilling hole core logs, aero-magnetic anomalies, and sample assaying results are underway to identify mineralization, establish 3D-quantitative geological model, and determine targets for exploration. These interpretation outcomes will be employed to design exploration program in 2020.

## **Sample Preparation, Analysis and Security**

All samples used in resource estimation were analyzed by fire assay with AA finish by Tianjin Lab, SGS China, from crushed minus 10 mesh samples prepared by Baogang Laboratory in Baotou, Inner Mongolia. The entire drill core was logged and then split in half by saw with one half then being submitted for assay and the balance being retained on site for reference. The cut half-cores are stored in a secure warehouse in the XinHuRe (CSH 217) base camp.

Sampling is mostly 2.0 meters long unless obvious geological breaks dictated otherwise (maximum 3.90 meters, minimum 0.30 meter). The HQ series cores (63.5 millimeters) provide adequate sample weights for this type of deposits. The average weight of a half core sample for a 2 meter interval is 7.0 kilograms.

Two laboratories were chosen to perform the assays: SGSs Tianjin Laboratory and ALS Chemex Guangzhou laboratory, both in the People's Republic of China. The Tianjin laboratory has been the main laboratory for CSH samples for no less than 8 years.

Gold content was determined using the standard 30-gram fire assay followed by Atomic Absorption techniques. About 10% of the samples that were assayed above 0.2 ppm Au were checked by a third lab, the ITS Shanghai Lab.

As part of the data quality assurance and quality control procedures (QA/QC), several sample preparation and assaying checks were implemented for the 2011 drilling program. This was in addition to the QA/QC

programs from various campaigns that have been previously reported on. The 2011 QA/QC consisted of 489 blanks; 454 pulp duplicate samples; and 426 samples of reference material of 16 different known grades.

## **Mineral Resources**

The database used to estimate the resources of the NE and SW zones consists of a total of 298 inclined surface drill holes, covering both zones, and including its latest extensions to the SW and somewhat to the NE. There are 111 new holes added since the last resource update, 108 of those drilled in the 2011 campaign, for a total of almost 61,000 additional meters. The holes dip between about 75° to 45° with most holes to the south and the southeast and six holes to the northwest. The drill holes have been surveyed on the Beijing 54/Yellow Sea 58 system using a total station tied to control points previously established with differential GPS system.

The overall integrity of the database is deemed excellent. The 2011 drill holes have been checked for internal consistency, looking for obvious errors in the assay, geologic, down-the-hole surveys, and collar locations data.

All drill holes have been surveyed down-the-hole using an Eastman-Kodak single shot camera, made in Germany. The camera has a magnetic angle unit that measures azimuth and dip. The value is recorded inside the camera, and the measured values can be read after the film is developed. The stated measuring accuracy is 0.1 degrees, and reading accuracy is 0.5 degrees, which is adequate for resource estimation.

The topography surface used in this resource model update was a survey completed in the summer of 2005, as well as an additional patch to the SW of the ore zones, to cover the latest extension of the model. Additional lateral topography was derived from an IKONOS satellite image, with nominal spatial resolution of 2m horizontal, and the DEM accuracy is  $\pm 1$ m, geo-referenced to the Yellow Sea 58 datum, on Beijing 54 map projection.

The current topographic surface was surveyed with Total Station, representing the "as-mined" surface as of December 31<sup>st</sup>, 2011. The resources reported later in this Section correspond to material below the pit surface, and all comparisons with current production are done above the end of December 2011 topographic surface.

The same 0.20 g/t Au grade envelope used in previous modeling efforts was updated. The grade threshold is a reasonable footwall and hanging wall contact for the gold mineralization. The resource model assumes that there is no mineralization of interest outside the 0.20 g/t envelope. The envelope was refined by China Gold International's geologist and checked.

Mineralized material is defined by samples that are greater or equal than 0.20 g/t gold grade over a minimum 6m-horizontal width (thickness of the steep dipping zones), considered a minimum mining width to selectively remove waste.

The mineralized intervals on sections show good continuity, both section to section and down dip. It demonstrates that the dip of the mineralization is steeply south-southeast at almost 90°.

Two-meter long composites were obtained from the original assay data, and coded using the modeled geology as inside or outside the 0.20 g/t envelope. All resulting composites less than 1 m were discarded from the database.

The impact of high grades has been shown to be limited. An analysis was performed on the cumulative probability curve and a quantity of metal graph by gold cutoff grades. Similar to prior models, for the NE

zone, it was decided to restrict the influence of gold composite grades higher than 7.0 g/t at the time of resource estimation. In the case of the SW zone, the limit was set at 6.5 g/t.

The updated variography confirms the main conclusions and observations obtained from prior exercises. The anisotropies and ellipses of continuity for each variogram were checked against known geology and its expected behaviour. As previously, along-strike and down dip (70° or steeper to the North) continuities are the two main directions in each zone.

The block size chosen was 12.5 x 12.5 x 6 m, but uses percentages of block within the envelope to more accurately reflect the geometry of the 0.20 g/t envelope. Grade was estimated on the 12.5 x 12.5 x 6 m parent blocks, although the block may have as little as 1% of its volume within the envelope. This percentage defines the proportion of the block within the envelope, which is taken into consideration when tabulating resources and for mine planning.

An Indicator-modified ordinary kriging method was used to estimate gold grades for the CSH deposit. The grade was estimated into blocks defined within the 0.20 g/t envelope by choosing data according to the grade cut-off. The composites used to estimate within the 0.20 g/t envelope were chosen from within the envelope only.

Three estimation passes were used to estimate the resource model. Each pass is done using varying degrees of conditions before any given block can be estimated. Data selection was done using anisotropic octant searches it helps to avoid over-influence of individual drill holes in areas with redundant information.

The strategy of the ordinary kriging plans was similar to that used in prior models, although some of the specific searches and search anisotropies defined were slightly modified based on the updated correlogram models.

No resources were considered outside the 0.20 g/t envelope. The final gold grade then is the estimated grade of each block above 0.20 g/t gold weighted by the proportion of the material above 0.20 g/t, which is in effect a dilution factor.

The resources were classified using the CIM guidelines and definitions (CIM Standards on Mineral Resources and Reserves Definitions and Guidelines). The classification is based on the estimation kriging passes which are based on the amount of information used to estimate the grade for each block. Additionally, the categories were smoothed manually to avoid isolated islands and the "spotted dog" effect. In this smoothing process, the data quality and geologic continuity have again been considered. Additional restrictions were applied mostly restricting the measured, indicated, and inferred categories to specific depths.

The 2012 resource estimate was completed by Mr. Mario E. Rossi, Qualified Person according to the definition set out in NI 43-101 by reason of education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience. Also, Mr. Rossi is independent of China Gold International applying all of the tests in section 1.5 of NI 43-101. The resources have been classified using the CIM definitions (.

CSH Gold Project Resources by category, Northeast and Southwest pits combined at December 31, 2019 under NI 43-101:

Type	Quantity Mt	Au g/t	Metal	
			Au t	Au Moz
<hr/>				

Measured	9.00	0.60	5.44	0.17
Indicated	115.70	0.62	71.93	2.31
M+I	124.70	0.62	77.37	2.49
Inferred	78.86	0.52	40.90	1.32

Note: Gold price assumptions (in USD) used to calculate the cutoff grade for the mineral resources is Au = \$1,800/oz.

## Mining and Reserves

Mineral reserves as at December 31, 2019 are summarized below.

CSH Gold Project Reserves by category, Northeast and Southwest pits combined at December 31, 2019 under NI 43-101:

Type	Quantity Mt	Au g/t	Metal	
			Au t	Au Moz
Proven	7.40	0.63	4.64	0.15
Probable	58.65	0.66	38.85	1.25
<b>Total</b>	<b>66.05</b>	<b>0.66</b>	<b>43.48</b>	<b>1.40</b>

Note: Gold price assumptions (in USD) used to calculate the cutoff grade for the mineral resources is Au = \$1,800/oz.

## Mining Operations

The CSH Gold Project has two open-pit mining operations and was operating at a 30,000 tpd capacity during Phase I. The Company completed Phase II expansion construction and entered into commercial production in the fourth quarter of 2014. Since the commencement of Phase II commercial production, CSH has increased its processing capacity to 60,000 tpd. As part of the Phase II expansion, a second heap leach pad was created with a valley between the initial Phase I heap leach pad and the newly created Phase II heap leach pad.

In 2014, CSH completed its expansion duplicating its existing crushing circuit adding minor modifications to improve plant safety, equipment availability and operating efficiencies. With the completed expansion CSH has entered into commercial production increasing its mining plant capacity from 30,000 t/d to 60,000 t/d.

In July 2019, CSH updated its mine plan based on a result of latest ultimate limit optimization, in which the production rate was reduced to 40,000 t/d with a life of mine ("LoM") of seven years as of 2019.

## Jiama Project

The following is the primarily extracted from the executive summary of the technical report entitled "NI 43-101 Technical Report – Jiama Phase 2 Expansion Project" dated January 2014 (the "**Jiama Technical Report**") prepared by Mining One Pty Ltd. ("**Mining One**").

Mineral Resource and Mineral Reserve estimations have been prepared in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Definition Standards – On Mineral Resources and Mineral Reserves (2011) as incorporated by reference NI 43-101.

The Jiama Technical Report is available for review under the Company's profile on the SEDAR database at [www.sedar.com](http://www.sedar.com). The following summary is derived from the Jiama Technical Report and is qualified by reference to the Jiama Technical Report in its entirety. Readers are encouraged to review the Jiama Technical Report.

## **Introduction**

The Jiama Project is a large polymetallic deposit containing Copper, Molybdenum, Gold, Silver, Lead and Zinc. Phase I of the Jiama Project commenced commercial production in September 2010 and included the development of the Tongqianshan and Niumatang open cut pits. Jiama Phase II expansion consisted of two series, with each series having a mining and mineral processing capacity of 22,000 tonnes of ore per day. Completion of the entire Phase II expansion project achieved commercial production July 1, 2018. The Jiama Phase II expansion Series I and Series II, each has a mineral processing capacity of 22,000 tpd. The full design capacity of ore processing at Jiama Project has increased to 50,000 tonnes of ore per day.

This technical report incorporates all Resources for the Jiama Project. The Reserve Estimate considers the Phase II expansion areas which incorporates the Jiaoyan and South Pit open pit mines as well as the Phase II underground mine. Conventional mining methods have been proposed for the open pit and underground operations.

## **Property Description and Location**

The Jiama Copper-Polymetallic Project (Jiama) is located in Metrokongka County, Tibet Autonomous Region, the Peoples' Republic of China. The mine lies approximately 68 km east-northeast of Lhasa, the capital city of Tibet Autonomous Region.

Huatailong holds two mining licences and two larger adjacent exploration licences in the area. The Niumatang (73.5 ha) and Jiama (216 ha) mining licences are set in the centre of the Jiama exploration licence while the Bayi Ranch licence located southwest of the current mining activities.

The Jiama Expansion Project was implemented in two stages, Series I reached commercial production in December 2017, and Series II reached commercial production in July 2018, for a combined total of approximately 50,000 tbd mineral processing capacity in each stage. Two source pits ready to provide ore feed.

The Jiama Project is located within the Gangdese Yanshanian epi-continental arc on the central southern portion of the Gangdese-Nianqing Tanggula Terrain. At the tenement scale, rock types are typically passive epi-continental clastics and carbonates. The stratigraphy is dominated by marbles and limestones of the Upper Jurassic Duodigou Formation and sandstones, slates and hornfels belonging to the Lower Cretaceous Linbuzong Formation. Although some mafic and intermediate to felsic dykes have been mapped in outcrop and drill core, the intrusive granitic body responsible for the wide spread contact metamorphism and copper-polymetallic mineralisation is yet to be identified. A number of thrust faults and shears concentrated between major geological contacts and a large detachment fault (Gliding Nappe Fault) have also been observed. Locally bedrock units are overlain by unconsolidated Quaternary colluvium and alluvium.

Three types of Copper-polymetallic mineralisation are recognised in the project area, these include skarn, hornfels and porphyry hosted deposits.

The Jiama Project deposit is a structurally controlled stratiform skarn-type copper-polymetallic system. The majority of high grade mineralisation is associated with shear zone contacts between the Duodigou and Linbuzong formations and shear related folding. The zone of mineralisation within fault hosted skarn alteration measures kilometres in both strike and dip and remains open at depth to the northeast.

Mineralisation is also associated with granite porphyry dykes intruding the ‘Duodigou Marble’ and observed within the overlying hornfels of the Linbuzong formation. Although both deposit types are of lower grade than that of the skarn, the hornfels mineralisation may potentially be of further economic value in the future.

## **Exploration**

In 2019, a large scale exploration project projected surface drilling of 33,390 +/-m with 25 drill holes and hydrogeological and engineering geological drilling of 1300 +/- m with 3 drill holes; at the end of the fourth quarter, surface drilling of 27,309 +/-m with 24 drill holes was completed, totaling 96% of the adjusted annual program following a cancelation of 1510 +/-m with one drill hole subject to the geological conditions; hydrogeological and engineering geological drilling of 1100 +/- m with three drill holes. The work of data processing of the drilling, logging and assaying program of 2019 exploration project is underway.

## **Mineral Processing and Metallurgical Testing**

Sufficient testing has been carried out for plant design and construction to proceed. In the meantime, process optimization could continue as research and development (R&D), and as part of a Continuous Improvement Program. This is normal in any plant after commissioning and could include items described below.

Further metallurgical testing should be carried out on both skarn and hornfels ores to improve the molybdenum and precious metal recoveries, especially in lower grade ore. Take Skarn samples from the deeper parts of the orebody underground to confirm recoveries. Test Hornfels ore from the Jiaoyan pit, to improve copper-molybdenum separation efficiency. Studies should be made into the molybdenum grade variability in the various ores to optimise the grade and recovery of molybdenum. Carry out more Copper-Molybdenum selective flotation tests to optimise the reagent regime, determine molybdenum cut-off grades to help decide whether to process lower grade molybdenum ores. Set up routine metallurgical testing to optimise process performance, provide information circuit changes and additions.

## **Mineral Resources**

The Mineral Resource estimate was originally independently completed by Runge Pincock Minarco (RPM) Global dated 12th November 2012. Mining One was provided with the block model and all files related to construction of the model. The information contained within this report is based on information provided to Mining One, which has been verified and in some instances refined by Mining One. The Resource estimate is based on three dimensional geological and mineralisation models that were informed by the drill hole data set.

The Resource is based on three main geological domains that represent Skarn, Hornfels and Porphyry lithologies; mineralisation is hosted within each of these domains. Domain boundaries were constructed using a combination of the geology domains and a 0.1% Cu equivalent cut –off for the mineralisation.

Standard wireframing procedures were used in relation to extrapolation of polygons half the drill spacing distance past known data points and tapering of zone thickness on the periphery of the domains.

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, 2019

Class	Quantity Mt	Cu %	Mo %	Pb %	Zn %	Au g/t	Ag g/t	Cu Metal (kt)	Mo Metal (kt)	Pb Metal (kt)	Zn Metal (kt)	Au Moz	Ag Moz
Measured	95.02	0.39	0.04	0.04	0.02	0.08	5.41	370.6	34.2	41.8	22.4	0.245	16.63
Indicated	1,359.51	0.41	0.03	0.05	0.03	0.11	5.79	5,502.9	463	732	460	4.762	254.82
M+I	1,454.53	0.40	0.03	0.05	0.03	0.10	5.76	5,873.5	497.4	773.7	482.4	5.008	271.45
Inferred	406.10	0.30	0.00	0.10	0.00	0.10	5.10	1,247.0	123	311	175	1.3	66.93

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:

$$CuEq \text{ Grade} = (\text{Ag Grade} * \text{Ag Price} + \text{Au Grade} * \text{Au Price} + \text{Cu Grade} * \text{Cu Price} + \text{Pb Grade} * \text{Pb Price} + \text{Zn Grade} * \text{Zn Price} + \text{Mo Grade} * \text{Mo Price}) / \text{Copper Price}$$

### Mineral Reserve Estimate

The selected mining strategies developed by CGDI in conjunction with China Gold consider conventional truck shovel mining for the Jiaoyan and South open pits. Various mining methods have been proposed for the Phase II Expansion Underground Mine with the primary method being Sub Level Stopping with fill (Primary/Secondary/(Tertiary)).

The reserve estimate for the Jiama Project underground mine is based on a combination of Sub Level Open Stopping with Paste fill, Room and Pillar and Cut and Fill. The mineral reserve estimate is summarised below which are inclusive of the modifying factors for mining recovery and dilution.

### Jiama Project Statement of NI 43-101 Mineral Reserve Estimate as of December 31, 2019

Class	Quantity Mt	Cu %	Mo %	Pb %	Zn %	Au g/t	Ag g/t	Cu Metal (kt)	Mo Metal (kt)	Pb Metal (kt)	Zn Metal (kt)	Au Moz	Ag Moz
Proven	20.00	0.60	0.05	0.05	0.03	0.20	8.60	120.94	9.4	9.9	6.7	0.13	5.53
Probable	385.73	0.60	0.03	0.14	0.08	0.17	10.99	2,326.6	127.0	540.5	313.5	2.17	136.30
P+P	405.73	0.60	0.03	0.14	0.08	0.18	10.87	2,447.4	136.4	550.4	320.2	2.30	141.83

Notes:

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

Open Pits:

- 5% dilution factor and 95% recovery were applied to the mining method;
- an 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.

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

## **Geotechnical Review**

Mining One conducted a geotechnical review of The Study covering the proposed open pits and underground expansion for the Jiama Project Polymetallic Mine in Tibet.

An initial review of the geotechnical studies and analyses were completed by Mining One in June and subsequently in November 2013. As part of the review, Mining One has considered the provided technical data and documentation and compared it to the Mining One requirements and standards for geotechnical open pit and underground studies.

Several methods of stability analysis were carried out including structural analysis, limited equilibrium and finite element.

Mining of Phase II will commence in two open pits and an extensive underground mine including: Jiaoyan Pit, South Pit and the underground mine respectively. The open pits and underground expansion will be developed simultaneously. The Open pits will be separated from the underground operation by a crown pillar that will be maintained between the base of South Pit and the upper Underground Mine. Stope voids will be progressively backfilled beneath the base of the pit floor to reduce the potential for open pit and underground mine interaction. The two underground mining methods considered in this area are cut & fill mining and sub-level caving. The area under the pit is not planned to be mined in the initial 10 years of operation. The pit should be finished by this time which would make sub-level caving a possible option here.

The underground and open pit mine designs were developed by the CGDI. The geotechnical studies were undertaken by the Changsha Institute of Mining Research Co Ltd ("**CIMR**") for all mining areas and the waste dumps were designed by CGDI with contribution from the CIMR. The CIMR Feasibility Study reporting for the geotechnical studies are referenced in The Study.

## **Human Resources**

At December 31, 2019, China Gold International had 2,085 employees working at various locations.

## **DESCRIPTION OF CAPITAL STRUCTURE**

China Gold International's authorized capital consists of an unlimited number of Common Shares without par value. As of March 27, 2020, China Gold International had 396,413,753 Common Shares issued and outstanding. All of the issued Common Shares are fully paid and are not subject to any future call or assessment. All of the issued Common Shares rank equally as to voting rights, participation and distribution of China Gold International's assets upon liquidation, dissolution or winding-up and the entitlement to dividends. Holders of Common Shares are entitled to receive notice of, attend and vote at all meetings of shareholders of China Gold International. Each Common Share carries one vote at such meetings. Holders of Common Shares are entitled to dividends if and when declared by the directors and, upon liquidation, to receive such portion of the assets of China Gold International as may be distributable to such holders.

## **DIVIDENDS**

China Gold International has not, since its incorporation, paid any dividends on any of its Common Shares. China Gold International has no present intention to pay dividends, but China Gold International's Board of Directors will determine any future dividend policy on the basis of earnings,



financial requirements and other relevant factors. See also "General Development of Business – Risk Factors".

### **MARKET FOR SECURITIES**

Our Common Shares are traded on the TSX under the symbol CGG and the HKSE under the stock code 2099. Information concerning the trading prices and volumes on the TSX during the year ended December 31, 2019, is set out below.

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

<b>Date (2019)</b>	<b>High</b>	<b>Low</b>	<b>Volume</b>
January	1.640	1.460	2,340,837
February	1.930	1.640	1,219,272
March	1.910	1.630	2,751,058
April	1.860	1.640	1,155,059
May	1.800	1.420	1,995,856
June	1.700	1.410	1,512,356
July	1.760	1.440	2,147,702
August	1.600	1.380	1,927,122
September	1.480	1.120	10,987,720
October	1.180	1.010	1,470,790
November	1.120	0.880	1,683,426
December	1.210	1.000	1,711,826

The closing price of our Common Shares on the TSX on March 27, 2020 was Cdn\$0.610 and on the HKSE on March 27, 2020 was HK\$4.120.

### **DIRECTORS AND OFFICERS**

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

Name, Province and Country of Residence and Position with Company <sup>(1)</sup>	Present and Principal Occupation during the last five years	Date of Appointment as Director
Liangyou Jiang <sup>(4)</sup> Director, Chief Executive Officer Beijing, China	Executive Director of the Company since October 2014 to present. In November 2018, he was promoted to Chief Executive Officer. Mr. Jiang was elected as Vice President of China National Gold since July 2018. He was also elected as Executive Vice President of China Gold Hong Kong from October 2018 to present. Mr. Jiang was elected as Senior Executive Vice President of the Company from August 2014 to November 2018 and has served as a manager of Oversea Operation Department of China National Gold from December 2015 to July 2018. Mr. Jiang serves as Chairman of Zhongji Mining since May 2015 up to present. He serves as General Manager of China Gold Hong Kong Buchuk Mining Company ("Buchuk ") since 2015 to present. He has also serves as Chairman and General Manager of Buchuk since October 2017 to present. He served as Director of Guizhou Jinfeng Mining Ltd. from August 2016 to August 2018. He serves as Chairman of Sino Mining Guizhou Pty from June 2017 up to present. He also serves as Chairman of Soremi Investments Ltd. since January 2018. Mr. Jiang serves as Chairman of Kichi Chaarat Closed Joint Stock Company since January 2018 to 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. Mr. Jiang has served as the director of China Gold Hong Kong Holding and Mundoro since January 2015 and August 2014 respectively.	October 23, 2014
Shiliang Guan <sup>(5)</sup> Vice President Beijing, China	Elected as Executive Director of the Company since June 25, 2019. Mr. Guan currently serves as Vice President of the Company since September 2016. Mr. Guan also serves as Board Chairman of Huatailong since November 2015.	June 25, 2019
Yongqing Teng <sup>(3)</sup> Non-Executive Director Beijing, China	Elected as a Non-Executive Director of the Company since November 2018. Mr. Teng currently serves as Vice President of China Gold Hong Kong from October 2018 to present. Mr. Teng also serves as Director for Sichuan Gold Industry Administration Bureau and Chairman of Sichuan General Investment Co., Ltd. from November 2015 to present. Mr. Teng serves as Executive Director and General Manager of China Gold Group Sichuan Co., Ltd from October 2017 to present. Mr. Teng served as Manager of China Gold Sichuan Company from November 2015 to October 2017. Mr. Teng was appointed as Tibet Huatailong's General Manager from February 2012 to August 2014. He served as Chairman of Tibet Huatailong from August 2014 to November 2015.	November 18, 2018
Fuzhen Kang Non-Executive Director Lhasa, Tibet	Elected as a Non-Executive Director of the Company since November 2018. Ms. Kang currently serves as a Manager of The First Ore Processing Plant of Tibet Huatailong where her major responsibilities are community relationship coordination and communications. Ms. Kang and has held a number of communication and community protection roles since joining Tibet Huatailong in July 2008.	November 18, 2018

Name, Province and Country of Residence and Position with Company <sup>(1)</sup>	Present and Principal Occupation during the last five years	Date of Appointment as Director
Ian He <sup>(2)(3)(4)(5)</sup> Director BC, Canada	President (July 2007 to present) and Director (October 2006 to present) of Tri-River Ventures Inc.; Director of Zhongrun Resources Investment Corporation since December 2010; director of Vatukoula Gold Mines since February 2013; Director of Jiulian Resources Inc from October 2006 to November 2015 and Director of Dolly Varden Silver Corp. from June 2013 to September 2015.	May 31, 2000
Wei Shao <sup>(2)(3)(4)(5)</sup> Director BC, Canada	Non Executive Independent Director since June 25, 2019. Mr. Shao is the National China Service Co-Leader at Dentons Canada LLP and specializes in international business transactions focusing on China. Mr. Shao has over 25 years of extensive experience in mergers and acquisitions, corporate and project financing, cross-border counseling and general corporate and commercial transactions. Mr. Shao is actively in community and non-profit organizations. Prior to his legal career, Mr. Shao worked for the United Nations in New York. Mr. Shao is an interpreter accredited by the United Nations and by the federal government of Canada.	June 25, 2019
Bielin Shi <sup>(2)(3)(4)(5)</sup> Director Stirling, Australia	Non Executive Independent Director since June 25, 2019. Dr Shi is serves as Chief Geologist of Pei Si International since 2015. Previously, Mr. Shi was the Principal Geologist, CSA Global, Perth, Australia from 2009 – 2015. Dr. Shi was previously Deputy General Manager of Shandong Tyan Home Co., Ltd. from July 2017 to March 2019. Dr. Shi also serves as Director for Eastern Platinum Limited and AustSino Resources Group Limited.	June 25, 2019
Ruxia Han <sup>(2)(3)(4)(5)</sup> Director Hong Kong, China	Non Executive Independent Director since June 25, 2019. Ms. Han is currently Head of Operations and Risk of MEC Advisory Limited, which is the sole Investment Advisor to Can-China Global Resource Fund.	June 25, 2019
Jerry Xie Executive Vice President & Corporate Secretary BC, Canada	Executive Vice President and Corporate Secretary of the Company from October 2009.	N/A
Derrick Zhang Chief Financial Officer BC, Canada	Chief Financial Officer of the Company, since August 2011. Mr. Zhang has held a number of management accounting roles since joining the Company in 2009.	N/A
Lisheng Zhang Vice President Beijing, China	Vice President of the Company since March 2013; Vice president of China Gold (Hong Kong) since December 2018. Chairman of Inner Mongolia Pacific Mining Co. Ltd., a subsidiary of the Company, which owns and operates CSH Gold Mine since September 2008	N/A

Name, Province and Country of Residence and Position with Company <sup>(1)</sup>	Present and Principal Occupation during the last five years	Date of Appointment as Director
Zhongxin (Gerard) Guo Chief Engineer Beijing, China	Appointed Chief Engineer since November 13, 2018. Previously Mr. Guo was senior mining engineer and director of technical services since 2014.	N/A

Notes:

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

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

#### *Shareholdings of Directors and Senior Officers*

As at March 27, 2020, the directors and executive officers, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, 150,000 Common Shares of China Gold International representing approximately 0.0378% of the outstanding Common Shares of China Gold International.

Name	Position	Company	Number of shares held	Nature of interest	Approximate percentage of interest in the company
Ian He	Independent Director	China Gold International Resources Corp. Ltd.	150,000	Personal	0.0378%

Note: Information relating to share ownership provided by each Director.

#### *Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions*

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

The Company was notified by Dr. Bielin Shi, a nominee for Director at the Meeting, of an investigation and decision (the "**Decision**") by the Shanghai Stock Exchange (the "**SSE**") against Shandong Tyan Home Co., Ltd. ("**Tyan**") together with its controlling shareholder and 21 current and former directors and officers of Tyan pertaining to certain breaches of continuous disclosure requirements in Tyan's Annual and Semi-Annual reports for the periods 2014 through and including 2018. Dr. Shi served as

Deputy General Manager of Tyan for a short period from July 2017 to March 2019. Dr. Shi was responsible for mineral exploration and investments held by Tyan. He did not have any responsibility for financial disclosure and was not involved with Tyan during most of the periods for which incorrect financial disclosure was filed, but was implicated in the Decision by virtue of serving as an officer of Tyan during the period in which financial reporting was filed for such periods in question. The Decision did not relate to any business or operations of Tyan in which Dr. Shi was involved in. Dr. Shi received a formal warning from the SSE and the China Securities Regulatory Commission and was given a fine of 30,000 RMB.

Dr. Shi resigned as Deputy General Manager Tyan in March 2019 and was not involved in the regulatory proceeding against Tyan. Dr. Shi has informed the Company that he intends to appeal the Decision.

To the knowledge of the Company, no other director, officer or promoter of the Company, or a shareholder holding sufficient securities of China Gold International to affect materially the control of China Gold International, or a personal holding company of any such persons, has, within the 10 years preceding the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the individual, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body.

#### *Conflicts of Interest*

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

#### *Audit Committee Information*

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

### **INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

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

1. the Supplemental Contract for Purchase and Sale of Doré. See "General Development of the Business – Three Year History – 2017".
2. the Second Supplemental Product and Service Framework Agreement. See "General Development of the Business – Three Year History – 2017".
3. the Deposit Services Agreement. See "General Development of the Business – Three Year History – 2017".

4. the Loan Agreement. See "General Development of the Business – Three Year History – 2017".
5. the Deposit Services Agreement. See "General Development of the Business – Three Year History – 2018".
6. the Loan Agreement. See "General Development of the Business – Three Year History – 2018".
7. the Deposit Services Agreement. See "General Development of the Business – Three Year History – 2019".

In addition China National Gold provides support to mining and exploration operations at the CSH Gold Project and the Jiama Project from time to time. The Company has entered into additional non-material contracts with China National Gold and affiliates of China National Gold in connection with the ongoing expansions of the CSH Gold Project and the Jiama Project. See "General Development of the Business – Three Year History".

### **TRANSFER AGENT AND REGISTRAR**

The Company's principal transfer agent and share registrar is AST Trust Company (Canada) of Suite 1600, 1066 West Hastings Street, Vancouver, British Columbia, Canada V6E 3X1 and the Company's transfer agent and share registrar in Hong Kong is Computershare Hong Kong Investor Services Limited, of Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

### **MATERIAL CONTRACTS**

Below are the particulars of each contract, other than those entered into in the ordinary course of business, that is material to China Gold International and was entered into between January 2018 and the date of this AIF or was entered into before that date but is still in effect. No disclosure is made regarding any contract that was entered into prior to January 1, 2002.

1. CJV between Brigade 217 and Pacific Gold Mining Inc. dated April 5, 2002 to establish IMPM as a CJV. This is the joint venture agreement that relates to the CSH Gold Project and grants to China Gold International a 96.5% interest in the CJV.
2. CNG Non-Compete and the CGG Non-Compete was granted in 2010 by China National Gold in which China National Gold agrees to not compete with the Company, nor allow its Controlled Entities to compete with the Company in the International Mining Business and by the Company to China National Gold in which it undertakes not to compete with China National Gold and its Controlled Entities in respect of gold and nonferrous mineral prospects in PRC.
3. Contract for Purchase and Sale of Doré between IMPM and China National Gold dated May 7, 2014, as supplemented by the Supplemental Contract for Purchase and Sale of Doré dated May 26, 2017. The original Contract for Purchase and Sale of Dore regulates the sale and purchase of gold dore carried out between IMPM and China National Gold for the three years ending December 31, 2015, 2016 and 2017. The Supplemental Contract for Purchase and Sale of Dore extends the term to December 31, 2020. See "General Development of the Business – Three Year History – 2015 and 2017".
4. Product and Service Framework Agreement between the Company and China National Gold dated April 26, 2013, as supplemented by the First Supplemental Product and Service Framework Agreement dated May 29, 2015 and as further supplemented by the Second Supplemental Product and Service Framework Agreement dated May 26, 2017. Pursuant to the original Product and

Service Framework Agreement, China National Gold agreed to provide mining related services and products, to the Company for three years until June 18, 2016 in order to facilitate the Group's operations in the PRC. The First Supplemental Product and Service Framework Agreement extended the scope to include the sale and purchase of copper concentrates produced at the Jiama Project, revised the annual cap for the year ending December 31, 2015 and extended the term to December 31, 2017. The Second Supplemental Product and Service Framework Agreement further extended the scope to include leasing services to be provided by a subsidiary of China National Gold and further extended the term to December 31, 2020. See "General Development of the Business – Three Year History – 2015 and 2017".

5. On November 3, 2015, Huatailong entered into a Loan Facility Agreement with a syndicate of banks led by the Band of China for the aggregate principal amount of RMB3.98 billion, approximately US\$627 million. The full maturity and repayment of the loan is November 2029. The proceeds of the Loan Facility are to be used for the development of the Company's Jiama Copper-Gold Polymetallic Mine.
6. On July 6, 2017, the Company, its wholly-owned subsidiary, Skyland BVI, China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Limited, Standard Chartered bank, CCB International Capital Limited and Industrial Bank Co., Ltd. Hong Kong Branch entered into a Subscription Agreement in connection with the Bonds issuance by Skyland BVI. See "General Development of the Business – Three Year History – 2017".
7. On July 6, 2017, the Company, its wholly-owned subsidiary, Skyland BVI, The Bank of New York Mellon, London Branch, and The Bank of New York Mellon SA/NV, Luxembourg Branch entered into an Agency Agreement in connection with the Bonds issuance by Skyland BVI. See "General Development of the Business – Three Year History – 2017".
8. On July 6, 2017, the Company, its wholly-owned subsidiary, Skyland BVI and The Bank of New York Mellon, London Branch entered into a Trust Deed in connection with the Bonds issuance by Skyland BVI. See "General Development of the Business – Three Year History – 2017".
9. On December 18, 2017, the Company and China Gold Finance entered into a Deposit Services Agreement to make withdrawals and deposits up to a daily maximum not exceeding RMB100,000,000, as amended on December 18, 2018 and December 18, 2019. See "General Development of the Business – Three Year History – 2017, 2018 and 2019".
10. On December 18, 2017, the Company and China Gold Finance entered into a Loan Agreement to which China Gold Finance agreed to provide an unsecured loan in the aggregate amount of RMB350,000,000, as amended on December 18, 2018. See "General Development of the Business – Three Year History – 2017 and 2018".

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## **INTERESTS OF EXPERTS**

### **Names of Experts**

The following persons, firms and companies are named as having prepared or certified a report, valuation statement or opinion described or included in a filing, or referred to in a filing, made under NI 51-102 by the Company during, or relating to, its most recently completed financial year and whose profession or business gives authority to the report, valuation statement or opinion made by the person, firm or company:

Name	Description
Deloitte Touche Tohmatsu	Independent Auditor, Auditors' Report dated March 24, 2020 for the year ended December 31, 2019.
John Nilsson, P. Eng Mario Rossi, MSc. Min. Eng. Ken Major, P.Eng William McKenzie, P.Eng	Authors of the "Technical Report Expansion Feasibility Study for the Chang Shan Hao (CSH) Gold Project Inner Mongolia, People's Republic of China" dated October 21, 2012.
Bin Quo, (MAusIMM) Anthony Cameron (FAUSIMM)	Authors of the Technical Report entitled "Jiama Phase II Expansion Project Mineral Resources and Reserves" with an effective date of 20 <sup>th</sup> of December 2013.

### Interests of Experts

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

To the Company's knowledge, none of the other experts named in the foregoing section had, at the time they prepared or certified such report, valuation statement or opinion, received after such time or will receive any registered or beneficial interest, directly or indirectly, in any securities or other property of the Company.

None of such experts and no director, officer or employee of such experts is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company.

### ADDITIONAL INFORMATION

Additional information, including information related to directors' and officers' remuneration and indebtedness, principal holders of China Gold International's securities, options to purchase securities, and interests of insiders in material transactions, is contained in China Gold International's information circular for the 2019 Annual General Meeting of Shareholders held on June 25, 2019. Such information for the current year will be included in China Gold International's information circular for its upcoming Annual General Meeting of Shareholders, which will be held on June 16, 2020. Additional financial information is provided in China Gold International's audited financial statements and MD&A for the fiscal period ended December 31, 2019. Copies of the information circulars, financial statements and MD&A can be obtained upon request from China Gold International at Suite 660, One Bentall Centre, 505 Burrard Street, Box 27, Vancouver, British Columbia, Canada, V7X 1M4, Attention: Corporate Secretary, or on SEDAR at [www.sedar.com](http://www.sedar.com).



## SCHEDULE A - GLOSSARY AND CONVERSION FACTORS

### Conversion Factors

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

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

### Glossary of Geological and Mining Terms

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

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

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

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

**diabase:** a fine-grained intrusive igneous rock.

**diorite:** intermediate coarse grained igneous rock.

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

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

**granitoid:** pertaining to or composed of granite.

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

**igneous rock:** rock that is magmatic in origin.

**indicated mineral resource:** that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and test information gathered through appropriate techniques from locations such as outcrops,

trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**sulfides:** compounds of sulfur with other metallic elements.

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

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

## SCHEDULE B - AUDIT COMMITTEE MATTERS

### **Mandate**

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

#### *1. Audit Committee Charter*

##### **I. Purpose**

The primary objective of the Audit Committee (the "**Committee**") of China Gold International Resources Corp. Ltd. (the "**Company**") is to act as a liaison between the Board and the Company's independent auditors (the "**Auditors**") and to assist the Board in fulfilling its oversight responsibilities with respect to (a) the financial statements and other financial information provided by 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 Committee has the powers and responsibilities set forth in this Charter, the role of the Committee is oversight. The members of the Committee are not full-time employees of 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.

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

##### **II. Organization**

The Committee shall comprise a minimum of three non-executive directors of the Company, a majority of which must be independent non-executive directors of the Company. At least one member of the Committee, who is an independent non-executive director of the Company, shall have appropriate professional qualifications or accounting or related financial management expertise.

The Committee membership shall satisfy the laws governing the Company and the independence, financial literacy, expertise and experience requirements under applicable securities law, stock exchange and any other regulatory requirements applicable to the Company.

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

the Committee shall constitute a quorum. A majority of the members of the Committee shall be empowered to act on behalf of the Committee. Matters decided by the Committee shall be decided by majority votes. The chair of the Committee shall have an ordinary vote.

No member of the Committee shall have been a partner of or otherwise have had a financial interest in the Auditors during the past year.

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

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

### **III. Meetings**

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

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

The Committee will appoint a Secretary who will keep full minutes of all meetings. The Secretary may also be the Chief Financial Officer, the Company's Corporate Secretary or another person who does not need to be a member of the Committee. The Secretary for the Committee can be changed by simple notice from the Chair.

Draft and final versions of the meeting minutes should be sent to all members of the Committee within a reasonable time following such meetings.

The Chair shall ensure that the agenda for each upcoming meeting of the Committee is circulated to each member of the Committee as well as the other directors in advance of the meeting.

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

### **IV. Authority and Responsibilities**

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

The Committee shall have the following responsibilities:

**(a) Auditors**

1. Recommend to the Board the independent auditors to be nominated for appointment or reappointment as Auditors of the Company at the Company's annual meeting and the remuneration to be paid to the Auditors for services performed during the preceding year; approve all auditing services to be provided by the Auditors; be responsible for the oversight of the work of the Auditors, including the resolution of disagreements between management and the Auditors regarding financial reporting; and recommend to the Board and the shareholders the termination of the appointment of the Auditors, if and when advisable.
2. When there is to be a change of the Auditor, (i) review all issues related to the change, including any notices required under applicable securities law, stock exchange or other regulatory requirements, and the planned steps for an orderly transition; and (ii) be primarily responsible for questions relating to such change.
3. Review the Auditor's audit plan and discuss the Auditor's scope, staffing, materiality, and general audit approach.
4. Review and monitor the Auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the Auditors the nature and scope of the audit and reporting obligations prior to the commencement of the audit.
5. Review on an annual basis the performance of the Auditors, including the lead audit partner.
6. Take reasonable steps to confirm the independence of the Auditors, which include:
  - (a) Ensuring receipt from the Auditors of a formal written statement in accordance with applicable regulatory requirements delineating all relationships between the Auditors and the Company;
  - (b) Considering and discussing with the Auditors any disclosed relationships or services, including non-audit services, that may impact the objectivity and independence of the Auditors;
  - (c) Developing and implementing policy on the provision of non-audit related services provided by the Auditors to the Company and approving in advance any non-audit related services provided by the Auditors to the Company, and the fees for such services, with a view to ensuring independence of the Auditors, and in accordance with applicable regulatory standards, including applicable stock exchange requirements with respect to approval of non-audit related services performed by the Auditors. For the purpose of this Part IV(a)(6)(c), "Auditors" include any entity that is under common control, ownership or management with the Auditors or any entity that a reasonable and informed third party knowing all the relevant information would reasonably conclude to be part of the Auditors, nationally or internationally); and
  - (d) As necessary, taking or recommending that the Board take appropriate action to oversee the independence of the Auditors.

7. Review and approve any disclosures required to be included in periodic reports under applicable securities laws, rules and regulations and stock exchange and other regulatory requirements with respect to non-audit services provided by the Auditors.
8. Confirm with the Auditors and receive written confirmation at least once per year as to (i) the Auditor's internal processes and quality control procedures; and (ii) disclosure of any material issues raised by the most recent internal quality control review, or per review within the preceding five years respecting independent audit carried out by the Auditors or investigations or government or professional enquiries, reviews or investigations of the Auditors within the last five years.
9. Consider the tenure of the lead audit partner on the engagement in light of applicable securities law, stock exchange or applicable regulatory requirements.
10. Review all reports required to be submitted by the Auditors to the Committee under applicable securities laws, rules and regulations and stock exchange or other regulatory requirements.
11. Receive all recommendations and explanations which the Auditors place before the Committee.
12. Ensure any provision of non-audit related services by the Auditors does not impair their independence or objectivity and develop and implement any necessary policies in that regard.

**(b) Financial Statements and Financial Information**

13. Review and discuss with management, the financial and accounting officer(s) and the Auditors, the Company's annual audited financial statements, including disclosures made in management's discussion and analysis, prior to filing or distribution of such statements and recommend to the Board, if appropriate, that the Company's audited financial statements be included in the Company's annual reports distributed and filed under applicable laws and regulatory requirements.
14. Review and discuss with management, the financial and accounting officer(s) and the Auditors, the Company's interim financial statements, including management's discussion and analysis, and the Auditor's review of interim financial statements, prior to filing or distribution of such statements.
15. Review any earnings press releases of the Company before the Company publicly discloses this information.
16. Be satisfied that adequate procedures are in place for the review of the Company's disclosure of financial information and extracted or derived from the Company's financial statements and periodically assess the adequacy of these procedures.
17. Discuss with the Auditor and review the matters required to be discussed by applicable auditing standards requirements relating to the conduct of the audit including:
  - (a) the adoption of, or changes to, the Company's significant auditing and accounting principles and practices;
  - (b) the management letter provided by the Auditors and the Company's response to that letter;

- (c) any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, or personnel and any significant disagreements with management; and
  - (d) any material queries raised by the Auditors to management about accounting records, financial accounts or systems of control and management's response.
18. Ensure that the Board will provide a timely response to the issues raised in the management letter provided by the Auditors.
19. Discuss with management and the Auditors major issues regarding accounting principles used in the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles. Review and discuss analyses prepared by management and/or the Auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative approaches under IFRS.
20. Prepare any report under applicable securities law, stock exchange or other regulatory requirements, including any reports required to be included in statutory filings, including in the Company's annual proxy statement.
- (c) Ongoing Reviews and Discussions with Management and Others**
21. Obtain and review an annual report from management relating to the accounting principles used in the preparation of the Company's financial statements, including those policies for which management is required to exercise discretion or judgments regarding the implementation thereof.
22. Periodically review separately with each of management, the financial and accounting officer(s) and the Auditors; (a) any significant disagreement between management and the Auditors in connection with the preparation of the financial statements, (b) any difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information and (c) management's response to each.
23. Periodically discuss with the Auditors, without management being present, (a) their judgments about the quality and appropriateness of the Company's accounting principles and financial disclosure practices as applied in its financial reporting and (b) the completeness and accuracy of the Company's financial statements.
24. Liaise with the Board and management and meet with the Auditors at least twice a year to monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and review significant financial reporting judgments contained therein. In reviewing such reports before submission to the Board, the Committee's review shall include a review of:
- (a) any changes in accounting policies and practices;
  - (b) major judgmental areas;
  - (c) significant adjustments resulting from audit;
  - (d) going concern assumptions and any qualifications;



- (e) compliance with accounting standards; and
  - (f) compliance with applicable stock exchange regulations and other legal requirements relating to financial reporting.
25. Consider and approve, if appropriate, significant changes to the Company's accounting principles and financial disclosure practices as suggested by the Auditors or management and the resulting financial statement impact. Review with the Auditors or management the extent to which any changes or improvements in accounting or financial practices, as approved by the Committee, have been implemented.
  26. Review and discuss with management, the Auditors and the Company's independent counsel, as appropriate, any legal, regulatory or compliance matters that could have a significant impact on the Company's financial statements, including applicable changes in accounting standards or rules, or compliance with applicable laws and regulations, inquiries received from regulators or government agencies and any pending material litigation.
  27. Enquire of the Company's financial and accounting officer(s) and the Auditors on any matters which should be brought to the attention of the Committee concerning accounting, financial and operating practices and controls and accounting practices of the Company and give due consideration to such matters.
  28. Review the principal control risks to the business of the Company, its subsidiaries and joint ventures; and verify that effective control systems are in place to manage and mitigate these risks.
  29. Review and discuss with management any earnings press releases, including the use of "pro forma" or "adjusted " non-IFRS information, as well as any financial information and earnings guidance provided to analysts and rating agencies. Such discussions may be done generally (i.e. discussion of the types of information to be disclosed and the types of presentations made).
  30. Review and discuss with management any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities or other persons, that may need to be reflected in the financial reports or accounts of the Company, or may have a material current or future effect on financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves or significant components of revenues or expenses. Obtain explanations from management of all significant variances between comparative reporting periods.
  31. Review and discuss with management the Company's major risk exposures and the steps management has taken to monitor, control and manage such exposures, including the Company's risk assessment and risk management guidelines and policies.
- (d) Risk Management and Internal Controls**
32. Act as the key representative body for overseeing the Company's relations with the Auditors.
  33. Review, based upon the recommendation of the Auditors and management, the scope and plan of the work to be done by the Company's financial and accounting group and the responsibilities, budget and staffing needs of such group.
  34. Discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. Such discussions should include the

adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

35. Ensure that management has designed and implemented effective systems of risk management and internal controls and, at least annually, review the effectiveness of the implementation of such systems.
  36. Approve and recommend to the Board for adoption policies and procedures on risk oversight and management to establish an effective system for identifying, assessing, monitoring and managing risk.
  37. In consultation with the Auditors and management, review the adequacy of the Company's internal control structure and procedures designed to ensure compliance with laws and regulations, and discuss the responsibilities, budget and staffing needs of the Company's financial and accounting group.
  38. Establish procedures for (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
  39. Review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of such matters and for appropriate follow-up action.
  40. Establish a whistleblowing policy and system for employees of the Company and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Company.
  41. Ensure coordination between the internal auditors and the Auditors and ensure that the internal auditor function is adequately resourced and has appropriate standing within the Company, and review and monitor its effectiveness.
  42. Review the internal control reports prepared by management, including management's assessment of the effectiveness of the Company's internal control structure and procedures for financial reporting and (ii) the Auditors' attestation, and report, on the assessment made by management.
  43. Consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to such findings.
  44. Review the appointment of the chief financial officer and any key financial executives involved in the financial reporting process and recommend to the Board any changes in such appointment.
- (e) Other Responsibilities**
45. Create an agenda for the ensuing year.
  46. Review and approve related-party transactions if required under applicable securities law, stock exchange or other regulatory requirements.

47. Review and approve (a) any change or waiver in the Company's code of ethics applicable to senior financial officers and (b) any disclosures made under applicable securities law, stock exchange or other regulatory requirements regarding such change or waiver.
48. Establish, review and approve policies for the hiring of employees, partners, former employees or former partners of the Company's Auditors.
49. Review and reassess the duties and responsibilities set out in this Charter annually and recommend to the Nominating and Corporate Governance Committee and to the Board any changes deemed appropriate by the Committee.
50. Review its own performance annually, seeking input from management and the Board.
51. Perform any other activities consistent with this Charter, the Company's constating documents and governing law, as the Committee or the Board deems necessary or appropriate.

## **V. Reporting**

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

## **VI. Resources and Access to Information**

The Committee shall be provided with sufficient resources to perform its duties.

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

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

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

## 2. *Composition of the Audit Committee*

China Gold International's Committee consists of Ian He, Wei Shao, Bielin Shi and Ruixia Han. Ian He is the Chairman of the Committee. The Board of Directors has determined that all members of the Audit Committee are "independent" and all members are "financially literate" as defined in *National Instrument 52-110 - Audit Committees* ("NI 52-110").

## 3. *Relevant Education and Experience*

Ian He holds a Masters' Degree in Applied Science and a PhD in Metallurgy. Wei Shao holds an LLB from the University of Toronto, BA from Xian Foreign Languages Institute and U.N Accreditation of Simultaneous Interpretation from the Beijing University of Foreign Studies. Bielin Shi has a Post-Doctoral Research Fellow in Geostatistics from Edith Cowan University, Western Australia; PhD in Geology from The University of Melbourne, Australia; and MSc in Geology from Guizhou University of Technology, China. Ruixia Han obtained her PhD degree in Economics (Finance), Master degree in Economics (Venture Capital) and Bachelor degree of Economics (Finance) and has a double bachelor degree of Journalism from Renmin University of China. Each of the members of the Audit Committee has had several years of experience as a senior executive. In the course of their duties, each of the members of the Committee has gained expertise in analyzing and reviewing financial statements, understanding the basis upon which accounting principles are applied, the process of preparing financial statements and the nature of internal controls and procedures.

## 4. *Reliance on Certain Exemptions*

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

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

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

## 6. *Reliance on Section 3.8*

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

## 7. *Audit Committee Oversight*

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

## 8. Pre-Approval Policies and Procedures

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

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

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

## 9. External Auditor Service Fees (By Category)

The auditor of China Gold International is Deloitte Touch Tohmatsu of Hong Kong. Deloitte Touch Tohmatsu were first appointed as auditor of China Gold International on April 1, 2010. Deloitte & Touche LLP of Canada served as auditor of China Gold International 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 aggregate fees billed by the auditors in fiscal 2018 and fiscal 2019 are detailed below:

	<b>2019 (US\$)</b>	<b>2018 (US\$)</b>
Audit Fees <sup>(a)</sup>	891,100	\$693,700
Audit Related Fees		-
Non-Audit Fees <sup>(b)</sup>	44,450	3,300
All Other Fees		-
<b>TOTAL:</b>	<b>935,550</b>	<b>\$697,700</b>

Notes:

- (a) Fees for audit services consisted of fees billed relating to fiscal 2019 and fiscal 2018 in connection with the audit of China Gold International's annual financial statements, review of China Gold International's interim financial statements and other services relating to securities regulatory matters.
- (b) Fees for non-audit services consisted of fees billed relating to fiscal 2018 in connection with tax planning and advice relating to transactions and proposed transactions of the Company and its subsidiaries and corporate tax return and income tax matters. Fees for non-audit services consisted of fees billed relating to fiscal 2019 in connection with preparation of the Company's Hong Kong Tax filings.