China Gold International Resources Corp. Ltd.

Management's Discussion and Analysis of Financial Condition and Results of Operations
Nine months ended September 30, 2019
(Stated in U.S. dollars, except as otherwise noted)

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of Financial Condition and Results of Operations for the three and nine months ended September 30, 2019. (Stated in U.S. dollars, except as otherwise noted)

The following Management Discussion and Analysis of financial condition and results of operations ("MD&A") is prepared as of November 14, 2019. It should be read in conjunction with the consolidated financial statements and notes thereto of China Gold International Resources Corp. Ltd. (referred to herein as "China Gold International", the "Company", "we" or "our" as the context may require) for the three and nine months ended September 30, 2019 and the three and nine months ended September 30, 2018, respectively. Unless the context otherwise provides, references in this MD&A to China Gold International or the Company refer to China Gold International and each of its subsidiaries collectively on a consolidated basis.

The following discussion contains certain forward-looking statements relating to the Company's plans, objectives, expectations and intentions, which are based on the Company's current expectations and are subject to risks, uncertainties and changes in circumstances. Readers should carefully consider all of the information set out in this MD&A, including the risks and uncertainties outlined further in the Company's Annual Information Form ("Annual Information Form" or "AIF") dated March 26, 2019 on SEDAR at www.sedar.com. For further information on risks and other factors that could affect the accuracy of forward-looking statements and the result of operations of the Company, please refer to the sections titled "Forward-Looking Statements" and "Risk Factors" and to discussions elsewhere within this MD&A. China Gold International's business, financial condition or results of operations could be materially and adversely affected by any of these risks.

FORWARD-LOOKING STATEMENTS

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

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

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

THE COMPANY

Overview

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

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

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

Performance Highlights

Three months ended September 30, 2019

- Revenue increased by 17% to US$186.4 million from US$158.8 million for the same period in 2018.
- Mine operating earnings decreased by 25% to US$26.3 million from US$35.1 million for the same period in 2018.
- Net loss after tax decreased from US$4.6 million for the 2018 period to US$0.3 million for the same period in 2019.
- Total gold production increased by 24% to 63,113 ounces from 50,860 ounces for the same period in 2018.
- Total copper production increased by 11% to 18,347 tonnes (approximately 40.4 million pounds) from 16,515 tonnes (approximately 36.4 million pounds) for the same period in 2018.

Nine months ended September 30, 2019

- Revenue increased by 21% to US$495.1 million from US$407.6 million for the same period in 2018.
- Mine operating earnings decreased by 37% to US$48.8 million from US$77.4 million for the same period in 2018.
- Net loss after tax increased from US$2.2 million for the 2018 period to US$27.8 million for the same period in 2019.
- Total gold production increased by 7% to 162,640 ounces from 151,502 ounces for the same period in 2018.
- Total copper production increased by 32% to 49,306 tonnes (approximately 108.7 million pounds) from 37,313 tonnes (approximately 82.3 million pounds) for the same period in 2018.

OUTLOOK

- Projected gold production of 210,000 ounces in 2019.
- Projected copper production of 132 million pounds in 2019.
- The Company will continue to leverage the technical and operating experience of the Company's substantial shareholder, China National Gold Group Corporation ("CNG"), to improve operations at its mines. In addition, the Company continues to focus its efforts on increasing production while minimizing costs at both mines.
- To fulfill its growth strategy, the Company is continually working with CNG and other interested parties to identify potential international mining acquisition opportunities, namely projects outside of China.

RESULTS OF OPERATIONS

Selected Quarterly Financial Data

	Quarter ended							
	2019			2018				2017
(US$ in thousands except per share)	**30-Sep**	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec
Revenue	**186,375**	163,166	145,592	162,957	158,841	142,087	106,685	133,312
Cost of sales	**160,094**	155,876	130,324	129,693	123,743	106,294	100,131	87,621
Mine operating earnings	**26,281**	7,290	15,268	33,264	35,098	35,793	6,554	45,691
General and administrative expenses	**11,762**	9,532	13,495	16,701	12,666	12,674	9,383	15,116
Exploration and evaluation expenses	**368**	175	115	(4)	134	251	78	176
Research and development expenses	**4,308**	4,541	4,856	7,374	3,068	2,800	2,553	4,193
Income (Loss) from operations	**9,843**	(6,958)	(3,198)	9,193	19,230	20,068	(5,460)	26,206
Foreign exchange (loss) gain	**(9,616)**	(7,414)	5,288	(1,677)	(11,024)	(7,580)	4,463	(492)
Finance costs	**10,560**	11,482	10,088	11,224	10,909	11,214	11,128	5,748
Profit (loss) before income tax	**2,380**	(24,817)	(7,137)	(3,346)	(998)	3,839	(465)	22,350
Income tax (credit) expense	**(2,701)**	(1,866)	(2,563)	(1,351)	3,591	3,449	(2,469)	2,394
Net (loss) profit	**(321)**	(22,951)	(4,574)	(1,995)	(4,589)	390	2,004	19,956
Basic (loss) earnings per share (cents)	**(0.17)**	(5.79)	(1.13)	(0.49)	(1.23)	0.05	0.45	4.91
Diluted earnings (loss) per share (cents)	**N/A**	N/A	N/A	N/A	N/A	N/A	N/A	N/A

The Company's mining operations are impacted by the harsh winter conditions and as such, performance in the first quarter of the year is usually lower as compared with other quarters in the year.

Selected Quarterly and Annual Production Data and Analysis

CSH Mine	**Three months ended September 30,**		**Nine months ended September 30,**	
	2019	**2018**	**2019**	**2018**
Gold sales (US$ million)	**62.27**	39.96	**152.22**	134.65
Realized average price (US$) of gold per ounce	**1,509**	1,197	**1,381**	1,278
Gold produced (ounces)	**43,829**	33,468	**112,331**	103,390
Gold sold (ounces)	**41,330**	33,374	**110,189**	105,334
Total production cost (US$ per ounce)	**1,289**	1,238	**1,325**	1,117
Cash production cost[(1)] (US$ per ounce)	**820**	805	**838**	724

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

Gold production at the CSH Mine increased by 31% to 43,829 ounces for the three months ended September 30, 2019 compared to 33,468 ounces for the three months ended September 30, 2018. The increase in gold production is attributed to higher volumes and higher grade of ore mined during the third quarter of 2019 as compared to 2018.

The total production cost of gold for the three months ended September 30, 2019 increased to US$1,289 per ounce compared to US$1,238 for the three month 2018 period. The cash production cost of gold for the three months ended September 30, 2019 slightly increased compared with the same period in 2018.

Jiama Mine	Three months ended September 30,		Nine months ended September 30,	
	2019	**2018**	**2019**	**2018**
Copper sales (US$ in millions)	**88.28**	87.17	**234.27**	197.81
Realized average price [1](US$) of copper per pound after smelting fee discount	**2.18**	2.26	**2.11**	2.36
Copper produced (tonnes)	**18,347**	16,515	**49,306**	37,313
Copper produced (pounds)	**40,447,290**	36,409,235	**108,700,290**	82,262,054
Copper sold (tonnes)	**18,711**	17,384	**50,136**	36,617
Copper sold (pounds)	**41,249,785**	38,325,511	**110,530,961**	80,726,808
Gold produced (ounces)	**19,284**	17,392	**50,309**	48,112
Gold sold (ounces)	**19,209**	19,366	**51,606**	44,604
Silver produced (ounces)	**1,012,415**	993,286	**2,833,166**	2,224,824
Silver sold (ounces)	**998,245**	1,008,220	**2,930,788**	2,152,984
Total production cost [2] (US$) of copper per pound	**2.92**	2.50	**3.05**	3.08
Total production cost [2] (US$) of copper per pound after by-products credits [4]	**2.06**	1.71	**2.23**	2.21
Cash production cost [4](US$) per pound of copper	**2.29**	1.90	**2.38**	2.32
Cash production cost [3] (US$) of copper per pound after by-products credits [4]	**1.43**	1.11	**1.56**	1.44

1 A discount factor of 18.6% to 29.6% is applied to the copper benchmark price to compensate the refinery costs incurred by the buyers. The discount factor is higher if the grade of copper in copper concentrate is below 18%. The industry standard of copper content in copper concentrate is between 18-20%.

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

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

4 By-products credit refers to the sales of gold and silver contained in the copper concentrate during the corresponding period.

During the three months ended September 30, 2019, the Jiama Mine produced 18,347 tonnes (approximately 40.4 million pounds) of copper, an increase of 11% compared with the three months ended September 30, 2018 (16,515 tonnes, or 36.4 million pounds). The increase in production is due to higher recovery rates of copper.

During the three months ended September 30, 2019, both total production cost of copper per pound after by-products and cash production cost of copper per pound after by-product increased as compared to the same period in 2018 due to lower grades of ore from the open-pit mine. The Jiama Mine is currently developing its underground mine which is expected to produce higher grade ore, with anticipated completion by the end of 2021.

Review of Quarterly Data

Three months ended September 30, 2019 compared to three months ended September 30, 2018

Revenue of US$186.4 million for the third quarter of 2019 increased by US$27.6 million or 17%, from US$158.8 million for the same period in 2018.

Revenue from the CSH Mine was US$62.4 million, an increase of US$22.4 million, compared to US$40.0 million for the same period in 2018. Realized average gold price increased by 26% from US$1,197/oz in Q3 2018 to US$1,509/oz in Q3 2019. Gold sold by the CSH Mine was 41,330 ounces (gold produced: 43,829 ounces), compared to 33,374 ounces (gold produced: 33,468 ounces) for the same period in 2018.

Revenue from the Jiama Mine was US$124.0 million, an increase of US$5.1 million, compared to US$118.9 million for the same period in 2018. Total copper sold was 18,711 tonnes (41.2 million pounds) for the three months ended September 30, 2019, an increase of 8% from 17,384 tonnes (38.3 million pounds) for the same period in 2018.

Cost of sales of US$160.1 million for the quarter ended September 30, 2019, an increase of US$36.4 million or 29% from US$123.7 million for the same period in 2018. Cost of sales as a percentage of revenue for the Company increased from 78% to 86% for the three months ended September 30, 2018 and 2019, respectively. Cost of sales was impacted by many production factors such as grade of ore, recovery rates, stripping ratio and etc. Refer to the sections below for details of production factors for each individual mine.

Mine operating earnings of US$26.3 million for the three months ended September 30, 2019, a decrease of 25%, or US$8.8 million, from US$35.1 million for the same period in 2018. Mine operating earnings as a percentage of revenue decreased from 22% to 14% for the three months ended September 30, 2018 and 2019, respectively.

General and administrative expenses decreased by US$0.9 million, from US$12.7 million for the quarter ended September 30, 2018 to US$11.8 million for the quarter ended September 30, 2019. The decrease was due to the Company's implementation of an overall cost reduction program.

Research and development expenses of US$4.3 million for the three months ended September 30, 2019, increased from US$3.1 million for the comparative 2018 period. The increase in 2019 was due to the Company's R&D activities in relation to increasing recovery rates and optimizing processing and mining.

Income from operations of US$9.8 million for the third quarter of 2019, decreased by US$9.4 million, from US$19.2 million for the same period in 2018.

Finance costs of US$10.6 million for the three months ended September 30, 2019, decreased by US$0.3 million compared to US$10.9 million for the same period in 2018. During the three months ended September 30, 2019, interest payments of US$86,000 (2018: nil) were capitalized for borrowing costs related to the Jiama Mine expansion.

Foreign exchange loss of US$9.6 million for the three months ended September 30, 2019, decreased from US$11.0 million for the same period in 2018. The loss was attributed to changes in the RMB/USD exchange rates and the revaluation of monetary items held in Chinese RMB.

Interest and other income of US$1.5 million for the three months ended September 30, 2019, decreased from US$1.7 million for the same period in 2018.

Gain on the recognition of other assets of US$11.2 million was recorded during the three months ended September 30, 2019 in relation to a cooperation agreement between the Group and a third-party real estate developer. Pursuant to the Cooperation Agreement, the Group agreed to transfer the land use right for the development and the Developer agreed to compensate the Group by transferring a portion of one building and carparks. During the period, the Group derecognized the right-of-use assets, and recognized the right to receive the new premise. The project is still under development and is expected to be completed by May 31, 2020.

Income tax expense of US$2.7 million for the quarter ended September 30, 2019, decreased by US$0.9 million from US$3.6 million for the comparative period in 2018. During the current quarter, the Company had US$1.8 million of deferred tax expense compared to US$2.8 million for the same period in 2018.

Net loss of US$0.3 million for the three months ended September 30, 2019, decreased by US$4.3 million from US$4.6 million for the three months ended September 30, 2018.

Nine months ended September 30, 2019 compared to nine months ended September 30, 2018

Revenue of US$495.1 million for the nine months ended September 30, 2019 increased by US$87.5 million or 21%, from US$407.6 million for the same period in 2018.

Revenue from the CSH Mine was US$152.2 million, an increase of US$17.5 million, compared to US$134.7 million for the same period in 2018. Gold sold by the CSH Mine was 110,189 ounces (gold produced: 112,331 ounces), compared to 105,344 ounces (gold produced: 103,390 ounces) for the same period in 2018.

Revenue from the Jiama Mine was US$342.9 million, an increase of US$70.0 million, compared to US$272.9 million for the same period in 2018. Total copper sold was 50,136 tonnes (110.5 million pounds) for the nine months ended September 30, 2019, an increase of 37% from 36,617 tonnes (80.7 million pounds) for the same period in 2018.

Cost of sales of US$446.3 million for the nine months ended September 30, 2019, an increase of US$116.1 million or 35% from US$330.2 million for the same period in 2018. The overall increase was primarily attributed to a 39% increase in cost of sales for the Jiama Mine which related to the 32% increase in copper production volumes. Cost of sales for the CSH Mine increased by approximately 28% in 2019 due to lower grades of ore mined and increased amortization of mine development costs. Cost of sales as a percentage of revenue for the Company increased from 81% to 90% for the nine months ended September 30, 2018 and 2019, respectively. Cost of sales was impacted by many production factors such as grade of ore, recovery rates, stripping ratio and etc. Refer to the sections below for details of production factors for each individual mine.

Mine operating earnings of US$48.8 million for the nine months ended September 30, 2019, a decrease of 37%, or US$28.6 million, from US$77.4 million for the same period in 2018. Mine operating earnings as a percentage of revenue decreased from 19% to 10% for the nine months ended September 30, 2018 and 2019, respectively.

General and administrative expenses increased by US$0.1 million, from US34.7 million for the nine months ended September 30, 2018 to US$34.8 million for the nine months ended September 30, 2019.

Research and development expenses of US$13.7 million for the nine months ended September 30, 2019, increased from US$8.4 million for the comparative 2018 period. The increase in 2019 was due to the Company's R&D programs related to optimization of mining and mineral processing.

Loss from operations of US$0.3 million for the nine months ended September 30 2019, decreased by US$34.1 million, compared to an income of US$33.8 million for the same period in 2018.

Finance costs of US$32.1 million for the nine months ended September 30, 2019, decreased by US$1.2 million compared to US$33.3 million for the same period in 2018. During the nine months ended September 30, 2019, interest payments of US$0.5 million (2018: nil) were capitalized for borrowing costs related to the Jiama Mine expansion.

Foreign exchange loss of US$11.7 million for the nine months ended in September 30, 2019, decreased from US$14.1 million for the same period in 2018. The loss was attributed to changes in the RMB/USD exchange rates and the revaluation of monetary items held in Chinese RMB.

Interest and other income of US$3.4 million for the nine months ended September 30, 2019 decreased from US$15.9 million for the same period in 2018. The 2018 amount was primarily attributed to the sales of low grade product from the Jiama Mine.

Gain on the recognition of other assets of US$11.2 million was recorded during the nine months ended September 30, 2019 in relation to a cooperation agreement between the Group and a third-party real estate developer. Pursuant to the Cooperation Agreement, the Group agreed to transfer the land use right for the development and the Developer agreed to compensate the Group by transferring a portion of one building and carparks. During the period, the Group derecognized the right-of-use assets, and recognized the right to receive the new premise. The project is still under development and is expected to be completed by May 31, 2020.

Income tax credit of US$1.7 million for the nine months ended September 30, 2019, compared to an income tax expense of US$4.6 million for the same period in 2018. During the current nine month period, the Company had US$2.6 million of deferred tax credit compared to US$3.6 million of deferred tax expense for the same period in 2018.

Net loss of US$27.8 million for the nine months ended September 30, 2019, increased by US$25.6 million from US$2.2 million for the comparative 2018 period.

NON-IFRS MEASURES

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

The Company has included cash production cost per ounce gold data to supplement its consolidated financial statements, which are presented in accordance with IFRS. Non-IFRS measures do not have any standardized meaning prescribed under IFRS, and therefore they may not be comparable to similar measures employed by other companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance, operating results or financial condition prepared in accordance with IFRS. The Company has included cash production cost per ounce data because it understands that certain investors use this information to determine the Company's ability to generate earnings and cash flow. The measure is not necessarily indicative of operating results, cash flow from operations, or financial condition as determined under IFRS. Cash production costs are determined in accordance with the Gold Institute's Production Cost Standard. Although the Gold Institute ceased operations in 2002, the Company believes that the Gold Institute's Production Cost Standard continues to represent the market accepted standard for reporting cash cost of production. However, different issuers may apply slight deviations to the standard so the cash production costs disclosed by the Company may not be directly comparable to other issuers.

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

CSH Mine (Gold)

	Three months ended September 30,				**Nine months ended September 30,**			
	2019		2018		**2019**		2018	
	US$	**US$ Per ounce**	US$	US$ Per ounce	**US$**	**US$ Per ounce**	US$	US$ Per ounce
Total Cost of sales	**53,256,458**	**1,289**	41,314,821	1,238	**146,038,507**[1]	**1,325**	117,671,812	1,117
Adjustment – Depreciation & depletion	**(19,370,586)**	**(469)**	(14,432,598)	(433)	**(53,707,501)**	**(487)**	(41,409,728)	(393)
Total cash production costs	**33,885,872**	**820**	26,882,223	805	**92,331,006**	**838**	76,262,084	724

1 Inventory write down of US$4.3 million was provided in total cost of sales for the nine months ended September 2019, which is excluded from this figure.

Jiama Mine (Copper with by-products credits)

	Three months ended September 30,				**Nine months ended September 30,**			
	2019		2018		**2019**		2018	
	US$	**US$ Per Pound**	US$	US$ Per Pound	**US$**	**US$ Per Pound**	US$	US$ Per Pound
Total Cost of sales	**106,838,119**	**2.59**	82,428,160	2.15	**296,063,235**	**2.68**	212,495,789	2.63
General and administrative expenses	**9,287,870**	**0.23**	10,262,257	0.27	**27,706,304**	**0.25**	27,873,425	0.35
Research and development expenses	**4,307,856**	**0.10**	3,067,678	0.08	**13,704,766**	**0.12**	8,420,892	0.10
Total production cost	**120,433,845**	**2.92**	95,758,095	2.50	**337,474,305**	**3.05**	248,790,106	3.08
Adjustment – Depreciation & depletion	**(18,130,327)**	**(0.44)**	(16,254,777)	(0.42)	**(53,109,947)**	**(0.48)**	(46,288,240)	(0.57)
Adjustment – Amortization of intangible assets	**(7,705,197)**	**(0.19)**	(6,843,680)	(0.18)	**(21,183,494)**	**(0.19)**	(15,434,544)	(0.19)
Total cash production costs	**94,598,321**	**2.29**	72,659,638	1.90	**263,180,864**	**2.38**	187,067,322	2.32
By-products credits	**(35,522,804)**	**(0.86)**	(30,290,195)	(0.79)	**(90,633,404)**	**(0.82)**	(70,763,114)	(0.88)
Total cash production costs after by-products credits	**59,075,517**	**1.43**	42,369,443	1.11	**172,547,460**	**1.56**	116,304,208	1.44

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

The following table provides a breakdown of on-site production costs used to calculate cost of goods sold based on production volumes for the period. Onsite productions costs are also used to calculate unit cost information for the three and nine months ended September 30, 2019 and 2018:

CSH Mine

	Three months ended September 30,		Nine months ended September 30,		
	2019	2018	**2019**	2018	
	US$	US$	**US$**	US$	
Mining ore cost	**6,447,230**	2,304,707	**17,750,194**	9,956,964	F
Mining waste cost	**12,588,015**	8,670,723	**36,027,994**	37,583,071	G
Other mining costs	**256,109**	419,233	**1,190,588**	1,749,828	H
Process Cost - reagents	**6,094,707**	4,779,735	**15,214,531**	14,395,940	J
Other process costs	**1,530,385**	1,599,066	**5,291,687**	5,620,895	K
Process cost - crusher	**1,945,656**	1,210,568	**5,254,665**	4,672,480	L
General and administrative expenses	**2,543,639**	1,868,758	**5,368,151**	5,034,376	
Cash Operating cost	**31,405,741**	20,852,790	**86,097,810**	79,013,554	
Mining and resource tax	**2,208,300**	1,378,423	**5,354,315**	4,624,828	
Other fees and taxes	**1,508,068**	1,477,185	**2,819,713**	3,443,705	
Total Cash cost	**35,122,109**	23,708,398	**94,271,838**	87,082,087	
Depreciation – Operations	**5,743,150**	5,261,308	**18,856,560**	16,563,951	
Amortization – Mine development	**14,342,433**	7,401,382	**35,979,893**	30,720,956	
Total Onsite production cost	**55,207,692**	36,371,088	**149,108,291**	134,366,994	T
Inventory write-down	**-**	-	**4,300,000**	-	U
Ratio of Inventory (production cost) transfer to cost of goods sold	**96%**	114%	**98%**	88%	V
Total Cost of Sales	**53,256,458**	41,314,821	**150,230,877**	117,671,812	=(T* V)+U

The following table provides certain unit cost information on a cost of production per tonne of ore processed (non-IFRS) basis for the CSH Mine for the three and nine months ended September 30, 2019 and 2018:

CSH Mine

	Three months ended September 30,		Nine months ended September 30,		
	2019	2018	**2019**	2018	
	US$	US$	**US$**	US$	
Ore mined and placed on pad (tonnes)	**4,031,723**	1,959,973	**10,923,636**	7,058,982	A
Average grade of ore (grams per tonne)	**0.58**	0.43	**0.54**	0.55	B
Recoverable gold (ounces)	**44,203**	15,611	**113,988**	73,053	C
Ending gold inventory (ounces)	**171,938**	178,553	**171,938**	178,553	D
Waste rock removed (tonnes)	**18,534,202**	19,910,536	**47,991,678**	48,340,340	E
Mining cost US$	**6,447,230**	2,304,707	**17,750,194**	9,956,964	F
Waste cost US$	**12,588,015**	8,670,723	**36,027,994**	37,583,071	G
Other mining costs US$	**256,109**	419,233	**1,190,588**	1,749,828	H
Total mining costs US$	**19,291,354**	11,394,663	**54,968,776**	49,289,863	I
Process Cost - reagents US$	**6,094,707**	4,779,735	**15,214,531**	14,395,940	J
Other process costs US$	**3,476,041**	2,809,634	**10,546,352**	10,293,375	K
Total process cost US$	**9,570,748**	7,589,369	**25,760,883**	24,689,315	L
Cost of mining per tonne of ore	**1.60**	1.18	**1.62**	1.41	= F/A
Cost of mining waste per tonne of ore	**3.12**	4.42	**3.30**	5.32	= G/A
Other mining costs per tonne of ore	**0.06**	0.21	**0.11**	0.25	= H/A
Total mining costs per tonne of ore	**4.78**	5.81	**5.03**	6.98	
Cost of reagents per tonne of ore	**1.51**	2.44	**1.39**	2.04	= J/A
Other processing costs per tonne of ore	**0.86**	1.43	**0.97**	1.46	= K/A
Total processing cost per tonne of ore	**2.37**	3.87	**2.36**	3.50	

MINERAL PROPERTIES

The CSH Mine

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

The CSH Mine is owned and operated by Inner Mongolia Pacific Mining Co. Limited, a Chinese Joint Venture in which the Company holds a 96.5% interest and Ningxia Nuclear Industry Geological Exploration Institution holds the remaining 3.5%.

The CSH Mine has two open-pit mining operations and has a mining and processing capacity of 60,000 tpd.

Production Update

CSH Mine	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	**2019**	2018
Ore mined and placed on pad (tonnes)	**4,031,723**	1,959,973	**10,923,636**	7,058,982
Average ore grade (g/t)	**0.58**	0.43	**0.54**	0.55
Recoverable gold (ounces)	**44,203**	15,611	**113,988**	73,053
Ending ore inventory (ounces)	**171,938**	178,553	**171,938**	178,553
Waste rock removed (tonnes)	**18,534,202**	19,910,536	**47,994,678**	48,340,340

For the three months ended September 30, 2019, the total amount of ore placed on the leach pad was 4.0 million tonnes, with total contained gold of 44,203 ounces (1,375 kilograms). The overall accumulative project-to-date gold recovery rate has slightly increased to approximately 54.28% at the end of September 2019 from 54.19% at the end of June 2019. Of which, gold recovery from the phase I heap is 59.77% and; gold recovery from the Phase II heap is 47.41% at September 30, 2019.

In the second half of 2017, there were a series of wall failures on one side of the north-east pit at the CSH Mine which led to short term interruptions of mining activities. The Company curtailed production in certain areas of the pit while it conducted studies to address the slope stability issues and remediation plans for the long term mine plan, which included optimization studies for pit limit, haul road design and mining production schedule for the new pit slope angle.

Based on the finalized studies, the Company has adopted an updated pit design for the north-east pit in accordance with the pit limit optimization study carried out by Changchun Gold Design Institute based on the amended ultimate pit limit slopes. The new pit design is conducted based on the Mineral Reserves estimate for the CSH Mine reported as of December 31, 2018. Accordingly, the life of mine updated production schedule is seven years.

Exploration

CSH conducted a research project based on the geological exploration results completed in the recent years, with regional geological mapping of 30 km^2, geological investigations of 129 km, aeromagnetic survey of 78 km^2, as well as 1,200 samples / 6 km of geochemical survey, 11,307 +/-m of cores from 42 drill holes, detailed logging of 9,373+/-m of cores from 28 drill holes and infrared spectral alteration analysis

Mineral Resource Update

CSH Mine Resources by category, Northeast and Southwest pits combined at December 31, 2018 under NI 43-101:

			Metal	
Type	**Quantity Mt**	**Au g/t**	**Au t**	**Au Moz**
Measured	12.34	0.62	7.60	0.24
Indicated	124.12	0.62	76.63	2.46
M+I	136.46	0.62	84.24	2.71
Inferred	80.36	0.52	41.51	1.33

Mineral Reserves Update

CSH Mine Reserves by category, Northeast and Southwest pits combined at December 31, 2018 under NI 43-101:

			Metal	
Type	**Quantity Mt**	**Au g/t**	**Au t**	**Au Moz**
Proven	10.59	0.63	6.72	0.22
Probable	66.49	0.65	43.23	1.39
Total	**77.08**	**0.65**	**49.96**	**1.61**

The Jiama Mine

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

The Jiama Mine has both underground mining and open-pit mining operations. Phase I of the Jiama Mine commenced mining operations in the latter half of 2010 and reached its design capacity of 6,000 tpd in early 2011. Phase II of the Jiama Mine commenced mining operations in 2018 with 44,000 tpd design capacity.

Production Update

Jiama Mine	**Three months ended September 30,**		**Nine months ended September 30,**	
	2019	2018	**2019**	2018
Ore processed (tonnes)	**3,932,431**	3,372,400	**10,169,419**	7,204,141
Average copper ore grade (%)	**0.58**	0.68	**0.62**	0.71
Copper recovery rate (%)	**80**	72	**78**	73
Average gold ore grade (g/t)	**0.26**	0.30	**0.27**	0.39
Gold recovery rate (%)	**59**	54	**56**	53
Average silver ore grade (g/t)	**16.26**	15.39	**16.67**	17.21
Silver recovery rate (%)	**49**	60	**52**	56

According to the mining plan for the Phase II expansion, the Jiama Mine began to produce low grade ore from the open pit mine. As a result, the Company expected the average ore grade to be lower than previous years which used higher grade ore from underground mining only. Production cost was also expected to be higher since the commencement of commercial production of Phase II due to the lower grade of ore and lower recovery rates.

During 2019, average metal recovery rates began to improve and were higher compared to 2018, as the ratio of oxide ore from the open pit has gradually decreased.

Exploration

In 2019, the Company initiated a large-scale exploration project for targeted resources and serving to production. The project includes surface drill of 33,390 +/-m, 25 drills, 500 +/- m of 1 hydrogeological drill and 800 +/- m of 2 engineering geological drills. During the third quarter of 2019, surface drill of 18,215.63 +/-m, 20 drills were completed, totaling 59.96% of the annual program.

Mineral Resources Estimate

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

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

Jiama Project - Cu, Mo, Pb, Zn ,Au, and Ag Mineral Resources under NI 43-101
Reported at a 0.3% Cu Equivalent Cut off grade*, as of December 31, 2018

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	94.9	0.39	0.04	0.04	0.02	0.08	5.44	371	34.2	41.8	22.4	0.245	16.595
Indicated	1,369.1	0.41	0.03	0.05	0.03	0.11	5.93	5,590	463	732	460	4.762	261.145
M+I	1,463.9	0.41	0.03	0.05	0.03	0.11	5.90	5,961	497.4	773.7	482.4	5.008	277.740
Inferred	406.1	0.30	0.00	0.10	0.00	0.10	5.1	1,247	123	311	175	1.3	66.9

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 Grade: = (Ag Grade * Ag Price + Au Grade * Au Price + Cu Grade * Cu Price + Pb Grade * Pb Price + Zn Grade * Zn Price + Mo Grade * Mo Price) / Copper Price

Mineral Reserves Estimate

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

Jiama Project Statement of NI 43-101 Mineral Reserve Estimate as of December 31, 2018

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	20.8	0.61	0.05	0.05	0.03	0.21	8.99	126.4	9.5	10.3	6.9	0.140	6.026
Probable	398.4	0.56	0.03	0.13	0.08	0.18	11.21	2,427.9	128.2	548.2	317.3	2.285	143.574
P+P	419.2	0.61	0.03	0.13	0.08	0.18	11.10	2,554.3	137.8	558.5	324.2	2.425	149.600

Notes:

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

   Open Pits:

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

   Underground:

   a) 10% dilution added to all Sub-Level Open Stoping;
   b) Stope recovery is 87% for Sub-Level Open Stoping;
   c) An overall processing recovery of 88 – 90% for copper.
3. The cut-off grade for Mineral Reserves has been estimated at copper equivalent grades of 0.3% Cu (NSR) for the open pits and 0.45% Cu (NSR) for the underground mine.

LIQUIDITY AND CAPITAL RESOURCES

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

At September 30, 2019, the Company had an accumulated surplus of US$199.4 million, working deficit of US$389.8 million and borrowings of US$1,205.2 million. The Company's cash balance at September 30, 2019 was US$192.5 million.

Management believes that its forecast operating cash flows are sufficient to cover the next twelve months of the Company's operations including its planned capital expenditures and current debt repayments. The Company's borrowings are comprised of US$502.6 million of 3.25% unsecured bonds maturing on July 6, 2020, which are included in the current portion of borrowings, and US$56.5 million of short term debt facilities with interest rates ranging from 2.75% to 4.51% per annum arranged through various banks in China. In addition, on November 3, 2015, the Company entered into a Loan Facility agreement with a syndicate of banks, led by Bank of China. The lenders agreed to lend an aggregate principle amount of RMB 3.98 billion, approximately US$613 million with the interest rate of 2.83% per annum currently. The People's Bank of China Lhasa Center Branch's interest rate serves as a benchmark for the interest on the drawdowns. The bank's interest rate is then discounted by 7 basis points (or 0.07%) to calculate the interest on the drawdowns. The proceeds from the Loan Facility are to be used for the development of the Jiama Mine. The loan is secured by the mining rights for the Jiama Mine. As of September 30, 2019 the Company has drawdown RMB3.645 billion, approximately US$515.3 million under the Loan Facility. The Company believes that the availability of debt financing in China at favorable rates will continue for the foreseeable future. The Company is currently assessing various strategic alternatives for the repayment of its 3.5% unsecured bonds maturing on July 6, 2020. As part of this assessment, the Company is planning on engaging an underwriter and is pursuing a new bond issuance while also at the same time reviewing other financing options.

The Company continues to review and assess its assets for impairment as part of its financial reporting processes. To date, the assessment carried out by the Company support the carrying values of the Company's assets and no impairment has been required. However, the management of the Company continues to evaluate key assumptions on estimates and management judgements in order to determine the recoverable amount of the CSH Mine and the Jiama Mine**.**

Cash flows

The following table sets out selected cash flow data from the Company's consolidated cash flow statements for the three and nine months ended September 30, 2019 and September 30, 2018.

	Three months ended September 30,		**Nine months ended September 30,**	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Net cash from operating activities	**64,368**	53,557	**127,906**	109,646
Net cash (used in) investing activities	**(44,785)**	(48,230)	**(91,393)**	(68,279)
Net cash (used in) from financing activities	**(20)**	31,257	**19,702**	(2,027)
Net increase in cash and cash equivalents	**19,563**	36,584	**56,215**	39,340
Effect of foreign exchange rate changes on cash and cash equivalents	**(2,295)**	(1,685)	**(1,698)**	(3,133)
Cash and cash equivalents, beginning of period	**175,245**	148,626	**137,996**	147,318
Cash and cash equivalents, end of period	**192,513**	183,525	**192,513**	183,525

Operating cash flow

For the three months ended September 30, 2019, net cash inflow from operating activities was US$64.4 million which is primarily attributable to (i) depreciation and depletion of US$39.2 million (ii) increase in accounts payable of US$35.9 million (iii) decrease in accounts receivables of US$13.7 million and (iv) finance cost of US$10.6 million, partially offset by (i) decrease in contract liabilities of US$30.9 million and (ii) interest paid of US$13.8 million.

For the nine months ended September 30, 2019, net cash inflow from operating activities was US$127.9 million which is primarily attributable to (i) depreciation and depletion of US$109.1 million (ii) finance cost of US$32.1 million (iii) amortization of mining rights of US$23.6 million and (iv) increase of accounts payable of US$11.3 million, partially offset by (i) loss before income tax of US$29.6 million and (ii) interest paid of US$34.1 million.

Investing cash flow

For the three months ended September 30, 2019, the net cash outflow from investing activities was US$44.8 million which is primarily attributable to (i) payment for the acquisition of property, plant and equipment of US$36.7 million and (ii) placement of restricted cash balances of US$10.6 million, partially offset by release of restricted bank balance of US$2.1 million.

For the nine months ended September 30, 2019, the net cash outflow from investing activities was US$91.4 million which is primarily attributable to (i) payment for the acquisition of property, plant and equipment of US$92.8 million, (ii) placement of restricted cash balances of US$18.0 million, partially offset by release of restricted bank balance of US$18.3 million.

Financing cash flow

For the three months ended September 30, 2019, the net cash inflow from financing activities was US$20,000 which is primarily attributable to payment for lease of US$20,000.

For the nine months ended September 30, 2019, the net cash inflow from financing activities was US$19.7 million which is primarily attributable to proceeds from borrowings of US$81.2 million offset by repayment of borrowings of US$61.3 million.

Expenditures Incurred

For the nine months ended September 30, 2019, the Company incurred mining costs of US$79.7 million, mineral processing costs of US$100.4 million and transportation costs of US$7.3 million.

Gearing ratio

Gearing ratio is defined as the ratio of consolidated total debt to consolidated total equity. As at September 30, 2019, the Company's total debt was US$1,205 million and the total equity was US$1,449 million. The Company's gearing ratio was therefore 0.83 as at September 30, 2019 and 0.84 as at June 30, 2019.

Restrictive covenants

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

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

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

Other than as disclosed elsewhere in this MD&A or in the unaudited condensed consolidated financial statements for the nine months ended September 30, 2019, there were no significant investments held by the Company, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the nine months ended September 30, 2019. Other than as disclosed in this MD&A, there was no plan authorized by the Board for other material investments or additions of capital assets at the date of this MD&A.

CHARGE ON ASSETS

Other than as disclosed elsewhere in this MD&A and annual consolidated financial statements, none of the Group's assets were pledged as at September 30, 2019.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates for the monetary assets and liabilities denominated in the currencies other than the functional currencies to which they relate. The Company has not hedged its exposure to currency fluctuation. However, the Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. Refer to Note 32, Financial Instruments, in the annual consolidated financial statements for the year ended December 31, 2018.

COMMITMENTS AND CONTINGENCIES

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

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

The Company's capital commitments relate primarily to the payments for purchase of equipment and machinery for both mines and payments to third-party contractors for the provision of mining and exploration engineering work and mine construction work for both mines. The Company has entered into contracts that prescribe such capital commitments; however, liabilities relating to them have not yet been incurred. Refer to Note 33, Commitments and Contingencies, in the annual consolidated financial statements for the year ended December 31, 2018.

On July 7, 2017, the Company, through its wholly owned subsidiary Skyland Mining (BVI) Limited, issued bonds on the HKSE, denominated U.S. dollar, with an aggregate principal amount of US$500 million. The Bonds were issued at a price of 99.663%, bearing a coupon of 3.25% per annum with a maturity date of July 6, 2020. Interest is payable in semi-annual installments on January 6 and July 6 of each year.

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

	Total	Within One year	Within Two to five years	Over 5 years
	US$'000	US$'000	US$'000	US$'000
Principal repayment of bank loans	**702,682**	56,554	355,582	290,546
Repayment of bonds including interest	**502,555**	502,555	-	-
Total	**1,205,237**	**559,109**	**355,582**	**290,546**

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

RELATED PARTY TRANSACTIONS

CNG owned 39.3 percent of the outstanding common shares of the Company as at September 30, 2019 and September 30, 2018.

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

The Company's subsidiary, Inner Mongolia Pacific is a party to a non-exclusive contract for the purchase and sale of doré with CNG (the "Dore Sales Contract") pursuant to which Inner Mongolia Pacific sells gold doré bars to CNG. The pricing is based on the monthly average price of gold ingot as quoted on the Shanghai Gold Exchange and the daily average price of silver as quoted on the Shanghai Huatong Platinum & Silver Exchange prevailing at the time of each relevant purchase order during the contract period. The Dore Sales Contract has been in effect since October 24, 2008 and has been renewed for a current term that commenced on January 1, 2018 and expires on December 31, 2020, which renewal was approved by the Company's shareholders on June 28, 2017.

Revenue from sales of gold doré bars to CNG of US$152.2 million for the nine months ended September 30, 2019 increased from US$134.7 million for the nine months ended September 30, 2018.

The Company is also a party to a Product and Service Framework Agreement with CNG, pursuant to which CNG provides construction, procurement and equipment financing services to the Company and also purchases the copper concentrates produced at the Jiama Mine. The quantity of copper concentrates, pricing terms and payment terms may be established from time to time by the parties with reference to the pricing principles for connected transactions set out under the Product and Service Framework Agreement. On June 28, 2017, the Supplemental Product and Service Framework Agreement was approved and extended to expire on December 31, 2020. For the nine months ended September 30, 2019, revenue from sales of copper concentrate and other products to CNG was US$68.2 million, compared to US$116.5 million for the same period in 2018.

For the nine months ended September 30, 2019, construction services of US$6.9 million were provided to the Company by subsidiaries of CNG (US$10.6 million for the nine months ended September 30, 2018).

In addition to the aforementioned major related party transactions, the Company also obtains additional services from related parties in its normal course of business, including a Deposit Services Agreement and Loan Agreement entered into on March 25, 2019 among the Company and China Gold Finance.

PROPOSED TRANSACTIONS

The Board of Directors has given the Company approval to conduct reviews of a number of projects that may qualify as acquisition targets through joint venture, merger and/or outright acquisitions. The Group did not have any material acquisition and disposal of subsidiaries and associated companies in the nine months ended September 30, 2019. The Company continues to review possible acquisition targets.

CRITICAL ACCOUNTING ESTIMATES

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

Key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months are described in Note 4 of the audited annual consolidated financial statements for the year ended December 31, 2018.

CHANGE IN ACCOUNTING POLICIES

A summary of new and revised IFRS standards and interpretations are outlined in Note 2 of the audited annual consolidated financial statements as at December 31, 2018.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company holds a number of financial instruments, the most significant of which are equity securities, accounts receivables, accounts payables, cash and loans. The financial instruments are recorded at either fair values or amortized amount on the balance sheet.

The Company did not have any financial derivatives or outstanding hedging contracts as at September 30, 2019.

OFF-BALANCE SHEET ARRANGEMENTS

As at September 30, 2019, the Company had not entered into any off-balance sheet arrangements.

DIVIDEND AND DIVIDEND POLICY

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

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

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

OUTSTANDING SHARES

As of September 30, 2019 the Company had 396,413,753 common shares issued and outstanding.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for the design of disclosure controls and procedures ("DC&P") and the design of internal control over financial reporting ("ICFR") to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company's Chief Executive Officer and Chief Financial Officer have each evaluated the Company's DC&P and ICFR as of September 30, 2019 and, in accordance with the requirements established under Canadian National Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings, the Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures were effective as of September 30, 2019, and provide reasonable assurance that material information relating to the Company is made known to them by others within the Company and that the information required to be disclosed in reports that are filed or submitted under Canadian securities legislation are recorded, processed, summarized and reported within the time period specified in those rules.

The Company's Chief Executive Officer and Chief Financial Officer have used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 2013 framework to evaluate the Company's ICFR as of September 30, 2019 and have concluded that these controls and procedures were effective as of September 30, 2019 and provide reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner. Management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means design of controls cannot provide absolute assurance that all control issues and instances of fraud will be detected. During the nine months ended September 30, 2019, there were no changes in the Company's DC&P or ICFR that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

RISK FACTORS

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

QUALIFIED PERSON

Disclosure of scientific or technical information in this MD&A was approved by Mr. Zhongxin Guo, P.Eng. the Company's Chief Engineer and a Qualified Person ("QP") for the purposes of NI 43-101.

November 14, 2019

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

(incorporated in British Columbia, Canada with limited liability)

Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2019

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019

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CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 (unaudited)

	NOTES	Three months ended September 30, 2019 US$'000	Three months ended September 30, 2018 US$'000	Nine months ended September 30, 2019 US$'000	Nine months ended September 30, 2018 US$'000
Revenues	3	186,375	158,841	495,133	407,613
Cost of sales		(160,094)	(123,743)	(446,294)	(330,168)
Mine operating earnings		26,281	35,098	48,839	77,445
Expenses					
General and administrative expenses	4	(11,762)	(12,666)	(34,789)	(34,723)
Exploration and evaluation expenditure		(368)	(134)	(658)	(463)
Research and development costs		(4,308)	(3,068)	(13,705)	(8,421)
		(16,438)	(15,868)	(49,152)	(43,607)
Income (loss) from operations		9,843	19,230	(313)	33,838
Other (expenses) income					
Foreign exchange loss, net		(9,616)	(11,024)	(11,742)	(14,141)
Gain on recognition of other assets		11,245	-	11,245	-
Interest and other income		1,468	1,705	3,366	15,930
Finance costs	5	(10,560)	(10,909)	(32,130)	(33,251)
		(7,463)	(20,228)	(29,261)	(31,462)
Profit (loss) before income tax		2,380	(998)	(29,574)	2,376
Income tax (expense) credit	6	(2,701)	(3,591)	1,728	(4,571)
Loss for the period		(321)	(4,589)	(27,846)	(2,195)
Other comprehensive (expenses) income for the period					
Item that will not be reclassified to profit or loss:					
Fair value gain (loss) on investment in an equity security		488	(2,735)	(3,617)	(1,829)
Items that may be reclassified subsequently to profit or loss:					
Exchange difference arising on translation of foreign operation		(8,454)	(9,734)	(8,871)	(14,602)
Total comprehensive expenses for the period		(8,287)	(17,058)	(40,334)	(18,626)
(Loss) profit for the period attributable to					
Non-controlling interests		342	290	236	716
Owners of the Company		(663)	(4,879)	(28,082)	(2,911)
		(321)	(4,589)	(27,846)	(2,195)

	NOTES	Three months ended September 30, 2019 US$'000	Three months ended September 30, 2018 US$'000	Nine months ended September 30, 2019 US$'000	Nine months ended September 30, 2018 US$'000
Total comprehensive (expenses) income for the period attributable to					
Non-controlling interests		340	295	238	725
Owners of the Company		(8,627)	(17,353)	(40,572)	(19,351)
		(8,287)	(17,058)	(40,334)	(18,626)
Loss per share - Basic (US cents)	7	(0.17)	(1.23)	(7.08)	(0.73)
Weighted average number of common shares - Basic	7	396,413,753	396,413,753	396,413,753	396,413,753

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT SEPTEMBER 30, 2019 (unaudited)

	NOTES	September 30, 2019 US$'000	December 31, 2018 US$'000 (audited)
Current assets			
Cash and cash equivalents		192,513	137,996
Restricted bank balance		15,358	16,100
Trade and other receivables	8	12,192	23,303
Prepaid expenses and deposits		6,309	4,107
Prepaid lease payments		-	446
Inventories	9	271,718	282,958
		498,090	464,910
Non-current assets			
Prepaid expense and deposits		25,799	30,813
Right-of-use assets		13,329	-
Prepaid lease payments		-	14,515
Equity instruments at fair value through other comprehensive income	15	14,603	20,230
Property, plant and equipment	10	1,696,667	1,765,360
Mining rights	10	905,161	920,067
Other non-current asset	11	11,830	-
		2,667,389	2,750,985
Total assets		3,165,479	3,215,895
Current liabilities			
Accounts and other payables and accrued expenses	12	292,771	292,013
Contract liabilities		2,556	4,593
Borrowings	13	559,109	123,921
Entrusted loan payable		28,277	-
Lease liabilities		40	-
Tax liabilities		5,127	5,074
		887,880	425,601
Net current (liabilities) assets		(389,790)	39,309
Total assets less current liabilities		2,277,599	2,790,294

	NOTE	September 30, 2019 US$'000	December 31, 2018 US$'000 (audited)
Non-current liabilities			
Borrowings	13	646,128	1,086,237
Deferred tax liabilities		120,320	122,732
Deferred income		3,085	3,478
Entrusted loan payable		-	29,140
Environmental rehabilitation		59,327	59,469
		828,860	1,301,056
Total liabilities		1,716,740	1,726,657
Owners' equity			
Share capital	14	1,229,061	1,229,061
Reserves		5,417	15,570
Retained profits		199,383	229,802
		1,433,861	1,474,433
Non-controlling interests		14,878	14,805
Total owners' equity		1,448,739	1,489,238
Total liabilities and owners' equity		3,165,479	3,215,895

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on November 14, 2019 and are signed on its behalf by:

(Signed by) Xin Song	(Signed by) Liangyou Jiang
Xin Song Director	Liangyou Jiang Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 (unaudited)

	Attributable to owners of the Company									
	Number of shares	Share capital US$'000	Equity reserve US$'000	Investment revaluation reserve US$'000	Exchange reserve US$'000	Statutory reserve US$'000	Retained profits US$'000	Subtotal US$'000	Non-controlling interests US$'000	Total owners' equity US$'000
At January 1, 2018	396,413,753	1,229,061	11,179	(330)	(639)	18,415	237,650	1,495,336	14,648	1,509,984
(Loss) profit for the period	-	-	-	-	-	-	(2,911)	(2,911)	716	(2,195)
Fair value loss on investment in an equity security	-	-	-	(1,829)	-	-	-	(1,829)	-	(1,829)
Exchange difference arising on translation	-	-	-	-	(14,611)	-	-	(14,611)	9	(14,602)
Total comprehensive (loss) income for the period	-	-	-	(1,829)	(14,611)	-	(2,911)	(19,351)	725	(18,626)
Transfer to statutory reserve - safety production fund	-	-	-	-	-	1,224	(1,224)	-	-	-
Dividends paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	(494)	(494)
At September 30, 2018	396,413,753	1,229,061	11,179	(2,159)	(15,250)	19,639	233,515	1,475,985	14,879	1,490,864
At January 1, 2019	396,413,753	1,229,061	11,179	(1,791)	(15,244)	21,426	229,802	1,474,433	14,805	1,489,238
(Loss) profit for the period	-	-	-	-	-	-	(28,082)	(28,082)	236	(27,846)
Fair value loss on investment in an equity security	-	-	-	(3,617)	-	-	-	(3,617)	-	(3,617)
Exchange difference arising on translation	-	-	-	-	(8,873)	-	-	(8,873)	2	(8,871)
Total comprehensive (loss) income for the period	-	-	-	(3,617)	(8,873)	-	(28,082)	(40,572)	238	(40,334)
Transfer to statutory reserve - safety production fund	-	-	-	-	-	2,901	(2,901)	-	-	-
Dividends paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	(165)	(165)
Transfer upon disposal of investment in an equity security	-	-	-	(564)	-	-	564	-	-	-
At September 30, 2019	396,413,753	1,229,061	11,179	(5,972)	(24,117)	24,327	199,383	1,433,861	14,878	1,448,739

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 (unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Net cash from operating activities	64,368	53,557	127,906	109,646
Investing Activities				
Interest income received	305	740	1,284	2,035
Payment for acquisition of property, plant and equipment	(36,713)	(50,416)	(92,791)	(75,566)
Proceeds from disposal of equity investment at fair value through other comprehensive income	-	-	2,023	-
Dividends received from equity investment at fair value through other comprehensive income	592	-	592	-
Payment for acquisition of mining rights	(557)	-	(2,787)	-
Deposit paid for acquisition of property, plant and equipment	-	-	-	(8)
Proceeds from disposal of property, plant and equipment	12	-	12	-
Placement of restricted bank balance	(10,572)	(30,771)	(18,025)	(93,553)
Release of restricted bank balance	2,148	32,217	18,299	98,813
Net cash used in investing activities	(44,785)	(48,230)	(91,393)	(68,279)
Financing Activities				
Proceeds from borrowings	-	68,525	81,197	123,459
Repayment of borrowings	-	(37,098)	(61,267)	(124,992)
Dividends paid to a non-controlling shareholder	-	(170)	(165)	(494)
Payment for lease	(20)	-	(63)	-
Net cash (used in) from financing activities	(20)	31,257	19,702	(2,027)
Net increase in cash and cash equivalents	19,563	36,584	56,215	39,340
Cash and cash equivalents, beginning of period	175,245	148,626	137,996	147,318
Effect of foreign exchange rate changes on cash and cash equivalents	(2,295)	(1,685)	(1,698)	(3,133)
Cash and cash equivalents, end of period	192,513	183,525	192,513	183,525
Cash and cash equivalents are comprised of				
Cash and bank deposits	192,513	183,525	192,513	183,525

1. GENERAL

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

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

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") issued by the International Accounting Standards Board.

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

For the nine months ended September 30, 2019, the Group has incurred loss after tax of US$28 million. At September 30, 2019, the Group's current liabilities exceeded its current assets by approximately US$390 million. In view of financial position and current period loss incurred, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Taking into account the Group's cash flow projection, including the Group's proposed plan to issue bonds to independent third parties in an aggregate principal amount of US$500 million, ability and historical experience to renew or refinance the bank borrowings upon maturity and the Group's future capital expenditure in respect of its non-cancellable capital commitments, the directors of the Company consider that it has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

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

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

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015 - 2017 Cycle

Except as described below:

- The application of the new and amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements;
- The accounting policies and methods of computation used in the condensed consolidated financial statements for the nine months ended September 30, 2019 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2018.

IFRS 16 *Leases*

Transition and summary of effects arising from initial application of IFRS 16

The Group has adopted IFRS 16 for the annual period beginning January 1, 2019 using the modified retrospective approach and therefore the comparative information has not been restated and the cumulative effect of initially applying IFRS 16 has been recorded on January 1, 2019.

On transition to IFRS 16, the Group recognised lease liabilities for leases which were previously classified as operating leases under IAS 17 *Leases* and IFRIC-Int 4 *Determining whether an Arrangement contains a Lease*. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application. These liabilities were measured at the present value of the remaining lease payments, discounted using the rate that reflects the weighted average lessee's incremental borrowing rate of 3.6% as of January 1, 2019.

As at January 1, 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities, adjusted by any prepaid lease payments, by applying IFRS 16.C8(b)(ii) transition.

2. PRINCIPAL ACCOUNTING POLICIES - continued

IFRS 16 *Leases* - continued

Transition and summary of effects arising from initial application of IFRS 16 – continued

The Group has made use of the following practical expedients available on transition to IFRS 16:

- Relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- Apply the recognition exemptions for leases that end within 12 months of the date of initial application, and account for them as short-term leases; and
- The exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application.

The impact to the Group's condensed consolidated financial statements at January 1, 2019 was as follows:

	At January 1, 2019 US$'000
Operating lease commitments as at December 31, 2018	364
Effect from discounting at the incremental borrowing rate as at January 1, 2019	(2)
Recognition exemption for: Short-term leases and low-value items	(261)
Lease liability as at January 1, 2019	101
Less: Current-portion	(83)
Non-current portion	18

The carrying amount of right-of-use assets as at January 1, 2019 comprises the following:

	Right-of-use assets US$'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	101
Reclassified from prepaid lease payments (Note)	14,961
	15,062
By class:	
Office premise	101
Leasehold land	14,961
	15,062

2. PRINCIPAL ACCOUNTING POLICIES - continued

IFRS 16 *Leases* - continued

Transition and summary of effects arising from initial application of IFRS 16 – continued

Note: Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at December 31, 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to US$446,000 and US$14,515,000 respectively were reclassified to right-of-use assets.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at January 1, 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously recorded at December 31, 2018	Adjustments	Carrying amounts under IFRS 16 January 1, 2019
	US$'000	US$'000	US$'000
Current asset			
Prepaid lease payments	446	(446)	-
Non-current assets			
Prepaid lease payments	14,515	(14,515)	-
Right-of-use assets	-	15,062	15,062
Current liability			
Lease liabilities	-	(83)	(83)
Non-current liability			
Lease liabilities	-	(18)	(18)

Key changes in accounting policies resulting from application of IFRS 16

The Group has applied the following accounting policy for leases upon adoption of IFRS 16 on January 1, 2019.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease, at inception or modification of a contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

2. PRINCIPAL ACCOUNTING POLICIES - continued

IFRS 16 *Leases* - continued

Key changes in accounting policies resulting from application of IFRS 16 - continued

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The lease liability is presented as a separate line in the condensed consolidated statement of financial position. Furthermore, lease payments in relation to lease liability are presented as financing cash flows by the Group.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, any initial direct costs and dismantling costs. They are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liability. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The right-of-use assets are presented as a separate line in the condensed consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

2. PRINCIPAL ACCOUNTING POLICIES - continued

IFRS 16 *Leases* - continued

Key changes in accounting policies resulting from application of IFRS 16 - continued

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

The following is an analysis of the Group's revenue from its major products and services:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
At a point in time				
Gold bullion	62,374	39,962	152,219	134,655
Copper concentrate	88,286	87,170	234,272	197,813
Other by-products	35,715	31,709	108,642	75,145
Total revenue	186,375	158,841	495,133	407,613

3. REVENUE AND SEGMENT INFORMATION- continued

Segment information

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

The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been defined as the executive directors of the Company. The CODM has identified two operating and reportable segments as follows:

(i) The mine-produced gold segment - the production of gold bullion through the Group's integrated processes, i.e., mining, metallurgical processing, production and selling of gold doré bars to external clients.

(ii) The mine-produced copper segment - the production of copper concentrate and other by-products through the Group's integrated processes, i.e., mining, metallurgical processing, production and selling copper concentrate and other by-products to external clients.

(a) Segment revenues and results

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

For the nine months ended September 30, 2019

	Mine - produced gold US$'000	Mine - produced copper US$'000	Segment total US$'000	Unallocated US$'000	Consolidated US$'000
Revenues - external and segment revenue	152,219	342,914	495,133	-	495,133
Cost of sales	(150,231)	(296,063)	(446,294)	-	(446,294)
Mining operating earnings	1,988	46,851	48,839	-	48,839
Income (loss) from operations	1,332	5,439	6,771	(7,084)	(313)
Foreign exchange gain (loss), net	2,307	(14,227)	(11,920)	178	(11,742)
Gain on recognition of other assets	-	11,245	11,245	-	11,245
Interest and other income	351	2,386	2,737	629	3,366
Finance costs	(3,474)	(15,525)	(18,999)	(13,131)	(32,130)
Profit (loss) before income tax	516	(10,682)	(10,166)	(19,408)	(29,574)

3. REVENUE AND SEGMENT INFORMATION- continued

(a) Segment revenues and results- continued

For the nine months ended September 30, 2018

	Mine - produced gold US$'000	Mine - produced copper US$'000	Segment total US$'000	Unallocated US$'000	Consolidated US$'000
Revenues - external and segment revenue	134,655	272,958	407,613	-	407,613
Cost of sales	(117,672)	(212,496)	(330,168)	-	(330,168)
Mining operating earnings	16,983	60,462	77,445	-	77,445
Income (loss) from operations	16,520	24,168	40,688	(6,850)	33,838
Foreign exchange gain (loss), net	10,168	(24,309)	(14,141)	-	(14,141)
Interest and other income	570	14,649	15,219	711	15,930
Finance costs	(3,820)	(16,302)	(20,122)	(13,129)	(33,251)
Profit (loss) before income tax	23,438	(1,794)	21,644	(19,268)	2,376

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents the profit (loss) before income tax, without allocation of general and administrative expenses, foreign exchange gain, interest and other income and finance costs, attributable to respective segment. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

There were no inter-segment sales for the nine months ended September 30, 2019 and 2018.

(b) Segment assets and liabilities

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

	Mine - produced gold US$'000	Mine - produced copper US$'000	Segment total US$'000	Unallocated US$'000	Consolidated US$'000
As of September 30, 2019					
Total assets	745,766	2,394,266	3,140,032	25,447	3,165,479
Total liabilities	213,889	996,183	1,210,072	506,668	1,716,740
As of December 31, 2018					
Total assets	745,729	2,435,072	3,180,801	35,094	3,215,895
Total liabilities	203,453	1,013,025	1,216,478	510,179	1,726,657

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than cash and cash equivalents, other receivables, prepaid expenses and deposits, and equity instrument at FVTOCI; and
- all liabilities are allocated to operating segments other than other payables and accrued expenses and certain borrowings.

4. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Administration and office	3,590	3,255	10,913	13,616
Depreciation of property, plant and equipment and right-of-use assets	1,169	1,132	4,503	2,919
Professional fees	837	1,492	2,235	2,630
Salaries and benefits	3,331	5,528	11,655	12,312
Others	2,835	1,259	5,483	3,246
Total general and administrative expenses	11,762	12,666	34,789	34,723

5. FINANCE COSTS

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Effective interests on borrowings and lease liabilities	10,100	10,199	30,977	31,016
Accretion on environmental rehabilitation	546	710	1,674	2,235
	10,646	10,909	32,651	33,251
Less: Amount capitalised to property, plant and equipment	(86)	-	(521)	-
Total finance costs	10,560	10,909	32,130	33,251

6. INCOME TAX EXPENSE

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
PRC Enterprise Income Tax	926	743	1,816	3,226
Overprovision of PRC Enterprise Income Tax in prior year	-	-	(989)	(2,266)
Deferred tax expense (credit)	1,775	2,848	(2,555)	3,611
Total income tax expense	2,701	3,591	(1,728)	4,571

7. LOSS PER SHARE

Loss used in determining loss per share are presented below:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Loss for the period attributable to owners of the Company for the purposes of basic loss per share (US$'000)	(663)	(4,879)	(28,082)	(2,911)
Weighted average number of shares, basic	396,413,753	396,413,753	396,413,753	396,413,753
Basic loss per share (US cents)	(0.17)	(1.23)	(7.08)	(0.73)

The Group has no outstanding potential dilutive instruments issued as at September 30, 2019 and 2018 and during the three and nine months ended September 30, 2019 and 2018. Therefore, no diluted loss per share is presented.

8. TRADE AND OTHER RECEIVABLES

	September 30, 2019 US$'000	December 31, 2018 US$'000
Trade receivables	1,936	570
Less: Allowance for credit loss	(45)	(46)
	1,891	524
Amounts due from related companies (note 15(a)) [(1)]	730	725
Other receivables [(2)]	9,571	22,054
Total trade and other receivables	12,192	23,303

Notes:

(1) The non-trade amounts are unsecured, interest free and repayable on demand.

(2) Included in the balance as at September 30, 2019, an amount of approximately US$5,416,000 (December 31, 2018: US$19,201,000) value-added tax recoverable is expected to be recovered within twelve months after the end of the reporting period.

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

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

	September 30, 2019 US$'000	December 31, 2018 US$'000
Less than 30 days	1,250	227
31 to 90 days	295	119
91 to 180 days	81	60
Over 180 days	265	118
	1,891	524

9. INVENTORIES

	September 30, 2019 US$'000	December 31, 2018 US$'000
Gold in process	199,726	203,067
Gold doré bars	21,247	19,021
Consumables	19,494	29,794
Copper	9,500	17,251
Spare parts	21,751	13,825
Total inventories	271,718	282,958

Inventory write down was provided in cost of sales for three and nine months ended September 30, 2019 totalling to nil and US$4.3 million (three and nine months ended September 30, 2018: nil and nil) respectively.

Inventory totalling US$153 million and US$426 million for the three and nine months ended September 30, 2019 (three and nine months ended September 30, 2018: US$117 million and US$315 million) was recognised in cost of sales.

10. PROPERTY, PLANT AND EQUIPMENT / MINING RIGHTS

During the nine months ended September 30, 2019, the Group mainly incurred US$14.1 million on construction in progress (nine months ended September 30, 2018: approximately US$48.0 million) and approximately US$58.1 million on mineral assets (nine months ended September 30, 2018: US$70.4 million).

Depreciation of property, plant and equipment was US$39.2 million and US$109.1 million for the three and nine months ended September 30, 2019, respectively (for the three and nine months ended September 30, 2018: US$27.5 million and US$92.1 million, respectively). The depreciation amounts were partly recognised in cost of sales, general and administrative expenses and partly capitalised in inventory.

During the nine months ended September 30, 2019, the Group incurred US$11.1 million on mining rights (for the nine months ended September 30, 2018: nil). Amortisation of mining rights was US$8.6 million and US$23.6 million for the three and nine months ended September 30, 2019, respectively (for the three and nine months ended September 30, 2018: US$7.6 million and US$17.1 million, respectively). The amortisation amounts were recognised in cost of sales.

11. OTHER NON-CURRENT ASSET

During the nine months ended September 30, 2019, the Group entered into a cooperation agreement (the "Cooperation Agreement") with an independent third party property developer (the "Developer") in relation to the development of a composite project in Lhasa, Tibet, China. Pursuant to the Cooperation Agreement, the Group agreed to transfer the land use right for the development and the Developer agreed to compensate the Group by transferring a block of one of the buildings and twenty car parks (the "New Premises") within two years from the date of the Cooperation Agreement. During the period, the land use right was transferred to the Developer. Accordingly, the Group derecognised the right-of-use assets with a carrying amount of approximately US$941,000 (equivalent to RMB6,656,000) at the date of transfer, and recognised the right to receive the New Premises of approximately US$11,830,000 (equivalent to RMB83,670,000), which approximates the fair value of the land, and the related gain of approximately US$11,245,000 (equivalent to RMB77,014,000) in the profit or loss. The right to receive the New Premises was initially recognised at its fair value and subsequently carried at cost less impairment. The composite project is still under development and expected to be completed not later than May 31, 2020.

12. ACCOUNTS AND OTHER PAYABLES AND ACCRUED EXPENSES

Accounts and other payables and accrued expenses comprise the following:

	September 30, 2019 US$'000	December 31, 2018 US$'000
Accounts payable	34,109	44,670
Bills payable	82,368	83,263
Construction cost payables	125,062	138,838
Mining cost accrual	22,691	3,578
Payroll and benefit payables	3,315	4,863
Other accruals	4,617	5,018
Other tax payable	5,677	5,185
Other payables	6,578	6,598
Payable for acquisition of a mining right	8,354	-
Total accounts and other payables and accrued expenses	292,771	292,013

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

	September 30, 2019 US$'000	December 31, 2018 US$'000
Less than 30 days	16,160	16,832
31 to 90 days	2,983	12,232
91 to 180 days	1,742	1,619
Over 180 days	13,224	13,987
Total accounts payable	34,109	44,670

12. ACCOUNTS AND OTHER PAYABLES AND ACCRUED EXPENSES - continued

The credit period for bills payable is 180 days from the issue date. The following is an aging analysis of bills payable, presented based on issue date at the end of the reporting period:

	September 30, 2019 US$'000	December 31, 2018 US$'000
Less than 30 days	23,994	19,512
31 to 60 days	6,900	15,265
61 to 90 days	20,266	14,196
91 to 180 days	31,208	34,290
Total bills payable	82,368	83,263

13. BORROWINGS

The borrowings are repayable as follows:

	September 30, 2019 US$'000	December 31, 2018 US$'000
Carrying amount repayable within one year	559,109	123,921
Carrying amount repayable within one to two years	30,398	537,659
Carrying amount repayable within two to five years	325,184	263,725
Carrying amount repayable over five years	290,546	284,853
	1,205,237	1,210,158
Less: Amounts due within one year (shown under current liabilities)	(559,109)	(123,921)
Amounts shown under non-current liabilities	646,128	1,086,237
Analysed as:		
Secured	515,347	509,238
Unsecured	689,890	700,920
	1,205,237	1,210,158

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

	September 30, 2019 US$'000	December 31, 2018 US$'000
Mining rights	896,090	920,067

Borrowings carry interest at effective interest rates ranging from 2.75% to 4.51% (December 31, 2018: 2.75% to 4.35%) per annum.

14. SHARE CAPITAL AND OPTIONS

Common shares

(i) Authorized - Unlimited common shares without par value

(ii) Issued and outstanding

	Number of shares	Amount US$'000
Issued and fully paid:		
At January 1, 2018, December 31, 2018 and September 30, 2019	396,413,753	1,229,061

15. RELATED PARTY TRANSACTIONS

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

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

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

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

	September 30, 2019 %	December 31, 2018 %
CNG	39.3	39.3

15. RELATED PARTY TRANSACTIONS - continued

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

(i) Transactions/balances with CNG and its subsidiaries

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Gold doré sales by the Group	62,374	39,962	152,219	134,655
Copper and other product sales by the Group	14,083	38,029	68,247	116,468
Provision of transportation by the Group	285	636	758	1,187
Construction, stripping and mining service provided to the Group	1,428	3,804	6,902	10,625
Payment for office facilities by the Group	941	964	2,888	3,034
Interest income	6	69	13	108
Interest expenses	777	746	2,324	2,328

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

	September 30, 2019	December 31, 2018
	US$'000	US$'000
Assets		
Amounts due from related companies (note 8)	730	725
Cash and cash equivalents held by a CNG subsidiary	6,162	14,570
Prepaid expenses and deposits	94	53
Total amounts due from CNG and its subsidiaries	6,986	15,348

15. RELATED PARTY TRANSACTIONS - continued

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

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

	September 30, 2019 US$'000	December 31, 2018 US$'000
Liabilities		
Loans payable to a CNG subsidiary	49,485	50,997
Entrusted loan payable to CNG	28,277	29,140
Construction cost payables to CNG subsidiaries	25,297	25,500
Trade payable to CNG subsidiaries	691	3,556
Amount due to CNG	33	86
Contract liabilities with CNG's subsidiaries	1,707	3,263
Total amounts due to CNG's subsidiaries	105,490	112,542

The loans payable to a CNG subsidiary, which are included in borrowings, carry fixed interest rates of 4.51% (December 31, 2018: 4.13%) per annum and are unsecured and repayable within one year. With the exception of the entrusted loan payable to CNG and loans payable to a CNG's subsidiary, the amounts due to CNG and its subsidiaries which are included in other payables and construction costs payable, are non-interest bearing, unsecured and have no fixed terms of repayments.

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

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

(b) Compensation of key management personnel

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

	Three months ended September 30, 2019 US$'000	Three months ended September 30, 2018 US$'000	Nine months ended September 30, 2019 US$'000	Nine months ended September 30, 2018 US$'000
Salaries and other benefits	163	160	504	575
Post-employment benefits	3	8	15	23
	166	168	519	598

16. FINANCIAL INSTRUMENTS

As at September 30, 2019 and December 31, 2018, the Group's investments in equity securities include equity securities listed in Hong Kong and unlisted companies incorporated in the PRC.

Subsequent to initial recognition at fair value, investment in equity securities listed on the Stock Exchange is measured at fair value based on the quoted price (unadjusted) available on the Stock Exchange (Level 1 fair value measurement). As at September 30, 2019, investment in such equity securities is measured at fair value of US$14,038,000 (December 31, 2018: US$17,655,000) on a recurring basis. The Group's investment in listed equity securities represent investment in a company engaged in mining, processing and trading of nonferrous metals in the PRC.

As at September 30, 2019, the carrying amounts of US$565,000 (December 31, 2018: US$2,575,000) investment in unlisted companies incorporated in the PRC are approximately their fair values (Level 3 fair value measurement). The sales proceeds of US$2,023,000 (for the nine months ended September 30, 2018: nil) were received from the disposal of one of investment in unlisted company during the nine months ended September 30, 2019. The cumulative fair value change of US$564,000 from investment in unlisted company included in investment revaluation reserve has been transferred to retained profit at the date of disposal.

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation of the condensed consolidated financial statements.

18. EVENT AFTER THE REPORTING PERIOD

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